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## APPENDIX I

## ACCOUNTANTS’ REPORT

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*The following is the text of a report received from our Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

### **ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI CHICMAX COSMETIC CO., LTD., J.P. MORGAN SECURITIES (FAR EAST) LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CLSA CAPITAL MARKETS LIMITED**

#### **INTRODUCTION**

We report on the historical financial information of Shanghai Chicmax Cosmetic Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-100, which comprises 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 of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 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-100 forms an integral part of this report, which has been prepared for inclusion in this document of the Company dated [REDACTED], (the “[REDACTED]”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

#### **DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION**

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

#### **REPORTING ACCOUNTANTS’ 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.

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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 accountants’ judgement, 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 accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 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 accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Group are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor* of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 to the Historical Financial Information, respectively.

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**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE 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 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

*Certified Public Accountants*

Hong Kong

[REDACTED]

**I. HISTORICAL FINANCIAL INFORMATION**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (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.

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**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	<i>Notes</i>	<b>Year ended 31 December</b>			<b>Six months ended</b>	
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>30 June</b>	
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
Revenue	5	2,874,321	3,381,633	3,618,882	1,831,718	1,262,394
Cost of sales		(1,124,948)	(1,195,042)	(1,258,243)	(611,878)	(442,852)
<b>Gross profit</b>		<b>1,749,373</b>	<b>2,186,591</b>	<b>2,360,639</b>	<b>1,219,840</b>	<b>819,542</b>
Other income and gains	6	134,516	75,434	91,422	17,756	59,253
Selling and distribution expenses		(1,324,877)	(1,535,791)	(1,572,275)	(788,047)	(607,875)
Administrative expenses		(225,540)	(263,718)	(261,720)	(129,180)	(102,599)
Research and development costs		(82,894)	(77,378)	(104,749)	(49,759)	(51,925)
Impairment losses on financial assets, net	7	(34,789)	4,646	(6,303)	(2,951)	(739)
Other expenses	6	(81,462)	(71,522)	(77,807)	(50,862)	(27,111)
Finance costs	8	(81,885)	(40,498)	(20,934)	(13,154)	(9,794)
Share of profits and losses of associates		479	1,862	(149)	438	(385)
<b>Profit before tax</b>	7	<b>52,921</b>	<b>279,626</b>	<b>408,124</b>	<b>204,081</b>	<b>78,367</b>
Income tax credit/(expense)	11	6,477	(76,444)	(69,353)	(29,823)	(15,586)
<b>Profit for the year/period</b>		<b>59,398</b>	<b>203,182</b>	<b>338,771</b>	<b>174,258</b>	<b>62,781</b>
<b>Attributable to:</b>						
Owners of the parent		62,571	203,457	338,887	174,603	65,339
Non-controlling interests		(3,173)	(275)	(116)	(345)	(2,558)
		59,398	203,182	338,771	174,258	62,781
<b>Earnings per share attributable to ordinary equity holders of the parent</b>						
Basic and diluted						
- For profit for the year/period	13	<u>RMB0.17</u>	<u>RMB0.57</u>	<u>RMB0.94</u>	<u>RMB0.49</u>	<u>RMB0.18</u>

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
<b>Profit for the year/period</b>	<u>59,398</u>	<u>203,182</u>	<u>338,771</u>	<u>174,258</u>	<u>62,781</u>
<b>Other comprehensive income</b>					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>1,360</u>	<u>(746)</u>	<u>(8,264)</u>	<u>(4,257)</u>	<u>(6,745)</u>
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>	<u>1,360</u>	<u>(746)</u>	<u>(8,264)</u>	<u>(4,257)</u>	<u>(6,745)</u>
<b>Total comprehensive income for the year/period</b>	<u>60,758</u>	<u>202,436</u>	<u>330,507</u>	<u>170,001</u>	<u>56,036</u>
<b>Attributable to:</b>					
Owners of the parent	<u>63,931</u>	<u>202,711</u>	<u>330,623</u>	<u>170,346</u>	<u>58,594</u>
Non-controlling interests	<u>(3,173)</u>	<u>(275)</u>	<u>(116)</u>	<u>(345)</u>	<u>(2,558)</u>
	<u>60,758</u>	<u>202,436</u>	<u>330,507</u>	<u>170,001</u>	<u>56,036</u>

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at 31 December			As at 30 June
	Notes	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	14	520,601	662,520	636,428	613,411
Investment properties	15	–	–	10,523	9,904
Prepayments, other receivables and other assets	22	12,454	13,306	19,890	20,595
Right-of-use assets	16	211,668	178,673	161,662	150,523
Other intangible assets	17	23,159	20,051	18,226	19,047
Investments in associates	18	1,949	4,947	1,646	1,261
Deferred tax assets	19	198,302	150,027	103,078	99,565
Total non-current assets		968,133	1,029,524	951,453	914,306
<b>CURRENT ASSETS</b>					
Inventories	20	506,230	577,291	621,201	571,456
Trade and bills receivables	21	396,940	340,848	374,874	295,888
Prepayments, other receivables and other assets	22	246,549	121,990	181,827	198,920
Financial assets at fair value through profit or loss	23	–	–	–	29,000
Pledged deposits	24	33,652	440	–	11,500
Cash and cash equivalents	24	132,374	154,195	145,208	114,965
Assets classified as held for sale	25	39,960	–	–	–
Total current assets		1,355,705	1,194,764	1,323,110	1,221,729
<b>CURRENT LIABILITIES</b>					
Trade and bills payables	26	717,900	549,122	565,961	382,990
Other payables and accruals	27	599,465	500,204	413,249	434,748
Interest-bearing bank and other borrowings	28	348,892	270,962	59,970	265,820
Lease liabilities	16	33,583	20,790	21,896	24,387
Tax payable		17,416	28,872	39,053	36,170
Other liabilities	29	507,458	–	–	–
Total current liabilities		2,224,714	1,369,950	1,100,129	1,144,115
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(869,009)</b>	<b>(175,186)</b>	<b>222,981</b>	<b>77,614</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>99,124</b>	<b>854,338</b>	<b>1,174,434</b>	<b>991,920</b>

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	<i>Notes</i>	<b>As at 31 December</b>			<b>As at</b>
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>30 June</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2022</b>
				<i>RMB'000</i>	
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	16	105,342	87,808	73,080	60,370
Interest-bearing bank and other borrowings	28	158,486	164,544	130,089	95,089
Other payables	27	28,963	17,596	16,227	15,200
Total non-current liabilities		292,791	269,948	219,396	170,659
Net (liabilities)/assets		(193,667)	584,390	955,038	821,261
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	30	180,000	360,000	360,000	360,000
(Deficits)/reserves	32	(366,934)	218,951	589,979	450,900
		(186,934)	578,951	949,979	810,900
Non-controlling interests		(6,733)	5,439	5,059	10,361
Total equity		(193,667)	584,390	955,038	821,261



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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share-based Share capital RMB'000 (note 30)	Share payment reserve* RMB'000	Capital reserve* RMB'000 (note 32)	Statutory reserve funds* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000 (note 32)	Accumulated losses* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total deficits RMB'000
<b>At 1 January 2019</b>	180,000	91,447	16,160	8,123	898	(556,532)	(259,904)	(6,955)	(266,859)
Profit/(loss) for the year	-	-	-	-	-	62,571	62,571	(3,173)	59,398
Other comprehensive income for the year:									
Exchange differences related to foreign operations	-	-	-	-	1,360	-	1,360	-	1,360
<b>Total comprehensive income/(loss) for the year</b>	-	-	-	-	1,360	62,571	63,931	(3,173)	60,758
Capital contribution of minority shareholder	-	-	-	-	-	-	-	3,395	3,395
Equity-settled share-based compensation	-	9,039	-	-	-	-	9,039	-	9,039
Transfer from retained profits	-	-	-	7,714	-	(7,714)	-	-	-
<b>At 31 December 2019</b>	180,000	100,486	16,160	15,837	2,258	(501,675)	(186,934)	(6,733)	(193,667)

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		Attributable to owners of the parent							
	Share capital RMB'000 (note 30)	Share-based payment reserve* RMB'000	Capital reserve* RMB'000 (note 32)	Statutory reserve funds* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000 (note 32)	Accumulated losses* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
<b>At 1 January 2020</b>	180,000	100,486	16,160	15,837	2,258	(501,675)	(186,934)	(6,733)	(193,667)
Profit/(loss) for the year	-	-	-	-	-	203,457	203,457	(275)	203,182
Other comprehensive income for the year:									
Exchange differences related to foreign operations	-	-	-	-	(746)	-	(746)	-	(746)
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	-	(746)	203,457	202,711	(275)	202,436
Capital contribution of minority shareholder	-	-	-	-	-	-	-	6,532	6,532
Acquisition of non-controlling interests	-	-	(7,814)	-	-	-	(7,814)	5,915	(1,899)
Equity-settled share-based compensation	-	53,043	-	-	-	-	53,043	-	53,043
Deemed capital contribution from the shareholder (note 28)	-	-	517,945	-	-	-	517,945	-	517,945
Conversion into a joint stock Company	-	-	(225,577)	(15,837)	-	241,414	-	-	-
Transfer capital reserve into share capital (note 29)	180,000	-	(180,000)	-	-	-	-	-	-
Transfer from retained profits	-	-	-	11,844	-	(11,844)	-	-	-
<b>At 31 December 2020</b>	360,000	153,529	120,714	11,844	1,512	(68,648)	578,951	5,439	584,390

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		Attributable to owners of the parent							
	Share capital RMB'000 (note 30)	Share-based payment reserve* RMB'000	Capital reserve* RMB'000 (note 32)	Statutory reserve funds* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000 (note 32)	Retained profits* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
<b>At 1 January 2021</b>	360,000	153,529	120,714	11,844	1,512	(68,648)	578,951	5,439	584,390
Profit/(loss) for the year	-	-	-	-	-	338,887	338,887	(116)	338,771
Other comprehensive income for the year:									
Exchange differences related to foreign operations	-	-	-	-	(8,264)	-	(8,264)	-	(8,264)
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	-	(8,264)	338,887	330,623	(116)	330,507
Acquisition of non-controlling interests	-	-	(1,035)	-	-	-	(1,035)	(264)	(1,299)
Equity-settled share-based compensation	-	41,440	-	-	-	-	41,440	-	41,440
Transfer from retained profits	-	-	-	18,712	-	(18,712)	-	-	-
<b>At 31 December 2021</b>	360,000	194,969	119,679	30,556	(6,752)	251,527	949,979	5,059	955,038

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	Attributable to owners of the parent								
	Share capital RMB'000 (note 30)	Share-based payment reserve* RMB'000	Capital reserve* RMB'000 (note 32)	Statutory reserve funds* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000 (note 32)	Retained profits* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
(Unaudited)									
<b>At 1 January 2021</b>	360,000	153,529	120,714	11,844	1,512	(68,648)	578,951	5,439	584,390
Profit/(loss) for the period	-	-	-	-	-	174,603	174,603	(345)	174,258
Other comprehensive income for the period:									
Exchange differences related to foreign operations	-	-	-	-	(4,257)	-	(4,257)	-	(4,257)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(4,257)	174,603	170,346	(345)	170,001
Acquisition of non-controlling interests	-	-	(1,456)	-	-	-	(1,456)	1,056	(400)
Equity-settled share-based compensation	-	31,140	-	-	-	-	31,140	-	31,140
<b>At 30 June 2021</b>	360,000	184,669	119,258	11,844	(2,745)	105,955	778,981	6,150	785,131

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		Attributable to owners of the parent							
		Share-based	Capital	Statutory	Exchange	Retained	Total	Non-	Total
		payment	reserve*	reserve	fluctuation	profits*	RMB'000	controlling	equity
		reserve*	RMB'000	funds*	reserve*	RMB'000	RMB'000	interests	RMB'000
		RMB'000	(note 32)	(note 32)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 30)			(note 32)				
<b>At 1 January 2022</b>		360,000	119,679	30,556	(6,752)	251,527	949,979	5,059	955,038
Profit/(loss) for the period		-	-	-	-	65,339	65,339	(2,558)	62,781
Other comprehensive income for the period:									
Exchange differences related to foreign operations		-	-	-	(6,745)	-	(6,745)	-	(6,745)
<b>Total comprehensive (loss)/income for the period</b>		-	-	-	(6,745)	65,339	58,594	(2,558)	56,036
Contribution from non-controlling shareholders		-	-	-	-	-	-	7,860	7,860
Dividend declared		-	-	-	-	(200,000)	(200,000)	-	(200,000)
Equity-settled share-based compensation		-	2,327	-	-	-	2,327	-	2,327
<b>At 30 June 2022</b>		360,000	119,679	30,556	(13,497)	116,866	810,900	10,361	821,261

\* These reserve accounts comprise the consolidated reserves of RMB(366,934,000), RMB218,951,000, RMB589,979,000, RMB418,981,000 and RMB450,900,000 in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2021 and 2022, respectively.

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<i>Notes</i>	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>						
Profit before tax		52,921	279,626	408,124	204,081	78,367
Adjustments for:						
Finance costs	8	81,885	40,498	20,934	13,154	9,794
Inventory impairment and scrap		57,847	33,189	66,861	46,357	21,478
Impairment/(reversal of impairment) of trade and other receivables		30,829	(5,643)	6,303	2,951	739
Share of profits and losses of associates		(479)	(1,862)	149	(438)	385
Interest income	6	(1,944)	(2,125)	(460)	(237)	(295)
Depreciation of investment properties		–	–	516	–	619
Depreciation of property, plant and equipment	7	38,178	48,288	61,240	25,799	34,267
Depreciation of right-of-use assets	7	40,954	32,768	24,112	11,948	13,169
Amortisation of intangible assets	7	2,875	2,766	2,227	1,598	1,484
Loss/(gain) on disposal of items of property, plant and equipment	7	2,573	(918)	(1,651)	62	488
Loss on disposal of other intangible assets		–	–	23	–	–
Gain on disposal of items of right-of-use assets		(17)	(618)	(62)	(59)	(1)
Gain on disposal of assets held for sale		–	(1,074)	–	–	–
(Gain)/loss on disposal of subsidiaries	7	(67,472)	654	–	–	–
Loss/(gain) on disposal of associates		–	–	351	(660)	–
Fair value gain on financial assets at fair value through profit or loss		–	–	(162)	–	(66)
Equity-settled share-based compensation expense	7	9,039	53,043	41,440	31,140	2,327
		247,189	478,592	629,945	335,696	162,755
(Increase)/decrease in inventories		(25,345)	(104,250)	(110,771)	(78,411)	28,267
Decrease/(increase) in trade and bills receivables		75,927	59,584	(38,778)	(25,700)	79,883
Decrease/(increase) in prepayments, other receivables and other assets		21,897	(28,314)	(63,669)	(58,159)	(2,366)
Increase/(decrease) in amount due to related parties		514	1,299	(1,812)	–	–

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	Year ended 31 December			Six months ended 30 June		
	Notes	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
(Increase)/decrease in amount due from related parties		(3,038)	(37,354)	(168)	10	–
Decrease/(increase) in pledged deposits		16,727	33,212	440	(1,155)	(11,500)
(Decrease)/increase in trade and bills payables		(25,847)	(168,778)	16,839	103,100	(182,971)
(Decrease)/increase in other payables and accruals		(227,648)	46,571	(85,308)	(90,915)	(115,808)
Cash generated from/(used in) operations		80,376	280,562	346,718	184,466	(41,740)
Interest received		1,944	2,125	460	237	295
Income tax paid		(4,964)	(16,713)	(11,985)	(10,622)	(33,113)
Net cash flows generated from/(used in) operating activities		<u>77,356</u>	<u>265,974</u>	<u>335,193</u>	<u>174,081</u>	<u>(74,558)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>						
Purchases of items of property, plant and equipment		(160,717)	(139,809)	(63,124)	(41,109)	(31,613)
Proceeds from disposal of items of property, plant and equipment		1,285	931	4,800	362	503
Additions to other intangible assets		(4,307)	(1,604)	(2,607)	(2,578)	(2,305)
Proceeds from disposal of items of other intangible assets		125	1,946	2,182	–	–
Proceeds from disposal of assets held for sale		–	31,438	–	–	–
Proceeds from disposal of associates		–	693	700	300	–
Proceeds from disposal of subsidiaries	33	80,474	2,654	–	–	–
Dividend received from associates		–	–	2,101	1,844	–
Purchase of financial assets at fair value through profit or loss		–	–	(29,000)	(10,000)	(37,000)
Proceeds from disposal of financial assets at fair value through profit or loss		–	–	29,172	–	8,066
Loans to related parties		(1,930)	(81,170)	–	–	–
Repayment from related parties		15,067	175,949	490	490	–
Interest received		–	4,725	–	–	–
Investments in associates		(1,470)	(2,698)	–	–	–
Net cash flows used in investing activities		<u>(71,473)</u>	<u>(6,945)</u>	<u>(55,286)</u>	<u>(50,691)</u>	<u>(62,349)</u>

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	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2019 <i>RMB’000</i>	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>						
Proceeds from bank loans		657,063	472,914	40,300	10,000	215,820
Repayment of bank loans		(575,794)	(542,605)	(285,447)	(150,320)	(44,970)
Proceeds from related party loans		41,800	–	–	–	–
Repayment to related party loans		(1,655)	(103,755)	–	–	–
Capital contribution from non-controlling interests		3,395	6,533	–	–	7,860
Purchases of non-controlling interests		–	–	(1,299)	–	–
Principal portion of lease payments		(33,568)	(29,482)	(28,344)	(10,381)	(12,248)
Dividend paid		–	–	–	–	(50,177)
Interest paid		(31,144)	(43,537)	(14,765)	(13,154)	(9,794)
Net cash flows generated from/(used in) financing activities		<u>60,097</u>	<u>(239,932)</u>	<u>(289,555)</u>	<u>(163,855)</u>	<u>106,491</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
		<u>65,980</u>	<u>19,097</u>	<u>(9,648)</u>	<u>(40,465)</u>	<u>(30,416)</u>
Cash and cash equivalents at beginning of year/period		60,831	132,374	154,195	154,195	145,208
Effect of foreign exchange rate changes, net		<u>5,563</u>	<u>2,724</u>	<u>661</u>	<u>(249)</u>	<u>173</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>						
	24	<u><u>132,374</u></u>	<u><u>154,195</u></u>	<u><u>145,208</u></u>	<u><u>113,481</u></u>	<u><u>114,965</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>						
Cash and cash equivalents as stated in the consolidated statements of financial position and statements of cash flows		<u><u>132,374</u></u>	<u><u>154,195</u></u>	<u><u>145,208</u></u>	<u><u>113,481</u></u>	<u><u>114,965</u></u>



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**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

	Notes	As at 31 December			As at
		2019	2020	2021	30 June
		RMB’000	RMB’000	RMB’000	2022
					RMB’000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	14	6,909	8,109	19,459	16,139
Prepayments, other receivables and other assets	22	3,342	4,785	6,918	10,071
Right-of-use assets	16	46,018	37,518	29,966	26,358
Other intangible assets	17	17,745	15,892	15,307	16,238
Investments in subsidiaries		500,546	425,166	510,716	526,016
Deferred tax assets	19	40,967	47,788	25,839	29,371
Total non-current assets		615,527	539,258	608,205	624,193
<b>CURRENT ASSETS</b>					
Inventories	20	138,559	46,630	1,474	4,712
Trade and bills receivables	21	529,725	430,332	660,330	568,226
Prepayments, other receivables and other assets	22	618,488	208,193	173,015	113,733
Pledged deposits	24	31,426	–	–	11,500
Cash and cash equivalents	24	1,908	32,391	50,229	2,999
Total current assets		1,320,106	717,546	885,048	701,170
<b>CURRENT LIABILITIES</b>					
Trade and bills payables	26	584,709	117,752	232,906	14,319
Other payables and accruals	27	405,761	142,342	120,237	237,453
Interest-bearing bank and other borrowings	28	195,000	85,104	–	150,500
Lease liabilities	16	7,630	6,974	7,385	7,608
Tax payable		–	7,211	14,133	14,078
Total current liabilities		1,193,100	359,383	374,661	423,958
<b>NET CURRENT ASSETS</b>		127,006	358,163	510,387	277,212
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		742,533	897,421	1,118,592	901,405
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	16	39,498	32,524	25,139	21,275
Other liabilities	29	507,458	–	–	–
Total non-current liabilities		546,956	32,524	25,139	21,275
<b>NET ASSETS</b>		195,577	864,897	1,093,453	880,130
<b>EQUITY</b>					
Share capital	30	180,000	360,000	360,000	360,000
Reserves	32	15,577	504,897	733,453	520,130
Total equity		195,577	864,897	1,093,453	880,130

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### II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION

The Company is a limited company incorporated in the People’s Republic of China on 11 June 2004. The registered office is located at Room 701, No. 515 Yinxiang Road, Nanxiang Town, Jiading District, Shanghai, Mainland China. The Company was restructured from a limited company to a joint-stock company on 15 December 2020.

During the Relevant Periods, the Group was principally involved in the following activities: research and development, production and sales of cosmetics.

#### Information about subsidiaries

The Company and its subsidiaries now comprising the Group are controlled by Mr. Lyu Yixiong.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of the Company’s material subsidiaries are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Shumei Cosmetic Co., Ltd. (“上海束美化妝品有限公 司”) (iii)	PRC/Mainland China 08 September 2009	RMB10,000,000	100%	–	Sales of cosmetics
Shanghai Zhongyi Daily Chemical Co., Ltd. (“上海中翊日化有限公 司”) (i)	PRC/Mainland China 05 August 2010	RMB260,000,000	100%	–	Production of cosmetics
Suzhou Industrial Park Lizi Cosmetic Co., Ltd. (“蘇州工業園區黎姿化 妝品有限公司”) (iii)	PRC/Mainland China 23 April 2004	RMB42,000,000	100%	–	Production of cosmetics
Shanghai Baby Elephant Cosmetic Co., Ltd. (“上海紅色小象化妝品有 限公司”) (iii)	PRC/Mainland China 28 December 2015	RMB10,000,000	100%	–	Sales of cosmetics
Shanghai Kans Cosmetic Sales Service Co., Ltd. (“上海韓束化妝品銷售服 務有限公司”) (iii)	PRC/Mainland China 29 June 2016	RMB5,000,000	100%	–	Sales of cosmetics
Shanghai Cosmetea Cosmetics Co., Ltd. (“上海珂思美媞化妝品有 限公司”) (iii)	PRC/Mainland China 08 July 2016	RMB5,000,000	100%	–	Sales of cosmetics
Nippon Hondo Co., Ltd. (“日本紅道株式會社”) (iii)	Japan 30 July 2015	JPY62,000,000	–	100%	Sales of cosmetics

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Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nippon Shuichi Cosmetics Co., Ltd. (“日本秀一化妝品株式會社”) (iii)	Japan 04 July 2017	JPY80,000,000	–	100%	Production of cosmetics
Hondo Co., Ltd. (“紅道有限公司”) (iii)	Republic of Korea 09 November 2015	KRW3,780,000,000	–	100%	Sales of cosmetics
Shanghai Hongdao Cosmetic Co., Ltd. (“上海紅道化妝品有限公司”) (iii)	PRC/Mainland China 02 February 2018	RMB5,000,000	100%	–	Sales of cosmetics
Shanghai One Leaf Cosmetic Co., Ltd. (“上海一葉子化妝品有限公司”) (iii)	PRC/Mainland China 09 September 2014	RMB10,000,000	100%	–	Sales of cosmetics
Shanghai HiFace Cosmetic Co., Ltd. (“上海赫妃拉化妝品有限公司”) (iii)	PRC/Mainland China 28 December 2017	RMB5,000,000	100%	–	Sales of cosmetics
Shanghai Huami Supply Chain Management Co., Ltd. (“上海花迷供應鏈管理有限公司”) (iii)	PRC/Mainland China 09 January 2019	RMB1,000,000	–	100%	Supply chain management
Shanghai Baby Elephant Cosmetic Sales Service Co., Ltd. (“上海紅色小象化妝品銷售服務有限公司”) (ii)	PRC/Mainland China 12 June 2018	RMB10,000,000	100%	–	Sales of cosmetics
Shanghai Asnami Cosmetics Co., Ltd. (“上海安彌兒化妝品有限公司”) (ii)	PRC/Mainland China 15 May 2019	RMB10,000,000	–	100%	Sales of cosmetics
Shanghai KPC Biotechnology Co., Ltd. (“上海昆藥生物科技有限公司”) (iii)	PRC/Mainland China 11 August 2020	RMB20,000,000	51%	–	Sales of cosmetics

\* The English names of the companies registered in the People’s Republic of China (the “PRC”) represent the best efforts of management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Relevant Periods or formed a substantial portion of the net assets of the Group.

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### Notes:

- (i) The statutory financial statements of these companies for the year ended 31 December 2019 and 2020 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by Shanghai Xuanhe Certified Public Accountants LLP.

The statutory financial statements of these companies for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by Shanghai Zirong Certified Public Accountants LLP.

- (ii) The statutory financial statements of these companies for the year ended 31 December 2019 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by Reanda Certified Public Accountants LLP.

The statutory financial statements of these companies for the year ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by Shanghai Zirong Certified Public Accountants LLP.

- (iii) No statutory financial statements have been prepared for these entities for the years ended 31 December 2019, 2020 and 2021.

### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), which comprise all standards and interpretations approved by the IASB.

All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 25.

### 2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
IFRS 17	<i>Insurance Contracts<sup>1</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>1,3</sup></i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information<sup>1</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>1</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>

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

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the amendments to IFRS 17, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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The Group is in the process of making an assessment of the impact of these new or revised IFRSs upon initial application. Up to now, the Group considers that these standards will not have a significant impact on the Group’s financial performance and financial position.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Investments in associates**

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

The Group’s share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group’s investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group’s investments in associates.

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### **Fair value measurement**

The Group measures its debt investments at fair value through other comprehensive income at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

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### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Annual rates
Buildings	4.75%
Plant and machinery	9.50% – 47.50%
Motor vehicles	23.75% – 47.50%
Furniture, fixtures and equipment	19.00% – 47.50%
Leasehold improvements	19.00% – 47.50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

The Group measures its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives in 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers among investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.



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### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Categories	Estimated useful lives
Software	3-10 years, considering the software technology updates in the market and the development stage of the Group
Others, mainly include vehicle license plate	2-10 years, vehicle license plate is amortised on a straight-line basis over the useful life of 10 years, based on the Group's minimal planned years of usage

### Research and development costs

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

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

### Leases

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

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Category	Estimated useful lives
Land use right	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

### ***Group as a lessor***

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

### **Investments and other financial assets**

#### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

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In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### ***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has not increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade payables, other payables, interest-bearing bank and other borrowings and other liabilities.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at amortised cost (other payables, interest-bearing bank and other borrowings and other liabilities)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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### Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

### **Revenue recognition**

#### ***Revenue from contracts with customers***

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

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 or services 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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

#### ***(a) Sale of goods***

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or upon the confirmation by the customer.



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### Rights of return

For contracts which provide a customer with a right to 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 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 refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

### *(b) Transportation services*

The Group provides transportation services between its warehouses and its customers. The Group recognises transportation services revenue over time as customers receive the benefit of the services as the goods are transported from one location to another. As such, transportation service revenue is recognised proportionally as goods move from one location to another and the related costs are recognised as incurred. The Group uses an output method of progress based on time-in-transit as it best depicts the transfer of control to the customer.

### **Other income**

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders’ right to receive the payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

### **Contract liabilities**

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

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 4.75% and 5.39% has been applied to the expenditure on the individual assets.

### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

### **Share-based payments**

The Company operates certain incentive shares schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).



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The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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The functional currencies of certain overseas subsidiaries and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

### **Employee benefits**

#### *Social pension plans*

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

#### *Housing fund and other social insurances*

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Estimation uncertainty**

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

#### *Variable consideration for returns and rebates*

The Group estimates variable consideration to be included in the transaction price for the sale of products with rights of return and rebates.

The Group developed a statistical model for forecasting sales returns and rebates. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group’s expected rebates are analysed on a per customer basis for contracts that are subject to some thresholds. Determining whether a customer will likely be entitled to a rebate depends on the customer’s historical rebate entitlement, sell out and payment collection to date.

The Group updates its assessment of expected returns and rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and rebates are sensitive to changes in circumstances and the Group’s past experience regarding returns and rebate entitlements may not be representative of customers’ actual returns and rebate entitlements in the future. As at 31 December 2019, 2020, 2021 and June 30 2022, the amounts recognised as refund liabilities were RMB32,806,000, RMB14,068,000, RMB29,604,000 and RMB6,279,000 respectively, and the amounts recognised as rebates were RMB72,317,000, RMB47,884,000, RMB27,100,000 and RMB22,203,000 respectively.

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### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### *Provision for expected credit losses on trade and bills receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 21.

### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the Historical Financial Information.

### *Provision for slow-moving inventories and net realisable value of inventories*

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. A write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the write-down amount requires management’s estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed.

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**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of cosmetic products.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

**Geographical information**

*(a) Revenue from external customers*

	Year ended 31 December			Six months ended 30 June	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
Mainland China	2,865,524	3,368,271	3,587,706	1,818,697	1,253,682
Other countries/regions	8,797	13,362	31,176	13,021	8,712
	<u>2,874,321</u>	<u>3,381,633</u>	<u>3,618,882</u>	<u>1,831,718</u>	<u>1,262,394</u>

The revenue information above is based on the locations of the customers.

*(b) Non-current assets*

	As at 31 December			As at 30 June
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000
Mainland China	688,829	803,759	787,081	761,169
Japan	79,676	74,481	61,864	53,572
Others	1,326	1,257	–	–
	<u>769,831</u>	<u>879,497</u>	<u>848,945</u>	<u>814,741</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

**Information about major customers**

Revenue of approximately RMB494,185,000, RMB363,518,000, RMB417,397,000 RMB221,746,000 and RMB173,919,000 were derived from sales to a single customer during the year ended 31 December 2019, 2020 and 2021, and the six months ended 30 June, 2021 and 2022, respectively, accounting for approximately 17.2%, 10.7%, 11.5%, 12.1% and 13.8% of the total revenue for the respective periods. Other than this entity, the Group has a large number of customers, and none of the sales to whom accounted for 10.00% or more of the Group’s revenue during the Relevant Periods.

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**5. REVENUE**

An analysis of the Group’s revenue is as follows:

	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
<b>Revenue from contracts with customers</b>					
Sales of goods	2,858,983	3,369,138	3,606,750	1,825,450	1,258,732
Transportation services	15,338	12,495	12,132	6,268	3,662
	<u>2,874,321</u>	<u>3,381,633</u>	<u>3,618,882</u>	<u>1,831,718</u>	<u>1,262,394</u>

**(a) Disaggregated revenue information**

	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
<b>Types of goods or services</b>					
Sales of goods	2,858,983	3,369,138	3,606,750	1,825,450	1,258,732
Transportation services	15,338	12,495	12,132	6,268	3,662
	<u>2,874,321</u>	<u>3,381,633</u>	<u>3,618,882</u>	<u>1,831,718</u>	<u>1,262,394</u>

**Timing of revenue recognition**

	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Goods transferred at a point in time	2,858,983	3,369,138	3,606,750	1,825,450	1,258,732
Services transferred over time	15,338	12,495	12,132	6,268	3,662
	<u>2,874,321</u>	<u>3,381,633</u>	<u>3,618,882</u>	<u>1,831,718</u>	<u>1,262,394</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>					
Sale of goods	114,641	182,309	128,937	128,937	81,120
	<u>114,641</u>	<u>182,309</u>	<u>128,937</u>	<u>128,937</u>	<u>81,120</u>

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**(b) Performance obligations**

Information about the Group’s performance obligations is summarised below:

***Sale of goods***

The performance obligation is satisfied upon receipt of the goods by customers or delivery of goods, and the payment period is generally uncertain, except for certain major customers where payment is due within 60 to 90 days from receipt.

***Transportation services***

The performance obligation is satisfied over time as services are rendered. Transportation services are for periods of within one month, and are billed based on the time incurred.

As of the end of each of the Relevant Periods, the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are immaterial and all the amounts are expected to be recognised as revenue within one year.

**6. OTHER INCOME AND GAINS AND OTHER EXPENSES**

	<i>Notes</i>	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
<b>Other income</b>						
Government grants	<i>(a) (b)</i>	60,299	64,521	77,494	11,838	38,738
Bank interest income		416	498	460	237	295
Interest income from related parties		1,528	1,627	–	–	–
Others		2,907	3,016	5,840	2,071	4,994
		<u>65,150</u>	<u>69,662</u>	<u>83,794</u>	<u>14,146</u>	<u>44,027</u>
<b>Gains</b>						
Gain on disposal of a subsidiary	<i>33</i>	67,472	–	–	–	–
Gain on disposal of property, plant and equipment		–	918	2,326	50	–
Gain on write-off of outstanding payables		1,461	3,834	2,902	2,519	127
Others		433	1,020	2,400	1,041	15,099
		<u>69,366</u>	<u>5,772</u>	<u>7,628</u>	<u>3,610</u>	<u>15,226</u>
		<u>134,516</u>	<u>75,434</u>	<u>91,422</u>	<u>17,756</u>	<u>59,253</u>
<b>Other expenses</b>						
Inventory impairment and scrap		69,756	57,761	66,861	46,357	21,478
Foreign exchange loss		3,362	5,106	5,152	3,551	2,358
Others		8,344	8,655	5,794	954	3,275
		<u>81,462</u>	<u>71,522</u>	<u>77,807</u>	<u>50,862</u>	<u>27,111</u>

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- (a) The government grants related to income have been received to reward for the contribution to the local economic growth. These grants related to income are recognised in the statement of profit or loss upon receipt of these rewards. There are no unfulfilled conditions or contingencies relating to these grants.
- (b) The Group has received certain government grants related to the investments in long-term assets in production bases. The grants related to assets were recognised in the statement of profit or loss over the useful lives of relevant assets. There are no unfulfilled conditions or contingencies relating to these grants.

**7. PROFIT BEFORE TAX**

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

	Notes	Year ended 31 December			Six months ended 30 June	
		2019 RMB’000	2020 RMB’000	2021 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
Cost of inventories sold*		1,124,948	1,195,042	1,258,243	611,878	442,852
Depreciation of property, plant and equipment	14	38,178	48,288	61,240	25,799	34,267
Depreciation of right-of-use assets	16	40,954	32,768	24,112	11,948	13,169
Amortisation of intangible assets	17	2,875	2,766	2,227	1,598	1,484
Wages and salaries		413,626	348,203	418,537	218,797	150,730
Pension scheme contributions, social welfare and other welfare		87,739	50,141	111,937	56,775	54,726
Share-based compensation expense		9,039	53,043	41,440	31,140	2,327
Foreign exchange differences	6	3,362	5,106	5,152	3,551	2,358
Marketing and promotion expenses		803,121	1,069,646	1,034,045	509,564	407,633
Inventory impairment and scrap	6	69,756	57,761	66,861	46,357	21,478
Interest expense	8	81,885	40,498	20,934	13,154	9,794
Impairment losses on financial assets, net		34,789	(4,646)	6,303	2,951	739
Loss/(gain) on disposal of items of property, plant, and equipment		2,573	(918)	(1,651)	62	488
(Gain)/loss on disposal of subsidiaries	6	(67,472)	654	–	–	–
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

\* Cost of inventories sold include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and employee benefit expense, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

Expenses included in the cost of inventories sold:						
Depreciation of property, plant and equipment		23,394	32,192	39,600	19,155	22,433
Depreciation of right-of-use assets		6,458	3,874	1,512	754	525
Employee benefit expense		34,476	22,422	34,037	14,413	12,040
Delivery expenses		21,284	18,704	22,588	10,744	6,810

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### 8. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	Year ended 31 December			Six months ended 30 June	
		2019 RMB’000	2020 RMB’000	2021 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
Interest on bank and other borrowings		29,949	28,611	14,765	9,950	7,028
Interest on other liabilities	29	45,932	8,737	–	–	–
Interest on lease liabilities	16	9,060	7,330	6,169	3,204	2,766
		84,941	44,678	20,934	13,154	9,794
Less: Interest capitalised		(3,056)	(4,180)	–	–	–
		81,885	40,498	20,934	13,154	9,794

### 9. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Details of the emoluments paid or payable to the directors and the chief executive of the Company for the services provided to the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
Fees	–	–	39	–	225
Other emoluments:					
Salaries, allowances and benefits in kind	8,052	5,705	5,519	2,384	1,182
Pension scheme contributions	834	513	605	290	384
Performance-related bonuses	336	500	333	333	629
Share-based payment	3,847	47,383	9,753	9,753	–
	13,069	54,101	16,249	12,760	2,420

#### (a) Independent non-executive directors

	Notes	Year ended 31 December 2021					Total RMB’000
		Fees RMB’000	Salaries, allowances and benefits in kind RMB’000	Pension scheme contributions RMB’000	Performance- related bonuses RMB’000	Share-based payment RMB’000	
Independent non-executive directors:							
Mr. Liu Yi	(i)	13	–	–	–	–	13
Ms. Luo Yan (羅妍)	(i)	13	–	–	–	–	13
Mr. Leung Ho Sun	(i)	13	–	–	–	–	13
		39	–	–	–	–	39



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There were no fees and other emoluments payable to the independent non-executive directors during the six months ended 30 June 2021.

Six months ended 30 June 2022						
Notes	Fees RMB’000	Salaries, allowances and benefits in kind RMB’000	Pension scheme contributions RMB’000	Performance- related bonuses RMB’000	Share-based payment RMB’000	Total RMB’000
Independent non-executive directors:						
Mr. Liu Yi (i)	75	-	-	-	-	75
Ms. Luo Yan (羅妍) (i)	75	-	-	-	-	75
Mr. Leung Ho Sun (i)	75	-	-	-	-	75
	<u>225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225</u>

Notes:

(i) Mr. Liu Yi, Ms. Luo Yan (羅妍) and Mr. Leung Ho Sun were appointed as independent non-executive directors on 21 December 2021.

(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2019					
Note	Salaries, allowances and benefits in kind RMB’000	Pension scheme contributions RMB’000	Performance- related bonuses RMB’000	Share-based payment RMB’000	Total RMB’000
Chief executive and executive director:					
Mr. Lyu Yixiong	600	101	-	-	701
Executive directors:					
Ms. Bao Yanyue	1,871	127	-	390	2,388
Ms. Guo Wenjing	1,251	101	112	-	1,464
Ms. Luo Yan (羅燕)	1,223	101	42	1,573	2,939
Mr. Jiao Hanwei (i)	920	-	-	1,573	2,493
Ms. Song Yang	579	101	44	-	724
Ms. Zhou Qianjing	552	101	48	-	701
Mr. Weng Dehua	552	101	48	311	1,012
Mr. Feng Yifeng	504	101	42	-	647
Non-executive directors:					
Mr. Zeng Zhijie	-	-	-	-	-
Mr. Jin Ming	-	-	-	-	-
	<u>8,052</u>	<u>834</u>	<u>336</u>	<u>3,847</u>	<u>13,069</u>

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Year ended 31 December 2020					
Notes	Salaries, allowances and benefits in kind RMB’000	Pension scheme contributions RMB’000	Performance- related bonuses RMB’000	Share-based payment RMB’000	Total RMB’000
Chief executive and executive director:					
Mr. Lyu Yixiong	575	86	–	–	661
Executive directors:					
Ms. Luo Yan (羅燕)	1,801	86	42	472	2,401
Ms. Guo Wenjing	1,221	55	116	–	1,392
Ms. Song Yang	765	86	44	15,606	16,501
Mr. Weng Dehua (ii)	529	91	48	93	761
Mr. Feng Yifeng	483	55	250	15,606	16,394
Ms. Bao Yanyue (iii)	216	35	–	–	251
Ms. Zhou Qianjing (iii)	115	19	–	15,606	15,740
Non-executive directors:					
Mr. Zeng Zhijie (iv)	–	–	–	–	–
Mr. Jin Ming	–	–	–	–	–
Ms. Li Hanqiong (v)	–	–	–	–	–
	<u>5,705</u>	<u>513</u>	<u>500</u>	<u>47,383</u>	<u>54,101</u>
Year ended 31 December 2021					
Note	Salaries, allowances and benefits in kind RMB’000	Pension scheme contributions RMB’000	Performance- related bonuses RMB’000	Share-based payment RMB’000	Total RMB’000
Chief executive and executive director:					
Mr. Lyu Yixiong	600	121	38	–	759
Executive directors:					
Ms. Luo Yan (羅燕)	1,622	121	72	–	1,815
Ms. Guo Wenjing (vi)	1,284	121	80	9,753	11,238
Ms. Song Yang	1,196	121	85	–	1,402
Mr. Feng Yifeng	817	121	58	–	996
Non-executive directors:					
Mr. Jin Ming	–	–	–	–	–
Ms. Li Hanqiong	–	–	–	–	–
	<u>5,519</u>	<u>605</u>	<u>333</u>	<u>9,753</u>	<u>16,210</u>

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Six months ended 30 June 2021					
	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Performance- related bonuses <i>RMB'000</i>	Share-based payment <i>RMB'000</i>	Total <i>RMB'000</i>
<i>(Unaudited)</i>					
Chief executive and executive director:					
Mr. Lyu Yixiong	299	58	38	–	395
Executive directors:					
Ms. Luo Yan (羅燕)	579	58	72	–	709
Ms. Guo Wenjing	642	58	80	9,753	10,533
Ms. Song Yang	613	58	85	–	756
Mr. Feng Yifeng	251	58	58	–	367
Non-executive directors:					
Mr. Jin Ming	–	–	–	–	–
Ms. Li Hanqiong	–	–	–	–	–
	2,384	290	333	9,753	12,760

Six months ended 30 June 2022					
	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Performance- related bonuses <i>RMB'000</i>	Share-based payment <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Note</i>					
Chief executive and executive director:					
Mr. Lyu Yixiong	242	96	–	–	338
Executive directors:					
Ms. Luo Yan (羅燕)	498	96	42	–	636
Ms. Song Yang	244	96	232	–	572
Mr. Feng Yifeng	198	96	355	–	649
Non-executive directors:					
Mr. Jin Ming	–	–	–	–	–
Ms. Li Hanqiong	–	–	–	–	–
	1,182	384	629	–	2,195

The non-executive directors waived or agreed to waive any remuneration during the Relevant Periods.

Notes:

- (i) Mr. Jiao Hanwei was appointed on 21 April 2015 and resigned on 18 April 2019.
- (ii) Mr. Weng Dehua was appointed on 21 April 2015 and resigned on 28 June 2020.

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- (iii) Ms. Bao Yanyue and Ms. Zhou Qianjing were appointed on 19 April 2019 and resigned on 23 March 2020.
- (iv) Mr. Zeng Zhijie was appointed on 21 April 2015 and resigned on 9 October 2020.
- (v) Ms. Li Hanqiong was appointed on 23 December 2020.
- (vi) Ms. Guo Wenjing was appointed on 1 January 2018 and resigned on 2 December 2021.
- (vii) Mr. Jin Ming was appointed on 7 December 2016 and resigned on 10 September 2022 due to personal reason.

There were no disagreement or dispute between the resigned directors with the Board in connection with their resignation.

**10. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 included three, four, one, one and two directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remaining two, one, four, four and three highest paid employees who are not the directors of the Group during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2022 <i>RMB'000</i>
Salaries, allowances and benefits in kind	2,536	1,980	2,886	1,479	1,019
Pension scheme contributions	253	127	474	232	288
Performance-related bonuses	42	–	113	88	308
Share-based payment	885	–	16,236	12,959	884
	<u>3,716</u>	<u>2,107</u>	<u>19,709</u>	<u>14,758</u>	<u>2,499</u>

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

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021 <i>(Unaudited)</i>	2022
Nil to HK\$1,000,000	–	–	–	–	2
HK\$1,000,000 to HK\$1,500,001	–	–	3	3	1
HK\$1,500,001 to HK\$2,000,000	1	1	1	1	–
Above HK\$2,000,000	1	–	–	–	–
	<u>2</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>3</u>

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**11. INCOME TAX (CREDIT)/EXPENSE**

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Current – PRC	21,981	26,549	21,028	29,718	9,391
Current – other jurisdictions	981	1,620	1,376	207	2,682
Deferred tax	(29,439)	48,275	46,949	(102)	3,513
Total tax (credit)/charge for the year/period	<u>(6,477)</u>	<u>76,444</u>	<u>69,353</u>	<u>29,823</u>	<u>15,586</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

**PRC Corporate Income Tax**

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless those are subject to tax exemption set out below.

Shanghai Zhongyi Daily Chemical Co., Ltd. was accredited as an “Advanced Technology Enterprise” in 2018 and 2021, and therefore Shanghai Zhongyi Daily Chemical Co., Ltd. was entitled to a preferential EIT rate of 15% for the Relevant Periods. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

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 Relevant Periods.

**Hong Kong profits tax**

The statutory rate of Hong Kong profits tax was 16.5% for the Relevant Periods on the estimated assessable profits arising in Hong Kong.

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**Income Tax of Other Jurisdictions**

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

A reconciliation of the tax (credit)/expense applicable to profit before tax at the statutory rate applicable in Mainland China to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Profit before income tax	52,921	279,626	408,124	204,081	78,367
Tax at the PRC					
corporate income tax rate of 25%	13,230	69,907	102,031	51,020	19,592
Effect of different tax rates of some subsidiaries	(20,472)	(6,709)	(16,636)	(18,482)	(1,299)
Expenses not deductible for tax	15,616	14,383	12,563	6,716	4,502
Tax losses utilised from previous periods	(1,236)	–	(17,298)	(4,677)	(874)
Tax losses not recognised	6,557	5,960	1,158	735	253
Profits and losses attributable to associates	(120)	(465)	37	(110)	96
Income not subject to tax (i)	(12,675)	–	–	–	–
Additional deductible allowance for research and development expenses (ii)	(7,377)	(6,632)	(12,502)	(5,379)	(6,684)
Total tax (credit)/charge for the year/period	<u>(6,477)</u>	<u>76,444</u>	<u>69,353</u>	<u>29,823</u>	<u>15,586</u>

*Notes:*

- (i) The Company disposed a subsidiary (note 33), Shanghai Biyoulan Cosmetic Co., Ltd (上海必優蘭日化有限公司), which was previous acquired under common control with initial investment costs in book value of RMB25,178,000 (the “Investment Costs”) to an independent third party at a consideration of RMB80,477,000 (the “Consideration”). A disposal gain of RMB67,472,000 was recognised to reflect the differences between the Consideration and the Investment Costs, together the accumulated post acquisition losses of RMB12,173,000. Among the gain of RMB67,472,000, RMB18,977,000 (to be the difference between the Consideration and the initial purchase price of RMB61,500,000) was taxable income pursuant to local tax regulations, and the remaining disposal gain of RMB48,495,000 was not subject to tax.
- (ii) Qualified advanced technology enterprise can enjoy super deduction for eligible research and development expenses for EIT purpose. During the year ended 31 December 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, the applicable super deduction rate were 175%, 175% 200%, 200%, and 200% respectively.

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12. DIVIDENDS

At shareholder’s general meeting held on 2 April 2022, the Company declared cash dividend of RMB200 million to all shareholders.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 360,000,000 in issue during the Relevant Periods. When calculate the weighted average number of ordinary shares during the year ended 31 December 2019 and 2020, the additional 180,000,000 shares issued through conversion of capital reserve (note 30) were deemed to be issued as at 1 January 2019.

The Group had no potentially dilutive shares in issue during the Relevant Periods.

The calculation of basic earnings per share is based on:

	Year ended 31 December			Six months ended 30 June	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
<b>Earnings</b>					
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>62,571</u>	<u>203,457</u>	<u>338,887</u>	<u>174,603</u>	<u>65,339</u>
<b>Shares</b>					
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	360,000,000	360,000,000	360,000,000	360,000,000	360,000,000
Basic earnings per share (RMB)	<u>0.17</u>	<u>0.57</u>	<u>0.94</u>	<u>0.49</u>	<u>0.18</u>

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**14. PROPERTY, PLANT AND EQUIPMENT**

**Group**

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2019</b>							
At 1 January 2019:							
Cost	182,261	112,050	17,308	26,778	15,277	110,210	463,884
Accumulated depreciation and impairment	(19,083)	(21,298)	(11,652)	(15,374)	(6,468)	–	(73,875)
Net carrying amount	<u>163,178</u>	<u>90,752</u>	<u>5,656</u>	<u>11,404</u>	<u>8,809</u>	<u>110,210</u>	<u>390,009</u>
At 1 January 2019, net of accumulated depreciation and impairment							
	163,178	90,752	5,656	11,404	8,809	110,210	390,009
Additions	14,619	26,069	2,385	2,429	4,993	119,564	170,059
Disposals	–	(441)	(1,326)	(132)	–	–	(1,899)
Depreciation provided during the year	(9,153)	(14,672)	(2,344)	(5,607)	(6,402)	–	(38,178)
Transfers	26,349	37,930	82	3,037	–	(67,398)	–
Exchange realignment	435	166	2	7	–	–	610
At 31 December 2019, net of accumulated depreciation and impairment	<u>195,428</u>	<u>139,804</u>	<u>4,455</u>	<u>11,138</u>	<u>7,400</u>	<u>162,376</u>	<u>520,601</u>
At 31 December 2019:							
Cost	223,664	175,470	16,282	31,707	20,270	162,376	629,769
Accumulated depreciation and impairment	(28,236)	(35,666)	(11,827)	(20,569)	(12,870)	–	(109,168)
Net carrying amount	<u>195,428</u>	<u>139,804</u>	<u>4,455</u>	<u>11,138</u>	<u>7,400</u>	<u>162,376</u>	<u>520,601</u>



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**Group**

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2020</b>							
At 1 January 2020:							
Cost	223,664	175,470	16,282	31,707	20,270	162,376	629,769
Accumulated depreciation and impairment	(28,236)	(35,666)	(11,827)	(20,569)	(12,870)	–	(109,168)
Net carrying amount	<u>195,428</u>	<u>139,804</u>	<u>4,455</u>	<u>11,138</u>	<u>7,400</u>	<u>162,376</u>	<u>520,601</u>
At 1 January 2020, net of accumulated depreciation and impairment							
	195,428	139,804	4,455	11,138	7,400	162,376	520,601
Additions	5,630	6,003	2,891	2,594	10,202	165,614	192,934
Disposals	–	(1,328)	(166)	(121)	–	–	(1,615)
Disposal of a subsidiary	–	–	–	(182)	–	–	(182)
Depreciation provided during the year	(16,130)	(18,122)	(1,296)	(5,166)	(7,574)	–	(48,288)
Transfers	293,248	21,506	641	629	1,676	(317,700)	–
Exchange realignment	(398)	(503)	(5)	(24)	–	–	(930)
At 31 December 2020, net of accumulated depreciation and impairment	<u>477,778</u>	<u>147,360</u>	<u>6,520</u>	<u>8,868</u>	<u>11,704</u>	<u>10,290</u>	<u>662,520</u>
At 31 December 2020:							
Cost	522,085	199,820	16,215	33,699	32,148	10,290	814,257
Accumulated depreciation and impairment	(44,307)	(52,460)	(9,695)	(24,831)	(20,444)	–	(151,737)
Net carrying amount	<u>477,778</u>	<u>147,360</u>	<u>6,520</u>	<u>8,868</u>	<u>11,704</u>	<u>10,290</u>	<u>662,520</u>

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	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2021</b>							
At 1 January 2021:							
Cost	522,085	199,820	16,215	33,699	32,148	10,290	814,257
Accumulated depreciation and impairment	(44,307)	(52,460)	(9,695)	(24,831)	(20,444)	–	(151,737)
Net carrying amount	<u>477,778</u>	<u>147,360</u>	<u>6,520</u>	<u>8,868</u>	<u>11,704</u>	<u>10,290</u>	<u>662,520</u>
At 1 January 2021, net of accumulated depreciation and impairment							
Additions	105	11,278	22,330	5,507	8,457	8,582	56,259
Disposals	(883)	(878)	(744)	(156)	–	–	(2,661)
Depreciation provided during the year	(24,698)	(19,905)	(4,160)	(3,995)	(8,482)	–	(61,240)
Transfers	11,468	1,189	–	101	5,223	(17,981)	–
Transfer to investment properties	(9,525)	–	–	–	–	–	(9,525)
Exchange realignment	(4,423)	(4,208)	(39)	(255)	–	–	(8,925)
At 31 December 2021, net of accumulated depreciation and impairment	<u>449,822</u>	<u>134,836</u>	<u>23,907</u>	<u>10,070</u>	<u>16,902</u>	<u>891</u>	<u>636,428</u>
At 31 December 2021:							
Cost	502,917	194,505	32,955	33,891	28,097	891	793,256
Accumulated depreciation and impairment	(53,095)	(59,669)	(9,048)	(23,821)	(11,195)	–	(156,828)
Net carrying amount	<u>449,822</u>	<u>134,836</u>	<u>23,907</u>	<u>10,070</u>	<u>16,902</u>	<u>891</u>	<u>636,428</u>

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**Group**

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>30 June 2022</b>							
At 1 January 2022:							
Cost	502,917	194,505	32,955	33,891	28,097	891	793,256
Accumulated depreciation and impairment	(53,095)	(59,669)	(9,048)	(23,821)	(11,195)	–	(156,828)
Net carrying amount	<u>449,822</u>	<u>134,836</u>	<u>23,907</u>	<u>10,070</u>	<u>16,902</u>	<u>891</u>	<u>636,428</u>
At 1 January 2022, net of accumulated depreciation and impairment							
Additions	1,236	8,685	–	963	1,009	7,422	19,315
Disposals	–	(622)	–	(359)	–	(10)	(991)
Depreciation provided during the period	(11,859)	(12,000)	(3,711)	(1,933)	(4,764)	–	(34,267)
Transfers	–	6,759	–	–	–	(6,915)	(156)
Exchange realignment	(3,470)	(3,164)	(33)	(251)	–	–	(6,918)
At 30 June 2022, net of accumulated depreciation and impairment	<u>435,729</u>	<u>134,494</u>	<u>20,163</u>	<u>8,490</u>	<u>13,147</u>	<u>1,388</u>	<u>613,411</u>
At 30 June 2022:							
Cost	500,286	204,488	30,621	28,523	24,730	1,388	790,036
Accumulated depreciation and impairment	(64,557)	(69,994)	(10,458)	(20,033)	(11,583)	–	(176,625)
Net carrying amount	<u>435,729</u>	<u>134,494</u>	<u>20,163</u>	<u>8,490</u>	<u>13,147</u>	<u>1,388</u>	<u>613,411</u>

- (i) As at 31 December 2019, 2020 and 2021 and 30 June 2022, certain of the Group’s buildings, plant and machinery and construction in progress with net carrying amounts of approximately RMB375,262,000, RMB529,089,000, RMB486,595,000 and RMB263,392,000, respectively, were pledged to secure general banking facilities granted to the Group (note 28).

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**Company**

	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2019</b>						
At 1 January 2019:						
Cost	897	4,516	13,929	3,644	465	23,451
Accumulated depreciation and impairment	(95)	(2,573)	(9,181)	(2,087)	–	(13,936)
Net carrying amount	<u>802</u>	<u>1,943</u>	<u>4,748</u>	<u>1,557</u>	<u>465</u>	<u>9,515</u>
At 1 January 2019, net of accumulated depreciation and impairment						
	802	1,943	4,748	1,557	465	9,515
Additions	–	1,863	104	656	258	2,881
Disposals	–	(1,084)	(102)	–	–	(1,186)
Depreciation provided during the year	(85)	(703)	(2,437)	(1,076)	–	(4,301)
Transfers	110	–	340	–	(450)	–
At 31 December 2019, net of accumulated depreciation and impairment	<u>827</u>	<u>2,019</u>	<u>2,653</u>	<u>1,137</u>	<u>273</u>	<u>6,909</u>
At 31 December 2019:						
Cost	1,007	4,824	14,003	4,300	273	24,407
Accumulated depreciation and impairment	(180)	(2,805)	(11,350)	(3,163)	–	(17,498)
Net carrying amount	<u>827</u>	<u>2,019</u>	<u>2,653</u>	<u>1,137</u>	<u>273</u>	<u>6,909</u>

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	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2020</b>						
At 1 January 2020:						
Cost	1,007	4,824	14,003	4,300	273	24,407
Accumulated depreciation and impairment	(180)	(2,805)	(11,350)	(3,163)	–	(17,498)
Net carrying amount	<u>827</u>	<u>2,019</u>	<u>2,653</u>	<u>1,137</u>	<u>273</u>	<u>6,909</u>
At 1 January 2020, net of accumulated depreciation and impairment	827	2,019	2,653	1,137	273	6,909
Additions	–	1,227	1,048	1,009	2,044	5,328
Disposals	–	(77)	(3)	–	–	(80)
Depreciation provided during the year	(96)	(532)	(1,700)	(1,720)	–	(4,048)
Transfers	–	641	–	1,676	(2,317)	–
At 31 December 2020, net of accumulated depreciation and impairment	<u>731</u>	<u>3,278</u>	<u>1,998</u>	<u>2,102</u>	<u>–</u>	<u>8,109</u>
At 31 December 2020:						
Cost	1,007	5,160	14,988	6,985	–	28,140
Accumulated depreciation and impairment	(276)	(1,882)	(12,990)	(4,883)	–	(20,031)
Net carrying amount	<u>731</u>	<u>3,278</u>	<u>1,998</u>	<u>2,102</u>	<u>–</u>	<u>8,109</u>

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**Company**

	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2021</b>						
At 1 January 2021:						
Cost	1,007	5,160	14,988	6,985	–	28,140
Accumulated depreciation and impairment	(276)	(1,882)	(12,990)	(4,883)	–	(20,031)
Net carrying amount	<u>731</u>	<u>3,278</u>	<u>1,998</u>	<u>2,102</u>	<u>–</u>	<u>8,109</u>
At 1 January 2021, net of accumulated depreciation and impairment						
	731	3,278	1,998	2,102	–	8,109
Additions	–	11,117	3,597	1,216	843	16,773
Disposals	(89)	(540)	(43)	–	–	(672)
Depreciation provided during the year	(95)	(2,040)	(1,022)	(1,594)	–	(4,751)
Transfers	–	–	–	843	(843)	–
At 31 December 2021, net of accumulated depreciation and impairment	<u>547</u>	<u>11,815</u>	<u>4,530</u>	<u>2,567</u>	<u>–</u>	<u>19,459</u>
At 31 December 2021:						
Cost	897	14,566	17,800	4,471	–	37,734
Accumulated depreciation and impairment	(350)	(2,751)	(13,270)	(1,904)	–	(18,275)
Net carrying amount	<u>547</u>	<u>11,815</u>	<u>4,530</u>	<u>2,567</u>	<u>–</u>	<u>19,459</u>

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**Company**

	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>30 June 2022</b>					
At 1 January 2022:					
Cost	897	14,566	17,800	4,471	37,734
Accumulated depreciation and impairment	(350)	(2,751)	(13,270)	(1,904)	(18,275)
Net carrying amount	<u>547</u>	<u>11,815</u>	<u>4,530</u>	<u>2,567</u>	<u>19,459</u>
At 1 January 2022, net of accumulated depreciation and impairment					
	547	11,815	4,530	2,567	19,459
Additions	–	–	520	–	520
Disposals	–	–	(269)	–	(269)
Depreciation provided during the period	(43)	(1,639)	(799)	(1,090)	(3,571)
At 30 June 2022, net of accumulated depreciation and impairment	<u>504</u>	<u>10,176</u>	<u>3,982</u>	<u>1,477</u>	<u>16,139</u>
At 30 June 2022:					
Cost	897	14,566	18,051	4,471	37,985
Accumulated depreciation and impairment	(393)	(4,390)	(14,069)	(2,994)	(21,846)
Net carrying amount	<u>504</u>	<u>10,176</u>	<u>3,982</u>	<u>1,477</u>	<u>16,139</u>

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**15. INVESTMENT PROPERTIES**

<b>Group</b>	<b>Industrial properties</b>
	<u>RMB’000</u>
<b>31 December 2021</b>	
As at 1 January 2021	–
Transfer from owner-occupied property	9,525
Transfer from right-of-use assets	1,514
Depreciation charge	<u>(516)</u>
As at 31 December 2021	<u><u>10,523</u></u>
<b>Group</b>	<b>Industrial properties</b>
	<u>RMB’000</u>
<b>30 June 2022</b>	
As at 1 January 2022	10,523
Depreciation charge	<u>(619)</u>
As at 30 June 2022	<u><u>9,904</u></u>

The Group’s investment properties are measured using a cost model and depreciated to write off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

The Group’s investment properties are located on the land in the PRC with a land use right period from 2009 to 2054.

Fair values of the investment properties as at the end of the Relevant Periods are as follows:

	<b>As at 31 December 2021</b>	<b>As at 30 June 2022</b>
	<u>RMB’000</u>	<u>RMB’000</u>
Investment properties in the PRC	<u><u>119,500</u></u>	<u><u>120,400</u></u>

The fair value of the Group’s investment properties as at 31 December 2021 and 30 June 2022 are determined by the valuations conducted by Avista Valuation Advisory Ltd, an independent valuer. Under the valuation models, an income-based approach has been adopted for industrial properties.

The income approach is based on the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

The fair value estimations for the owner-occupied properties were at Level 3 of the fair value hierarchy.

The fair value measurement is based on the above properties’ highest and best use, which does not differ from their actual use.

During the year ended 31 December 2021 and the six months ended 30 June 2022, there were no transfers into or out of Level 3 or any other level.



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**ACCOUNTANTS’ REPORT**

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the Historical Financial Information.

At 30 June 2022, the investment properties with net carrying amounts of approximately RMB9,904,000, were pledged to secure general banking facilities granted to the Group (note 28).

**16. LEASES**

**The Group as a lessee**

The Group as a lessee has lease contracts for items of office premises, plant and machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises and plant generally have lease terms between 2 and 10 years, while machinery equipment generally has lease terms of 5 years.

**(a) Right-of-use assets**

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

**Group**

	<u>Leasehold land</u>	<u>Office premises and plant</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2019</b>			
As at 1 January 2019	119,755	167,820	287,575
Additions	–	6,751	6,751
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(1,744)	(1,744)
Depreciation charge	(2,495)	(38,459)	(40,954)
Transfer to assets held for sale	(39,960)	–	(39,960)
	<u>77,300</u>	<u>134,368</u>	<u>211,668</u>
As at 31 December 2019	<u>77,300</u>	<u>134,368</u>	<u>211,668</u>

**Group**

	<u>Leasehold land</u>	<u>Office premises and plant</u>	<u>Equipment</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2020</b>				
As at 1 January 2020	77,300	134,368	–	211,668
Additions	–	1,828	4,952	6,780
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(7,007)	–	(7,007)
Depreciation charge	(1,661)	(30,661)	(446)	(32,768)
	<u>75,639</u>	<u>98,528</u>	<u>4,506</u>	<u>178,673</u>
As at 31 December 2020	<u>75,639</u>	<u>98,528</u>	<u>4,506</u>	<u>178,673</u>

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**ACCOUNTANTS’ REPORT**

**Group**

	<b>Leasehold land</b>	<b>Office premises and plant</b>	<b>Equipment</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2021</b>				
As at 1 January 2021	75,639	98,528	4,506	178,673
Additions	–	9,696	–	9,696
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(1,081)	–	(1,081)
Transfer to investment properties	(1,514)	–	–	(1,514)
Depreciation charge	(1,642)	(21,480)	(990)	(24,112)
	<u>72,483</u>	<u>85,663</u>	<u>3,516</u>	<u>161,662</u>
As at 31 December 2021	<u>72,483</u>	<u>85,663</u>	<u>3,516</u>	<u>161,662</u>

**Group**

	<b>Leasehold land</b>	<b>Office premises and plant</b>	<b>Equipment</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>30 June 2022</b>				
As at 1 January 2022	72,483	85,663	3,516	161,662
Additions	–	2,036	–	2,036
Revision of a lease term arising from a change in the non- cancellable period of a lease	–	(6)	–	(6)
Depreciation charge	(806)	(12,032)	(331)	(13,169)
	<u>71,677</u>	<u>75,661</u>	<u>3,185</u>	<u>150,523</u>
As at 30 June 2022	<u>71,677</u>	<u>75,661</u>	<u>3,185</u>	<u>150,523</u>

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the leasehold land with net carrying amounts of approximately RMB77,300,000, RMB75,639,000, RMB72,483,000 and RMB71,677,000, respectively, were pledged to secure general banking facilities granted to the Group (note 28).

<b>Company</b>	<b>Office premises and plant</b>
	<i>RMB’000</i>
<b>31 December 2019</b>	
As at 1 January 2019	54,527
Depreciation charge	(8,509)
	<u>46,018</u>
As at 31 December 2019	<u>46,018</u>

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<b>Company</b>	<b>Office premises and plant</b>
	<i>RMB'000</i>
<b>31 December 2020</b>	
As at 1 January 2020	46,018
Depreciation charge	(8,500)
	<hr/>
As at 31 December 2020	37,518
	<hr/> <hr/>

<b>Company</b>	<b>Office premises and plant</b>
	<i>RMB'000</i>
<b>31 December 2021</b>	
As at 1 January 2021	37,518
Depreciation charge	(7,552)
	<hr/>
As at 31 December 2021	29,966
	<hr/> <hr/>

<b>Company</b>	<b>Office premises and plant</b>
	<i>RMB'000</i>
<b>30 June 2022</b>	
As at 1 January 2022	29,966
Depreciation charge	(3,608)
	<hr/>
As at 30 June 2022	26,358
	<hr/> <hr/>

**(b) Lease liabilities**

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

<b>Group</b>	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of year/period	167,503	138,925	108,598	94,976
New leases	6,751	6,780	9,696	2,036
Accretion of interest recognised during the year/period	9,060	7,330	6,169	2,766
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,761)	(7,625)	(1,143)	(7)
Payments	(42,628)	(36,812)	(28,344)	(15,014)
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount at end of year/period	138,925	108,598	94,976	84,757
	<hr/>	<hr/>	<hr/>	<hr/>
Current portion	33,583	20,790	21,896	24,387
Non-current portion	105,342	87,808	73,080	60,370
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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**ACCOUNTANTS’ REPORT**

**Company**

	As at 31 December			As at 30 June
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000
Carrying amount at beginning of year/period	54,307	47,128	39,498	32,524
Accretion of interest recognised during the year/period	3,161	2,700	2,265	963
Payments	(10,340)	(10,330)	(9,239)	(4,604)
Carrying amount at end of year/period	47,128	39,498	32,524	28,883
Current portion	7,630	6,974	7,385	7,608
Non-current portion	39,498	32,524	25,139	21,275

The maturity analysis of lease liabilities is disclosed in note 40 to the Historical Financial Information.

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

**Group**

	As at 31 December			As at 30 June
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000
Interest on lease liabilities	9,060	7,330	6,169	2,766
Depreciation charge of right-of-use assets	40,954	32,768	24,112	13,169
Expense relating to short-term leases and leases of low-value assets	4,686	3,066	843	848
Total amount recognised in profit or loss	54,700	43,164	31,124	16,783

**Company**

	As at 31 December			As at 30 June
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000
Interest on lease liabilities	3,161	2,700	2,265	963
Depreciation charge of right-of-use assets	8,509	8,500	7,552	3,608
Expense relating to short-term leases and leases of low-value assets	1,116	878	85	31
Total amount recognised in profit or loss	12,786	12,078	9,902	4,602

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### The Group as a lessor

The Group leases its investment properties (note 15) consisting of one industrial property located on the land in the PRC under operating lease arrangements since 2021. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year ended 31 December 2021 and the six months ended 30 June 2022 were RMB1,786,000 and RMB2,792,000, respectively.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

#### Group

	As at 31 December 2021	As at 30 June 2022
	<i>RMB’000</i>	<i>RMB’000</i>
Within one year	5,240	5,240
After one year but within two years	5,240	5,240
After two years but within three years	5,335	5,955
After three years but within four years	6,002	6,502
After four years but within five years	6,127	6,277
After five years	30,162	27,010
	<u>58,106</u>	<u>56,224</u>

### 17. OTHER INTANGIBLE ASSETS

#### Group

	Software	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2019</b>			
Cost at 1 January 2019, net of accumulated amortisation	16,766	5,086	21,852
Additions	4,148	159	4,307
Disposal	(125)	–	(125)
Amortisation provided during the year	(2,514)	(361)	(2,875)
As at 31 December 2019	<u>18,275</u>	<u>4,884</u>	<u>23,159</u>

#### Group

	Software	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2020</b>			
Cost at 1 January 2020, net of accumulated amortisation	18,275	4,884	23,159
Additions	1,452	152	1,604
Disposal	(1,735)	(211)	(1,946)
Amortisation provided during the year	(2,475)	(291)	(2,766)
At 31 December 2020	<u>15,517</u>	<u>4,534</u>	<u>20,051</u>

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**Group**

	<u>Software</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2021</b>			
Cost at 1 January 2021, net of accumulated amortisation	15,517	4,534	20,051
Additions	690	1,917	2,607
Disposal	(84)	(2,121)	(2,205)
Amortisation provided during the year	(2,222)	(5)	(2,227)
	<u>13,901</u>	<u>4,325</u>	<u>18,226</u>
At 31 December 2021	<u>13,901</u>	<u>4,325</u>	<u>18,226</u>

**Group**

	<u>Software</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>30 June 2022</b>			
Cost at 1 January 2022, net of accumulated amortisation	13,901	4,325	18,226
Additions	1,373	932	2,305
Amortisation provided during the period	(1,289)	(195)	(1,484)
Reclassification	1,387	(1,387)	–
	<u>15,372</u>	<u>3,675</u>	<u>19,047</u>
At 30 June 2022	<u>15,372</u>	<u>3,675</u>	<u>19,047</u>

**Company**

	<u>Software</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2019</b>			
Cost at 1 January 2019, net of accumulated amortisation	15,947	1,628	17,575
Additions	2,544	–	2,544
Disposal	(125)	–	(125)
Amortisation provided during the year	(2,249)	–	(2,249)
	<u>16,117</u>	<u>1,628</u>	<u>17,745</u>
At 31 December 2019	<u>16,117</u>	<u>1,628</u>	<u>17,745</u>

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**Company**

	<u>Software</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2020</b>			
Cost at 1 January 2020, net of accumulated amortisation	16,117	1,628	17,745
Additions	1,444	151	1,595
Disposal	(1,195)	(152)	(1,347)
Amortisation provided during the year	(2,101)	–	(2,101)
	<u>14,265</u>	<u>1,627</u>	<u>15,892</u>
At 31 December 2020	<u>14,265</u>	<u>1,627</u>	<u>15,892</u>

**Company**

	<u>Software</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>31 December 2021</b>			
Cost at 1 January 2021, net of accumulated amortisation	14,265	1,627	15,892
Additions	338	1,955	2,293
Disposal	(20)	(817)	(837)
Amortisation provided during the year	(2,041)	–	(2,041)
	<u>12,542</u>	<u>2,765</u>	<u>15,307</u>
At 31 December 2021	<u>12,542</u>	<u>2,765</u>	<u>15,307</u>

**Company**

	<u>Software</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>30 June 2022</b>			
Cost at 1 January 2022, net of accumulated amortisation	12,542	2,765	15,307
Additions	1,373	932	2,305
Disposal	–	(185)	(185)
Amortisation provided during the period	(1,189)	–	(1,189)
Reclassification	1,387	(1,387)	–
	<u>14,113</u>	<u>2,125</u>	<u>16,238</u>
At 30 June 2022	<u>14,113</u>	<u>2,125</u>	<u>16,238</u>

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**ACCOUNTANTS’ REPORT**

**18. INVESTMENTS IN ASSOCIATES**

**Group**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2022</i> <i>RMB’000</i>
Share of net assets	1,949	4,947	1,646	1,261

The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

	Year ended 31 December			Six months
	2019	2020	2021	ended
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	30 June
				<b>2022</b> <i>RMB’000</i>
Share of the associates’ profit/(loss) for the year/period	479	1,862	(149)	(385)
Aggregate carrying amount of the Group’s investments in the associates	1,949	4,947	1,646	1,261

**19. DEFERRED TAX**

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

**Group**

	Year ended 31 December 2019						
	Impairment loss on financial assets	Losses available for offsetting against future taxable profits	Impairment loss on inventories	Accrued expense	Unrealised profits	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2019	57,127	63,434	14,202	22,277	5,511	10,428	172,979
Deferred tax credited/(charged) to profit or loss during the year	7,626	6,283	3,158	(4,198)	12,936	7,322	33,127
Gross deferred tax assets at 31 December 2019	64,753	69,717	17,360	18,079	18,447	17,750	206,106



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**Group**

**Year ended 31 December 2020**

	<b>Impairment loss on financial assets</b>	<b>Losses available for offsetting against future taxable profits</b>	<b>Impairment loss on inventories</b>	<b>Accrued expense</b>	<b>Unrealised profits</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020	64,753	69,717	17,360	18,079	18,447	17,750	206,106
Deferred tax (charged)/credited to profit or loss during the year	(53,421)	(3,013)	(7,754)	(6,108)	2,137	22,780	(45,379)
Gross deferred tax assets at 31 December 2020	<u>11,332</u>	<u>66,704</u>	<u>9,606</u>	<u>11,971</u>	<u>20,584</u>	<u>40,530</u>	<u>160,727</u>

**Group**

**Year ended 31 December 2021**

	<b>Impairment loss on financial assets</b>	<b>Losses available for offsetting against future taxable profits</b>	<b>Impairment loss on inventories</b>	<b>Accrued expense</b>	<b>Unrealised profits</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	11,332	66,704	9,606	11,971	20,584	40,530	160,727
Deferred tax (charged)/credited to profit or loss during the year	(3,846)	(40,205)	(1,952)	(5,401)	14,030	(11,376)	(48,750)
Gross deferred tax assets at 31 December 2021	<u>7,486</u>	<u>26,499</u>	<u>7,654</u>	<u>6,570</u>	<u>34,614</u>	<u>29,154</u>	<u>111,977</u>

**Group**

**Six months ended 30 June 2022**

	<b>Impairment loss on financial assets</b>	<b>Losses available for offsetting against future taxable profits</b>	<b>Impairment loss on inventories</b>	<b>Accrued expense</b>	<b>Unrealised profits</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022	7,486	26,499	7,654	6,570	34,614	29,154	111,977
Deferred tax (charged)/credited to profit or loss during the period	(801)	270	349	(963)	(5,601)	2,449	(4,297)
Gross deferred tax assets at 30 June 2022	<u>6,685</u>	<u>26,769</u>	<u>8,003</u>	<u>5,607</u>	<u>29,013</u>	<u>31,603</u>	<u>107,680</u>

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**Company**

	<b>Year ended 31 December 2019</b>			
	<b>Impairment loss on financial assets</b>	<b>Losses available for offsetting against future taxable profits</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	6,403	21,802	4,595	32,800
Deferred tax (charged)/credited to profit or loss during the year	(2,349)	4,611	6,026	8,288
Gross deferred tax assets at 31 December 2019	<u>4,054</u>	<u>26,413</u>	<u>10,621</u>	<u>41,088</u>

**Company**

	<b>Year ended 31 December 2020</b>				
	<b>Impairment loss on financial assets</b>	<b>Losses available for offsetting against future taxable profits</b>	<b>Impairment loss on investments in subsidiaries</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020	4,054	26,413	–	10,621	41,088
Deferred tax credited/(charged) to profit or loss during the year	11,744	(26,413)	15,204	6,218	6,753
Gross deferred tax assets at 31 December 2020	<u>15,798</u>	<u>–</u>	<u>15,204</u>	<u>16,839</u>	<u>47,841</u>

**Company**

	<b>Year ended 31 December 2021</b>				
	<b>Impairment loss on financial assets</b>	<b>Losses available for offsetting against future taxable profits</b>	<b>Impairment loss on investments in subsidiaries</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	15,798	–	15,204	16,839	47,841
Deferred tax charged to profit or loss during the year	(15,428)	–	–	(6,574)	(22,002)
Gross deferred tax assets at 31 December 2021	<u>370</u>	<u>–</u>	<u>15,204</u>	<u>10,265</u>	<u>25,839</u>

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**ACCOUNTANTS’ REPORT**

**Company**

	Six months ended 30 June 2022				
	Impairment loss on financial assets <i>RMB'000</i>	Losses available for offsetting against future taxable profits <i>RMB'000</i>	Impairment loss on investments in subsidiaries <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	370	–	15,204	10,265	25,839
Deferred tax credited to profit or loss during the period	763	712	–	2,057	3,532
Gross deferred tax assets at 30 June 2022	<u>1,133</u>	<u>712</u>	<u>15,204</u>	<u>12,322</u>	<u>29,371</u>

The movements in deferred tax liabilities during the Relevant Periods are as follows:

**Group**

	Year ended 31 December 2019		
	Accelerated tax depreciation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	4,116	–	4,116
Deferred tax charged to profit or loss during the year	3,666	22	3,688
Deferred tax liabilities at 31 December 2019	<u>7,782</u>	<u>22</u>	<u>7,804</u>

**Group**

	Year ended 31 December 2020		
	Accelerated tax depreciation <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	7,782	22	7,804
Deferred tax charged/(credited) to profit or loss during the year	2,905	(9)	2,896
Deferred tax liabilities at 31 December 2020	<u>10,687</u>	<u>13</u>	<u>10,700</u>

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**Group**

	<b>Year ended 31 December 2021</b>		
	<b>Accelerated tax depreciation</b>	<b>Others</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	10,687	13	10,700
Deferred tax credited to profit or loss during the year	(1,790)	(11)	(1,801)
Deferred tax liabilities at 31 December 2021	<u>8,897</u>	<u>2</u>	<u>8,899</u>

**Group**

	<b>Six months ended 30 June 2022</b>		
	<b>Accelerated tax depreciation</b>	<b>Others</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2022	8,897	2	8,899
Deferred tax (credited)/charged to profit or loss during the period	(788)	4	(784)
Deferred tax liabilities at 30 June 2022	<u>8,109</u>	<u>6</u>	<u>8,115</u>

**Company**

	<b>Year ended 31 December 2019</b>
	<b>Accelerated tax depreciation</b> <i>RMB’000</i>
At 1 January 2019	468
Deferred tax credited to profit or loss during the year	(347)
Deferred tax liabilities at 31 December 2019	<u>121</u>

**Company**

	<b>Year ended 31 December 2020</b>
	<b>Accelerated tax depreciation</b> <i>RMB’000</i>
At 1 January 2020	121
Deferred tax credited to profit or loss during the year	(68)
Deferred tax liabilities at 31 December 2020	<u>53</u>

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**Company**

	<b>Year ended 31 December 2021</b>
	<b>Accelerated tax depreciation</b>
	<i>RMB’000</i>
At 1 January 2021	53
Deferred tax credited to profit or loss during the year	(53)
Deferred tax liabilities at 31 December 2021	–

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Group and the Company for financial reporting purposes:

**Group**

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	198,302	150,027	103,078	99,565

**Company**

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net deferred tax assets recognised in the statement of financial position	40,967	47,788	25,839	29,371

As at 31 December 2019, 2020 and 2021 and 30 June 2022, deferred tax assets have not been recognised in respect of tax losses of RMB1,827,000, nil, RMB3,000 and RMB7,000 and deductible temporary differences of RMB6,543,000, nil, nil and RMB2,000 arising in Mainland China, respectively, which will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, deferred tax assets have not been recognised in respect of tax losses of RMB14,734,000, RMB20,401,000 and RMB18,885,000 RMB21,200,000 and deductible temporary differences of RMB997,000, RMB337,000 and RMB416,000, RMB407,000 arising in other jurisdictions, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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**20. INVENTORIES**

**Group**

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Raw materials	143,286	119,904	127,579	127,997
Work in progress	39,578	31,925	21,826	24,155
Finished goods	323,366	425,462	471,796	419,304
	<u>506,230</u>	<u>577,291</u>	<u>621,201</u>	<u>571,456</u>

As at 31 December 2019, the Group’s inventories with carrying amounts of RMB46,013,000 were pledged as security for the Group’s bank loans, as further detailed in note 28 to the Historical Financial Information.

**Company**

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Finished goods	138,559	46,630	1,474	4,712

**21. TRADE AND BILLS RECEIVABLES**

**Group**

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	444,479	359,783	391,007	307,601
Bills receivable	10,335	23,847	10,288	10,507
Impairment	(57,874)	(42,782)	(26,421)	(22,220)
Trade and bills receivables, net	<u>396,940</u>	<u>340,848</u>	<u>374,874</u>	<u>295,888</u>

The Group’s trading terms with its customers are mainly payment in advance, except for certain major customers, where is normally on credit. The credit period is generally due within 45 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. Bills receivable are non-interest-bearing and have a maturity period ranging from 1 to 180 days for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022.

The net value of the Group’s trade and bills receivables due from the Group’s related parties is further detailed in note 37 to the Historical Financial Information, which are repayable on credit terms similar to those offered to the major customers of the Group.

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The Group’s trade receivables with a carrying amount of RMB184,814,000 at 31 December 2019 and RMB144,652,000 at 31 December 2020, were pledged as security for the Group’s bank loans, as further detailed in note 28 to the Historical Financial Information.

As at 31 December 2019, 31 December 2020 and 31 December 2021 and 30 June 2022, the bills receivable with right of recourse of the Group were RMB10,335,000, RMB23,847,470, RMB9,788,000 and RMB10,507,000, respectively, were paid to certain of its suppliers in order to settle the trade payables due to some suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such endorsed bills, and accordingly, it continued to recognise the full carrying amounts of the endorsed bills and the associated trade payables settled. The expected credit losses rate for bills receivable is assessed to be immaterial, and thus the loss allowance is immaterial.

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the “Arrangement”) and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 180 days. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The Group have transferred financial assets in such a way do not qualify for derecognition. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled as at 31 December 2019 was RMB80,000,000.

An ageing analysis of the Group’s trade receivables and bills receivable as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

**Group**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022 RMB’000
Within 1 year	391,678	335,220	369,114	281,406
1 – 2 years	5,262	5,628	5,760	14,364
2 – 3 years	–	–	–	118
	<u>396,940</u>	<u>340,848</u>	<u>374,874</u>	<u>295,888</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022 RMB’000
At beginning of year/period	27,045	57,874	42,782	26,421
Impairment losses, net	30,829	(5,643)	4,752	(897)
Amount written off as uncollectible	–	(9,449)	(21,113)	(3,304)
At end of year/period	<u>57,874</u>	<u>42,782</u>	<u>26,421</u>	<u>22,220</u>

The increase in the loss allowance in 2019 was due to the rising amount of long ageing trade receivables. The decrease in the loss allowance in 2020 was due to the fact that the Group has written off long ageing trade receivables of RMB9,449,000. The decrease in the loss allowance in 2021 and the six months ended 30 June 2022 was due to the fact that the Group has written off long ageing trade receivables of RMB21,113,000 and RMB3,304,000 respectively.

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An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing on invoice for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

**Group**

**As at 31 December 2019**

	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Expected credit loss rate	3%	83%	100%	100%	13%
Gross carrying amount (RMB’000)	394,937	30,472	13,289	5,781	444,479
Expected credit losses (RMB’000)	13,594	25,210	13,289	5,781	57,874

**As at 31 December 2020**

	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Expected credit loss rate	3%	69%	100%	100%	12%
Gross carrying amount (RMB’000)	320,189	18,197	11,560	9,837	359,783
Expected credit losses (RMB’000)	8,816	12,569	11,560	9,837	42,782

**As at 31 December 2021**

	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Expected credit loss rate	2%	61%	100%	100%	7%
Gross carrying amount (RMB’000)	365,641	14,780	3,058	7,528	391,007
Expected credit losses (RMB’000)	6,815	9,020	3,058	7,528	26,421

**As at 30 June 2022**

	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Expected credit loss rate	1%	39%	95%	100%	7%
Gross carrying amount (RMB’000)	275,933	21,133	2,610	7,925	307,601
Expected credit losses (RMB’000)	3,535	8,269	2,491	7,925	22,220



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**Company**

	<b>As at 31 December</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>30 June</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2022</i>
Trade receivables – third parties	184,814	144,652	21,422	14,663
Trade receivables – subsidiaries of the Company	336,088	282,600	629,834	544,341
Bills receivable	10,335	7,679	10,288	10,507
Impairment	(1,512)	(4,599)	(1,214)	(1,285)
	<u>529,725</u>	<u>430,332</u>	<u>660,330</u>	<u>568,226</u>
Trade and bills receivables, net	<u>529,725</u>	<u>430,332</u>	<u>660,330</u>	<u>568,226</u>

An ageing analysis of the Company’s trade receivables and bills receivable as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>30 June</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2022</i>
Within 1 year	529,725	429,099	660,112	568,029
Over 1 years	–	1,233	218	197
	<u>529,725</u>	<u>430,332</u>	<u>660,330</u>	<u>568,226</u>
	<u>529,725</u>	<u>430,332</u>	<u>660,330</u>	<u>568,226</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

**Company**

	<b>As at 31 December</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>30 June</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2022</i>
At beginning of year/period	1,887	1,512	4,599	1,214
Impairment losses, net	(375)	3,214	834	71
Amount written off as uncollectible	–	(127)	(4,219)	–
	<u>1,512</u>	<u>4,599</u>	<u>1,214</u>	<u>1,285</u>
At end of year/period	<u>1,512</u>	<u>4,599</u>	<u>1,214</u>	<u>1,285</u>

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Set out below is the information about the credit risk exposure on the Company trade receivables using a provision matrix:

**As at 31 December 2019**

	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Expected credit loss rate	0%	100%	100%	100%	0%
Gross carrying amount (RMB’000)	520,167	39	10	686	520,902
Expected credit losses (RMB’000)	777	39	10	686	1,512

**As at 31 December 2020**

	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>Over 3 years</b>	<b>Total</b>
Expected credit loss rate	0%	72%	100%	1%
Gross carrying amount (RMB’000)	422,264	4,401	587	427,252
Expected credit losses (RMB’000)	844	3,168	587	4,599

**As at 31 December 2021**

	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>Total</b>
Expected credit loss rate	0%	67%	100%	0%
Gross carrying amount (RMB’000)	650,422	672	162	651,256
Expected credit losses (RMB’000)	599	453	162	1,214

**As at 30 June 2022**

	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Expected credit loss rate	0%	60%	95%	100%	0%
Gross carrying amount (RMB’000)	558,187	449	350	17	559,003
Expected credit losses (RMB’000)	666	269	333	17	1,285

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**22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

**Group**

	As at 31 December			As at
				30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deductible input VAT	107,064	31,740	62,120	50,403
Corporate income tax recoverable	4,134	4,298	4,060	22,217
Right-of-return assets	8,589	3,979	7,632	1,991
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits and other receivables	19,677	20,044	12,335	19,249
Other financial assets included in prepayments and other receivables	1,814	4,268	12,048	11,621
Prepayments	42,214	56,224	72,758	81,357
Amounts due from related parties	62,640	490	–	–
Others	2,688	3,244	6,860	8,146
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Impairment allowance	(2,271)	(2,297)	(3,074)	(3,499)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Current portion	246,549	121,990	181,827	198,920
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Rental deposits	12,454	8,913	8,602	8,606
Prepayments	–	4,393	11,288	11,989
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Non-current portion	12,454	13,306	19,890	20,595
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>259,003</u>	<u>135,296</u>	<u>201,717</u>	<u>219,515</u>

Most of the above assets are neither past due nor impaired.

As at the end of each of the Relevant Periods, other receivables of the Group are considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is immaterial under the 12-month expected credit loss method.

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**Company**

	As at 31 December			As at 30 June
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Deductible input VAT	6,418	628	1,655	1,520
Corporate income tax recoverable	–	–	30	–
Right-of-return assets	7,082	2,822	1,872	461
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits and other receivables	1,201	95	330	2,316
Prepayments	14,583	4,786	13,841	20,853
Amounts due from subsidiaries	462,561	257,428	38,957	83,133
Dividend receivable	140,372	–	108,000	–
Others	62	114	1,488	1,245
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Impairment allowance	(13,791)	(57,680)	(246)	(3,230)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Current portion	618,488	208,193	173,015	113,733
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Rental deposits	3,342	3,370	3,471	3,475
Prepayments	–	1,415	3,447	6,596
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Non-current portion	3,342	4,785	6,918	10,071
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>621,830</u>	<u>212,978</u>	<u>179,933</u>	<u>123,804</u>

Most of the above assets are neither past due nor impaired.

As at the end of each of the Relevant Periods, other receivables of the Company are considered to be of low credit risk and thus the Company has assessed that the ECL for deposits and other receivables is immaterial under the 12-month expected credit loss method.

Details of amounts due from related parties are set out in note 37.

**23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

**Group**

	As at 30 June 2022 RMB'000
Structured deposits	<u>29,000</u>

The Group’s financial assets at fair value through profit or loss represent principal guaranteed structured deposits. The structured deposits are placed with banks in the PRC with expected return rates linked to certain exchange rates in the contracts. The annual expected return rates range from 1.15% to 3.35%. The initial maturities are usually within 3 months.

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**24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

**Group**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i> <i>RMB'000</i>
Cash and cash equivalents	132,374	154,195	145,208	114,965
Pledged deposits	33,652	440	–	11,500
	<u>166,026</u>	<u>154,635</u>	<u>145,208</u>	<u>126,465</u>

**Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i> <i>RMB'000</i>
Cash and cash equivalents	1,908	32,391	50,229	2,999
Pledged deposits	31,426	–	–	11,500
	<u>33,334</u>	<u>32,391</u>	<u>50,229</u>	<u>14,499</u>

**Group**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i> <i>RMB'000</i>
Cash and cash equivalents and restricted cash denominated in				
– RMB	155,627	148,240	132,848	104,068
– JPY	3,134	5,872	10,131	18,751
– USD	–	401	2,229	3,646
– KRW	7,265	122	–	–
	<u>166,026</u>	<u>154,635</u>	<u>145,208</u>	<u>126,465</u>

**Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i> <i>RMB'000</i>
Cash and cash equivalents and restricted cash Denominated in				
– RMB	33,334	32,391	50,229	14,499
	<u>33,334</u>	<u>32,391</u>	<u>50,229</u>	<u>14,499</u>

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As at 30 June 2022, the cash and bank balances of the Group denominated in JPY, USD and KRW amounted to RMB18,751,000 (2021: RMB10,131,000, 2020: RMB5,872,000, 2019: RMB3,134,000), RMB3,646,000 (2021: RMB2,229,000, 2020: RMB401,000, 2019: Nil), Nil (2021: Nil, 2020: RMB122,000, 2019: RMB7,265,000), respectively. The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**25. ASSETS CLASSIFIED AS HELD FOR SALE**

**Group**

	<b>As at 31 December</b>
	<b>2019</b>
	<i>RMB’000</i>
<i>Assets</i>	
Leasehold land	39,960
Assets classified as held for sale	39,960
<i>Liabilities</i>	
Liabilities directly associated with the assets classified as held for sale	–
Net assets directly associated with the disposal group	39,960

On 2 December 2019, a subsidiary of the Group, Huzhou Shangmei Quantong Supply Chain Management Co., Ltd. (“湖州上美全通供應鏈管理有限公司”) signed a state-owned land use right agreement with the local government to dispose of the land use right through sale.

**26. TRADE AND BILLS PAYABLES**

**Group**

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	671,480	549,122	565,961	382,990
Bills payable	46,420	–	–	–
	<u>717,900</u>	<u>549,122</u>	<u>565,961</u>	<u>382,990</u>

The amount of the Group’s trade and bills payables due to the Group’s related parties in note 37, which represents credit terms similar to those offered by the Group’s related parties to their major customers, is disclosed.

The trade payables are non-interest-bearing and are normally settled within 6 months.

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**ACCOUNTANTS’ REPORT**

**Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2022</i> <i>RMB’000</i>
Trade payables	538,289	67,752	232,906	14,319
Bills payable	46,420	50,000	–	–
	<u>584,709</u>	<u>117,752</u>	<u>232,906</u>	<u>14,319</u>

As of the end of each of the Relevant Periods, the ageing analysis of trade payables and bills payable, based on the invoice date, is as follows:

**Group**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2022</i> <i>RMB’000</i>
Within 1 year	707,780	537,225	557,988	379,610
Over 1 year	10,120	11,897	7,973	3,380
	<u>717,900</u>	<u>549,122</u>	<u>565,961</u>	<u>382,990</u>

**Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>2022</i> <i>RMB’000</i>
Within 1 year	584,658	115,263	230,460	11,699
Over 1 year	51	2,489	2,446	2,620
	<u>584,709</u>	<u>117,752</u>	<u>232,906</u>	<u>14,319</u>

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**27. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES**

**Group**

	Notes	As at 31 December			As at
		2019	2020	2021	30 June
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<b>Current</b>					
Contract liabilities	(i)	182,309	128,937	81,120	74,191
Refund liabilities		32,806	14,068	29,604	6,279
VAT and other tax payables		75,847	109,663	99,347	24,395
Staff payroll and welfare payables		45,547	65,291	58,179	26,890
Accrued operating expenses		87,260	74,087	66,903	87,959
Payables for purchase of property, plant and equipment		12,473	61,408	27,424	13,881
Deposits	(ii)	38,802	31,494	27,297	27,494
Amounts due to related parties [REDACTED]	(iii)	111,855	1,812	–	–
		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividend payable	(iv)	–	–	–	149,823
Others		12,566	13,444	2,540	2,618
		<u>599,465</u>	<u>500,204</u>	<u>413,249</u>	<u>434,748</u>
<b>Non-current</b>					
Deferred government grants		28,963	17,596	16,227	15,200
		<u>628,428</u>	<u>517,800</u>	<u>429,476</u>	<u>449,948</u>

**Company**

	Notes	As at 31 December			As at
		2019	2020	2021	30 June
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<b>Current</b>					
Contract liabilities	(i)	110,332	16,348	41,101	33,893
Refund liabilities		27,103	8,950	10,071	1,548
VAT and other tax payables		19,325	28,774	24,652	1,818
Staff payroll and welfare payables		26,312	14,717	9,225	5,955
Accrued operating expenses		24,647	19,886	11,984	22,563
Payables for purchase of property, plant and equipment		481	294	210	4
Deposits	(ii)	1,505	265	158	157
Amounts due to related parties [REDACTED]	(iii)	194,171	50,208	1,941	334
		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividend payable	(iv)	–	–	–	149,823
Others		1,885	2,900	60	140
		<u>405,761</u>	<u>142,342</u>	<u>120,237</u>	<u>237,453</u>



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- (i) Details of contract liabilities are as follows:

**Group**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Advance payments from customers	109,992	81,053	54,020	51,988
Sales rebates	72,317	47,884	27,100	22,203
	<u>182,309</u>	<u>128,937</u>	<u>81,120</u>	<u>74,191</u>

**Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
Advance payments from customers	<u>110,332</u>	<u>16,348</u>	<u>41,101</u>	<u>33,893</u>

The Group’s contract liabilities include advance payments from customers and sales rebates. The decreases in contract liabilities as at 31 December 2019, 2020 and 2021 and 30 June 2022 were mainly due to the decreases in short-term advances received from customers in relation to the revenue generated from sales to online distributors and sales to offline distributors.

- (ii) Deposits mainly represent deposits from customers at the end of each Relevant Periods.
- (iii) At 31 December 2019, the balance of the loan from Mr. Lyu Yixiong, the controlling shareholder, was RMB101,185,000, and related interest was RMB7,586,000. The loan from Mr. Lyu Yixiong was fully repaid in 2020.
- (iv) The Group declared a dividend of RMB200,000,000 to all shareholders on 2 April 2022. As at 30 June 2022, the Group has paid the dividend of RMB50,177,000 and the remaining dividend has been paid subsequently in November 2022.

Except for the aforementioned loan, other payables are unsecured, interest-free and repayable on demand.

Details of amounts due to related parties are set out in note 37.

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**ACCOUNTANTS’ REPORT**

**28. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	<b>Group</b>											
	<b>As at 31 December</b>									<b>As at 30 June</b>		
	<b>2019</b>			<b>2020</b>			<b>2021</b>			<b>2022</b>		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
<b>Current</b>												
Bank loans – secured	1.03-8.50	2020	313,892	1.03-8.50	2021	219,932	3.60	2022	29,970	2.63-5.39	2022-2023	215,820
Current portion of long-term bank loans – secured	4.75	2020	<u>35,000</u>	1.03-4.75	2021	<u>51,030</u>	5.39	2022	<u>30,000</u>	5.39	2023	<u>50,000</u>
			<u>348,892</u>			<u>270,962</u>			<u>59,970</u>			<u>265,820</u>
<b>Non-current</b>												
Bank loans – secured	1.03-5.39	2021-2023	151,536	4.75-5.39	2022-2024	161,397	4.75-5.39	2023-2024	130,089	4.75-5.39	2023-2024	95,089
Other loans – unsecured	1.00-2.00	2021-2022	<u>6,950</u>	1.00-2.00	2022	<u>3,147</u>	-	-	-	-	-	-
			<u>158,486</u>			<u>164,544</u>			<u>130,089</u>			<u>95,089</u>

	<b>Company</b>											
	<b>As at 31 December</b>									<b>As at 30 June</b>		
	<b>2019</b>			<b>2020</b>			<b>2021</b>			<b>2022</b>		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
<b>Current</b>												
Bank loans – secured	4.35-5.90	2020	<u>195,000</u>	3.50-4.95	2021	<u>85,104</u>	-	-	-	2.63-5.20	2022-2023	<u>150,500</u>
			<u>195,000</u>			<u>85,104</u>			<u>-</u>			<u>150,500</u>

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**ACCOUNTANTS’ REPORT**

**Group**

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed into:				
Bank loans repayable:				
Within one year or on demand	348,892	270,962	59,970	265,820
In the second year	53,121	13,115	68,415	67,645
In the third to fifth years, inclusive	98,415	148,282	61,674	27,444
	500,428	432,359	190,059	360,909
Other borrowings repayable:				
Within one year or on demand	–	–	–	–
In the second to fifth years, inclusive	6,950	3,147	–	–
	6,950	3,147	–	–
	507,378	435,506	190,059	360,909

**Company**

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed into:				
Bank loans repayable:				
Within one year or on demand	195,000	85,104	–	150,500
	195,000	85,104	–	150,500

*Notes:*

- (a) As at 31 December 2019, certain of the Group’s bank loans amounting to
- (i) RMB60,047,000 were guaranteed by Ms. Luo Yan (羅燕), and secured by mortgages over the Group’s inventories with a net carrying values of approximately RMB46,013,000, with an interest rate of 7.50%;
  - (ii) RMB55,000,000 were guaranteed by Mr. Lyu Yixiong, Shanghai Kans Enterprise Management Co., Ltd. and the Group, and secured by mortgages over the Group’s trade receivables with a carrying values of approximately RMB184,814,000, with interest rates of 4.35% and 5.00%;
  - (iii) RMB80,000,000 were secured by mortgages over the Group’s trade receivables with a net carrying values of approximately RMB80,000,000;
  - (iv) RMB223,415,000 were guaranteed by Mr. Lyu Yixiong, Ms. Han Yanyan and the Group, and secured by mortgages over the Group’s buildings and machinery, construction in progress and leasehold land with net carrying values of approximately RMB249,028,000, RMB113,940,000 and RMB77,300,000, respectively, with interest rates between 4.75% and 5.50% (notes 14 and 16). The guarantee provided by Ms. Han Yanyan was subsequently released in October 2021;
  - (v) RMB6,966,000 were secured by mortgages over the Group’s land and buildings with a net carrying value of approximately RMB12,294,000 (note 14), denominated in JPY, with an interest rate of 1.03%; and
  - (vi) RMB75,000,000 were guaranteed by Mr. Lyu Yixiong and the Group, with interest rates between 5.00% and 7.20%.

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- (b) As at 31 December 2020, certain of the Group’s bank loans amounting to
- (i) RMB55,000,000 were guaranteed by Mr. Lyu Yixiong, Shanghai Kans Enterprise Management Co., Ltd and the Group, and secured by mortgages over the Group’s trade receivables with a carrying value of approximately RMB144,652,000, with an interest rate of 3.50%;
  - (ii) RMB241,397,000 were guaranteed by Mr. Lyu Yixiong, Ms. Han Yanyan and the Group, and secured by mortgages over the Group’s buildings and machinery and leasehold land with net carrying values of approximately RMB517,215,000 and RMB75,639,000, respectively, with interest rates between 4.75% and 5.39% (notes 14 and 16). The guarantee provided by Ms. Han Yanyan was released in October 2021;
  - (iii) RMB1,031,000 were secured by mortgages over the Group’s land and buildings with a net carrying values of approximately RMB11,874,000 (note 14), respectively, denominated in JPY, with an interest rate of 1.03%; and
  - (iv) RMB85,104,000 were guaranteed by Mr. Lyu Yixiong and the Group, with interest rates between 3.50% and 6.80%.
- (c) As at 31 December 2021, certain of the Group’s bank loans amounting to
- (i) RMB29,970,000 were guaranteed by the Group, with an interest rate of 3.60%;
  - (ii) RMB160,089,000 were guaranteed by the Group, and secured by mortgages over the Group’s buildings and machinery and leasehold land with net carrying values of approximately RMB486,595,000 and RMB72,483,000, respectively, with interest rates between 4.75% and 5.39% (notes 14 and 16); and
- (d) As at 30 June 2022, certain of the Group’s bank loans amounting to
- (i) RMB160,409,000 were guaranteed by the Group, and secured by mortgages over the Group’s buildings and leasehold land with net carrying values of approximately RMB263,392,000 and RMB71,677,000, respectively, with interest rates between 2.65% and 5.39% (notes 14 and 16);
  - (ii) RMB50,000,000 were secured by mortgages over the Group’s investment properties with a net carrying value of approximately RMB9,904,000, respectively, with an interest rate of 4.20% (note 15);
  - (iii) RMB150,500,000 were guaranteed by the Group with interest rates of 2.63% to 5.20%.
- (e) The Group’s other borrowings of RMB6,950,000 and RMB3,147,000, denominated in USD, for the years ended 31 December 2019 and 2020, respectively, with interest rates between 1.00% and 2.00%.

**29. OTHER LIABILITIES**

**Group and Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Other liabilities	507,458	–	–	–

Pursuant to capital contribution agreement signed in March 2015, the Company issued equity interests of RMB8,388,000, RMB4,356,000 and RMB3,816,000 to White Sand (HK) Investment Limited, Shanghai Lianyi Venture Capital Center (limited partnership) (“Shanghai Lianyi”) and Shanghai Ximei Investment Center (limited partnership), which are series A investors, for cash consideration of USD25,000,030, RMB80,000,000 and RMB70,000,000, respectively.

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**Redemption rights**

Pursuant to the Series A capital contribution agreement, Series A equity interest shall be redeemable by the Company or the controlling shareholder upon the occurrence of certain contingent events by 31 December 2019, including the failure of a submission of qualified [REDACTED] of the Company in the domestic or foreign share market. The price at which Series A equity interest is redeemed shall be an amount that would give the investment holders of Series A equity interest at a compound interest rate of ten percent per annum for their investments in the Company minus accumulated dividends. Other liabilities are classified as financial liabilities at amortised cost. The balance of other liabilities as at 31 December 2019 represented the principal amounts of the capital contribution of RMB324,405,000 and accumulated interest payable related to redemption liabilities of RMB183,053,000.

In February 2020, Shanghai Shengyan Business Management Center (“Shanghai Shengyan”, an entity controlled by the controlling shareholder of the Company) signed equity repurchase agreements with White Sand (HK) Investment Limited and Shanghai Lianyi respectively to repurchase the shares of the Company. Pursuant to this agreement, the above mentioned redemption rights were terminated and related other liabilities of RMB399,618,000 were transferred to capital reserve.

In October 2020, the Company, the controlling shareholder and Shanghai Ximei Investment Center (limited partnership) reached a supplementary agreement stipulating that the Company no longer has any redemption obligation under the Series A capital contribution agreement and related other liabilities of RMB118,327,000 was transferred to capital reserve.

During the years ended 31 December 2019 and 2020, the Company recorded interest expenses on these other liabilities amounted to RMB45,932,000 and RMB8,737,000 using the effective interest rate method.

**30. SHARE CAPITAL**

**Group and Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Issued and fully paid:				
360,000,000 (2021: 360,000,000,				
2020: 360,000,000, 2019:				
180,000,000) ordinary shares of				
RMB1.00 each	180,000	360,000	360,000	360,000

A summary of movements in the Company’s share capital is as follows:

	Number of shares in issue	Share capital
At 1 January 2020	180,000,000	180,000
Transfer from reserves*	180,000,000	180,000
At 31 December 2020	360,000,000	360,000

\* The Company was incorporated in Shanghai, the People’s Republic of China on 11 June 2004 as a limited liability company with registered capital of RMB180,000,000 divided into 180,000,000 shares of RMB1.00 each. On 31 October 2020, the Company was converted into a joint stock limited company. On 31 December 2020, the Company’s shareholders approved a resolution that RMB180,000,000 of capital reserve had been converted to 180,000,000 shares of RMB1.00 each.

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There was no movement in the Company’s share capital during the years ended 31 December 2019 and 2021 and the six months ended 30 June 2021 and 2022.

### 31. SHARE INCENTIVE SCHEMES

Mr. Lyu Yixiong (the controlling shareholder of the Group) has implemented 5 share incentive schemes (hereinafter referred to as “plan I” to “plan V”) through the shareholding platform controlled by the controlling shareholder of the Group, to encourage and reward people who contribute to the operation of the Group. Eligible persons include directors and other employees of the Group.

In July 2016, 5 employees (including directors) of the Group entered into an agreement (plan I) with Mr. Lyu Yixiong. Under this agreement, Mr. Lyu Yixiong granted these 5 employees 3,601,800 shares of the Company with vesting periods from 31 July 2016 to 31 July 2020. In December 2017, 1 of the 5 employees defaulted and a total of 901,800 shares of the Company were forfeited. In October 2019, 1 of the 5 employees resigned and a total of 718,200 shares of the Company were repurchased by Mr. Lyu Yixiong.

In July 2016, 9 employees of the Group entered into an agreement (plan II) with Mr. Lyu Yixiong. Under this agreement, Mr. Lyu Yixiong granted these 9 employees 2,322,000 shares of the Company with vesting periods from 31 July 2016 to 31 July 2021. In June and September 2018, 3 of the 9 employees resigned and a total of 522,000 shares of the Company were repurchased by Mr. Lyu Yixiong. In February and December 2019, 2 of the 9 employees resigned and a total of 540,000 shares of the Company were repurchased by Mr. Lyu Yixiong. In July and November 2020, 2 of the 9 employees resigned and a total of 360,000 shares of the Company were repurchased by Mr. Lyu Yixiong.

In August 2016, 9 employees (including directors) of the Group entered into an agreement (plan III) with the Company. Under this agreement, the Company granted 9 employees the right to purchase fixed value shares of the Company at a specific price after the successful [REDACTED] of the Company. In October 2017, 3 of the 9 employees signed a termination agreement with the Company. In March 2018, 2 of the 9 employees terminated the agreement due to their resignation. In March 2021, the remaining 4 employees entered into an agreement (plan V) with Mr. Lyu Yixiong which is deemed as modification to the terms and conditions of plan III. Under this agreement, Mr. Lyu Yixiong granted them 504,000 shares of the Company with no vesting periods.

In March 2020, 3 employees (including directors) of the Group entered into an agreement (plan IV) with Mr. Lyu Yixiong. Under this agreement, Mr. Lyu Yixiong granted these 3 employees 1,620,000 shares of the Company with no vesting period. In March 2021, these 3 employees entered into an agreement (plan V) with Mr. Lyu Yixiong which is deemed as modification to the terms and conditions of plan IV. Under this agreement, Mr. Lyu Yixiong granted them 3,240,000 shares of the Company with no vesting periods.

In March 2021, 3 employees (including directors) of the Group entered into an agreement (plan V) with Mr. Lyu Yixiong (the controlling shareholder of the Group). Under this agreement, Mr. Lyu Yixiong granted these 3 employees 1,080,000 shares of the Company with no vesting period.

In March 2021, 43 employees of the Group entered into an agreement (plan V) with Mr. Lyu Yixiong (the controlling shareholder of the Group). Under this agreement, Mr. Lyu Yixiong granted these 43 employees 4,176,000 shares of the Company with vesting periods dated from 1 January 2021 to 31 December 2024.

In August 2021, 1 employee of the Group entered into an agreement (plan V) with Mr. Lyu Yixiong (the controlling shareholder of the Group). Under this agreement, Mr. Lyu Yixiong granted this 1 employee 72,000 shares of the Company with vesting periods dated from 1 January 2021 to 31 December 2024.

In August 2021, 3 employees (including directors) of the Group entered into an agreement (plan V) with Mr. Lyu Yixiong (the controlling shareholder of the Group). Under this agreement, Mr. Lyu Yixiong granted these 3 employees 108,000 shares of the Company with vesting periods dated from 1 January 2021 to 31 December 2024.

Shares confer rights on the holders to dividends and to vote at shareholders’ meetings.

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The following share incentive were outstanding under the “plan I” to “plan V” during the Relevant Periods:

**Group and Company**

	As at 31 December						As at 30 June	
	2019		2020		2021		2022	
	Weighted average subscription price <i>RMB per share</i>	Number of shares	Weighted average subscription price <i>RMB per share</i>	Number of shares	Weighted average subscription price <i>RMB per share</i>	Number of shares	Weighted average subscription price <i>RMB per share</i>	Number of shares
At 1 January	1	4,500,000	1	3,421,800	1	9,363,600	1	14,475,600
Granted during the year	-	-	1	1,620,000	1	5,436,000	-	-
Forfeited during the year	1	(1,078,200)	1	(360,000)	1	(324,000)	1	(252,000)
Exercised during the year	-	-	1	4,681,800	-	-	-	-
At 31 December	<u>1</u>	<u>3,421,800</u>	<u>1</u>	<u>9,363,600</u>	<u>1</u>	<u>14,475,600</u>	<u>1</u>	<u>14,223,600</u>

The fair values of the 5 share incentive schemes were RMB60,323,000, RMB36,618,000, RMB55,025,900, RMB46,819,000 and RMB98,181,000, respectively, of which the Group recognised share-based compensation expenses of RMB9,039,000, RMB53,043,000, RMB41,440,000, RMB31,140,000 and RMB2,327,000 during the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, respectively.

The fair value of the equity-settled share incentive granted through plan I is estimated on the date of grant using the discounted cash flow method, WACC and CAPM, taking into account the terms and conditions of the granted shares. The following table lists the inputs for the model used:

	<b>2016</b>
WACC (%)	13.20
DLOM (%)	21.00

The fair value of the equity-settled share incentive granted through plan II is estimated on the date of grant using the discounted cash flow method, WACC and CAPM and the binary tree model, taking into account the terms and conditions of the granted shares. The following table lists the inputs for the model used:

	<b>2016</b>
WACC (%)	13.20
DLOM (%)	21.00
Risk-free interest rate (%)	2.41
Expected volatility (%)	51.39
Historical volatility (%)	51.39
Turnover rate (%)	10.00

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The fair value of the equity-settled stock options granted through plan III is estimated on the date of grant using the discounted cash flow method, taking into account the terms and conditions of the granted shares. The following table lists the inputs for the model used:

	<b>2016</b>
Discount rate (%)	2.64
Discount period (year)	4-5

The fair value of the equity-settled share incentive granted through plan IV is estimated on the date of grant using the discounted cash flow method, WACC and CAPM, taking into account the terms and conditions of the granted shares. The following table lists the inputs for the model used:

	<b>2020</b>
WACC (%)	14.30
DLOM (%)	20.00

The fair value of the equity-settled share incentive granted through plan V is estimated on the date of grant using the discounted cash flow method, WACC and CAPM, taking into account the terms and conditions of the granted shares. The following table lists the inputs for the model used:

	<b>2021</b>
WACC (%)	13.80
DLOM (%)	18.00

### 32. RESERVES

#### Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

#### *Share-based payment reserve*

The share-based payment reserve represents reserve arisen from share incentive schemes. Details of the movements in the share-based payment reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

#### *Statutory reserve*

In accordance with the Company Law of the People’s Republic of China, each company in the PRC is required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the company’s registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the company. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

#### *Capital reserve*

The capital reserve of the Group represents the contribution from the ultimate holding company and shareholder, business combinations under the common control and the excess of the consideration over the carrying amount of the non-controlling interests acquired. Details of the movements in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

The Company’s shareholders approved a resolution on 31 December 2020 to convert the Company’s capital reserve into share capital. After the conversion, the share capital of the Company became RMB360,000,000 divided into 360,000,000 shares of RMB1.00 each.



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*Exchange fluctuation reserve*

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

**Company**

	Share capital	Share-based payment reserve*	Capital reserve	Statutory reserve funds	Accumulated losses	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>At 1 January 2019</b>	180,000	91,447	–	8,123	(168,411)	111,159
Profit for the year	–	–	–	–	77,145	77,145
<b>Total comprehensive income for the year</b>	–	–	–	–	77,145	77,145
Acquisition of a subsidiary	–	–	(1,766)	–	–	(1,766)
Equity-settled share-based compensation	–	9,039	–	–	–	9,039
Transfer from retained profits	–	–	–	7,714	(7,714)	–
<b>At 31 December 2019</b>	<u>180,000</u>	<u>100,486</u>	<u>(1,766)</u>	<u>15,837</u>	<u>(98,980)</u>	<u>195,577</u>

**Company**

	Share capital	Share-based payment reserve	Capital reserve	Statutory reserve funds	Retained profits	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>At 1 January 2020</b>	180,000	100,486	(1,766)	15,837	(98,980)	195,577
Profit for the year	–	–	–	–	98,332	98,332
<b>Total comprehensive income for the year</b>	–	–	–	–	98,332	98,332
Equity-settled share-based compensation	–	53,043	–	–	–	53,043
Deemed capital contribution from the controlling shareholder (note 28)	–	–	517,945	–	–	517,945
Conversion into a joint stock Company (note 29)	–	–	(225,577)	(15,837)	241,414	–
Transfer capital reserve into share capital	180,000	–	(180,000)	–	–	–
Transfer from statutory reserve funds	–	–	–	11,844	(11,844)	–
<b>At 31 December 2020</b>	<u>360,000</u>	<u>153,529</u>	<u>110,602</u>	<u>11,844</u>	<u>228,922</u>	<u>864,897</u>

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**Company**

	Share capital	Share-based payment reserve	Capital reserve	Statutory reserve funds	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>(Unaudited)</b>						
<b>At 1 January 2021</b>	360,000	153,529	110,602	11,844	228,922	864,897
Loss for the period	–	–	–	–	(15,694)	(15,694)
<b>Total comprehensive income for the period</b>	–	–	–	–	(15,694)	(15,694)
Equity-settled share-based compensation	–	31,140	–	–	–	31,140
<b>At 30 June 2021</b>	<u>360,000</u>	<u>184,669</u>	<u>110,602</u>	<u>11,844</u>	<u>213,228</u>	<u>880,343</u>

	Share capital	Share-based payment reserve	Capital reserve	Statutory reserve funds	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 1 January 2021</b>	360,000	153,529	110,602	11,844	228,922	864,897
Profit for the year	–	–	–	–	187,116	187,116
<b>Total comprehensive income for the year</b>	–	–	–	–	187,116	187,116
Equity-settled share-based compensation	–	41,440	–	–	–	41,440
Transfer from retained profits	–	–	–	18,712	(18,712)	–
<b>At 31 December 2021</b>	<u>360,000</u>	<u>194,969</u>	<u>110,602</u>	<u>30,556</u>	<u>397,326</u>	<u>1,093,453</u>

**Company**

	Share capital	Share-based payment reserve	Capital reserve	Statutory reserve funds	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 1 January 2022</b>	360,000	194,969	110,602	30,556	397,326	1,093,453
Loss for the period	–	–	–	–	(15,650)	(15,650)
<b>Total comprehensive income for the period</b>	–	–	–	–	(15,650)	(15,650)
Equity-settled share-based compensation	–	2,327	–	–	–	2,327
Dividend declared	–	–	–	–	(200,000)	(200,000)
<b>At 30 June 2022</b>	<u>360,000</u>	<u>197,296</u>	<u>110,602</u>	<u>30,556</u>	<u>181,676</u>	<u>880,130</u>

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**33. DISPOSAL OF SUBSIDIARIES**

	<b>2019</b> <i>RMB’000</i>	<b>2020</b> <i>RMB’000</i>
Net assets disposed of:		
Property, plant and equipment	18,344	–
Right-of-use assets	2,818	–
Cash and bank balances	3	34
Trade receivables	377	4,186
Prepayments, other receivables and other assets	29	1,486
Inventories	–	15,916
Trade payables	(7,996)	(15,131)
Accruals and other payables	(570)	(921)
Non-controlling interests	–	(2,228)
	<u>13,005</u>	<u>3,342</u>
Gain/(loss) on disposal of subsidiaries	<u>67,472</u>	<u>(654)</u>
	<u>80,477</u>	<u>2,688</u>
Satisfied by:		
Cash	<u>80,477</u>	<u>2,688</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<b>2019</b> <i>RMB’000</i>	<b>2020</b> <i>RMB’000</i>
Cash consideration	80,477	2,688
Cash and bank balances disposed of	<u>(3)</u>	<u>(34)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>80,474</u>	<u>2,654</u>

**34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

**(a) Major non-cash transactions**

During the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group had non-cash additions to right-of-use assets of RMB6,751,000, RMB6,780,000, RMB9,696,000, RMB3,965,000 and RMB2,036,000 and lease liabilities of RMB6,751,000, RMB6,780,000, RMB9,696,000, RMB3,965,000 and RMB2,036,000, respectively, in respect of lease arrangements for office premises and plant.

During the year ended 31 December 2020, the Group had a non-cash addition to capital reserve and a non-cash reduction to other current liabilities of RMB517,945,000 in respect of the repurchases of the shares of the Company by the controlling shareholder as disclosed in note 29.

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**(b) Changes in liabilities arising from financing activities**

	<b>Interest-bearing bank and other borrowings</b>	<b>Lease liabilities</b>	<b>Amounts due to related parties</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 31 December 2018 and 1 January 2019	425,841	167,503	63,610
Changes from financing cash flows	81,269	(42,628)	40,145
Changes from operating cash flows	–	–	514
Interest expense	–	9,060	–
New leases	–	6,751	–
Non-cash movement	268	(1,761)	7,586
At 31 December 2019 and 1 January 2020	507,378	138,925	111,855
Changes from financing cash flows	(69,691)	(36,812)	(113,370)
Changes from operating cash flows	–	–	1,299
Interest expense	–	7,330	–
New leases	–	6,780	–
Non-cash movement	(2,181)	(7,625)	2,028
At 31 December 2020 and 1 January 2021	435,506	108,598	1,812
Changes from financing cash flows	(140,320)	(13,585)	–
Interest expense	–	3,204	–
New leases	–	3,965	–
Non-cash movement	–	(1,141)	–
At 30 June 2021 (Unaudited)	295,186	101,041	1,812
At 31 December 2020 and 1 January 2021	435,506	108,598	1,812
Changes from financing cash flows	(245,147)	(28,344)	–
Changes from operating cash flows	–	–	(1,812)
Interest expense	–	6,169	–
New leases	–	9,696	–
Non-cash movement	(300)	(1,143)	–
At 31 December 2021 and 1 January 2022	190,059	94,976	–
Changes from financing cash flows	170,850	(15,014)	–
Interest expense	–	2,766	–
New leases	–	2,036	–
Non-cash movement	–	(7)	–
At 30 June 2022	360,909	84,757	–

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### 35. PLEDGE OF ASSETS

Details of the Group’s interest-bearing bank loans and other borrowings, which are secured by the assets of the Group, are included in note 28 to the Historical Financial Information.

### 36. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000
Contracted, but not provided for				
Property, plant and equipment	206,523	81,086	27,490	16,644
Intangible assets	5,685	105	–	–
	<u>212,208</u>	<u>81,191</u>	<u>27,490</u>	<u>16,644</u>

### 37. RELATED PARTY TRANSACTIONS

#### (a) Name and relationship:

Name of related party	Notes	Relationship with the Group
Mr. Lyu Yixiong (“呂義雄”)		The controlling shareholder
Shanghai Qiyu Brand Management Co., Ltd (“上海淇予品牌管理有限公司”)		Associate
Hangzhou Qianmei Cosmetics Co., Ltd (“杭州謙美化妝品有限公司”)	(i)	Associate
Shanghai Shanhe Wuyang E-commerce Co., Ltd (“上海山河無恙電子商務有限公司”)	(ii)	Associate
Shanghai Misu Cosmetics Co., Ltd (“上海蜜愰化妝品有限公司”)	(iii)	Associate
Hangzhou Shike Personal Care Products Co., Ltd (“杭州時克個人護理用品有限公司”)	(iv)	Associate
Yinxi (Shanghai Culture Communication Co., Ltd (“隱溪(上海)文化傳播有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Hongdao Investment Co., Ltd (“上海紅道投資有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Lizi Business Consulting Co., Ltd (“上海黎姿商務諮詢有限公司”)		Entity controlled by Mr. Lyu Yixiong
Sichuan Gaorun Business Management Service Co., Ltd (“四川高潤商業管理服務有限公司”)	(v)	Entity controlled by Mr. Lyu Yixiong
Shanghai Maishang Biotechnology Co., Ltd (“上海麥尚生物科技有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Hongyin Investment Co., Ltd (“上海紅印投資有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Kans Enterprise Management Co., Ltd (“上海韓東企業管理有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Wuzun Investment Management Co., Ltd (“上海吾尊投資管理有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Wuzun E-commerce Co., Ltd (“上海吾尊電子商務有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Xueli E-commerce Co., Ltd (“上海雪黎電子商務有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Sumi E-commerce Co., Ltd (“上海素謎電子商務有限公司”)		Entity controlled by Mr. Lyu Yixiong
Shanghai Shengyan Business Management Centre (“上海盛顏商務管理中心”)		Entity controlled by Mr. Lyu Yixiong
Suzhou Xiongze Packaging Co., Ltd (“蘇州雄澤包裝有限公司”)		Entity controlled by close relatives of Mr. Lyu Yixiong

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Notes:

- (i) Hangzhou Qianmei Cosmetics Co., Ltd (“杭州謙美化妝品有限公司”) was disposed on 30 September 2021.
- (ii) Shanghai Shanhe Wuyang E-commerce Co., Ltd (“上海山河無恙電子商務有限公司”) was founded on 5 March 2020 and disposed on 26 May 2021.
- (iii) Shanghai Misu Cosmetics Co., Ltd (“上海蜜蓀化妝品有限公司”) was transformed from a subsidiary to an associate on 24 December 2020.
- (iv) Hangzhou Shike Personal Care Products Co., Ltd (“杭州時克個人護理用品有限公司”) was disposed on 13 August 2020.
- (v) Sichuan Gaorun Business Management Service Co., Ltd (“四川高潤商業管理服務有限公司”) was deregistered on 12 August 2019.

(b) Related party transactions:

The Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December			Six months ended 30 June	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Associates:						
Purchases of products and services	(i)	–	13,764	4,287	250	–
Sales of products and services	(ii)	9,188	13,366	10,809	5,117	1,831
Loan to an associate	(iii)	490	–	–	–	–
The controlling shareholder:						
Loans from Mr. Lyu Yixiong	(iii)	40,300	–	–	–	–
Repayment to Mr. Lyu Yixiong	(iii)	–	101,185	–	–	–
Interest paid	(iii)	–	9,405	–	–	–
Entities controlled by Mr. Lyu Yixiong						
Purchases of products and services	(i)	–	159	–	–	–
Sales of products and services	(ii)	379	–	–	–	–
Purchases of property, plant and equipment	(iv)	116	–	–	–	–
Loans from entities controlled by Mr. Lyu Yixiong	(iii)	1,500	–	–	–	–
Repayment from entities controlled by Mr. Lyu Yixiong	(iii)	14,132	144,828	490	490	–
Loans to entities controlled by Mr. Lyu Yixiong	(iii)	1,440	81,170	–	–	–
Repayment to entities controlled by Mr. Lyu Yixiong	(iii)	1,655	2,570	–	–	–
Interest paid	(iii)	–	210	–	–	–
Interest received	(iii)	–	4,725	–	–	–
Entities controlled by close relatives of Mr. Lyu Yixiong:						
Purchases of products and services	(i)(v)	35,209	36,587	44,624	24,876	12,363

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*Notes:*

- (i) The purchases of products and services from the related parties were made according to the prices and terms offered by the related parties with reference to the market price.
- (ii) The sales of products and services to the related parties were made according to the prices and terms offered by the related parties with reference to the market price.
- (iii) The loans to the related parties were paid on demand and made according to the bank loan interest rates, with interest rates between 4.35% and 4.75%. The loans to the related parties were made according to the bank loan interest rates, with interest rates between 4.35% and 4.75%, and the term of these loans are 1-3 years.
- (iv) The purchases of property, plant and equipment from the related parties were made according to the prices and terms agreed between the Group and the related parties with reference to the market price.
- (v) This related party transaction constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules.

**(c) Guarantees**

The Company, the Company’s certain directors, the Group and related parties have guaranteed certain bank loans made to the Group up to RMB777,000,000 and RMB747,000,000 and RMB442,000,000 during the years ended 31 December 2019, 2020 and 2021, respectively, as further detailed in note 28 to the Historical Financial Information. All the aforesaid guarantees provided to the Group by the Company’s certain directors and related parties have been released at 31 December 2021.

**(d) Outstanding balances with related parties**

	As at 31 December			As at 30 June
	2019 <i>RMB’000</i>	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>
Trade:				
Associates:				
Trade receivables	6,483	14,920	12,094	6,387
Trade payables	–	2,411	–	–
Entities controlled by Mr. Lyu Yixiong:				
Trade receivables	812	–	–	–
Trade payables	–	179	–	–
Entities controlled by close relatives of Mr. Lyu Yixiong:				
Trade payables	20,816	14,602	18,261	11,058
Non-trade:				
Associates:				
Other receivables	490	490	–	–
Other payables	–	1,812	–	–
The controlling shareholder:				
Other payables	108,771	–	–	–
Entities controlled by Mr. Lyu Yixiong:				
Other receivables	60,946	–	–	–
Prepayments	1,154	–	–	–
Other payables	3,084	–	–	–

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(e) **Compensation of key management personnel of the Group:**

	Year ended 31 December			Six months ended 30 June	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
Short-term employee benefits	9,222	6,718	6,496	3,007	2,195
Equity-settled share compensation expense	3,847	47,383	9,753	9,753	–
Total compensation paid to key management personnel	<u>13,069</u>	<u>54,101</u>	<u>16,249</u>	<u>12,760</u>	<u>2,195</u>

Further details of directors’ emoluments are included in note 9 to the Historical Financial Information.

**38. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000
<b>Financial assets</b>				
<i>Financial assets at amortised cost:</i>				
Trade and bills receivables	386,925	321,480	365,086	285,381
Financial assets included in prepayments, other receivables and other assets	80,706	22,505	21,309	27,371
Pledged deposits	33,652	440	–	11,500
Cash and cash equivalents	132,374	154,195	145,208	114,965
	<u>633,657</u>	<u>498,620</u>	<u>531,603</u>	<u>439,217</u>
<i>Financial assets at fair value through profit or loss:</i>				
Structured deposits	–	–	–	29,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>29,000</u>
<i>Financial assets at fair value through other comprehensive income: Debt investments:</i>				
Bills receivable	10,015	19,368	9,788	10,507
	<u>10,015</u>	<u>19,368</u>	<u>9,788</u>	<u>10,507</u>
<b>Financial liabilities</b>				
<i>Financial liabilities at amortised cost:</i>				
Trade and bills payables	717,900	549,122	565,961	382,990
Financial liabilities included in other payables and accruals	262,956	182,245	144,999	302,993
Interest-bearing bank and other borrowings	507,378	435,506	190,059	360,909
Other liabilities	507,458	–	–	–
	<u>1,995,692</u>	<u>1,166,873</u>	<u>901,019</u>	<u>1,046,892</u>



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**39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
As at 31 December 2019				
Debt investments at fair value through other comprehensive income				
Bills receivable	–	10,015	–	10,015

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
As at 31 December 2020				
Debt investments at fair value through other comprehensive income				
Bills receivable	–	19,368	–	19,368

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
As at 31 December 2021				
Debt investments at fair value through other comprehensive income				
Bills receivable	–	9,788	–	9,788

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
As at 30 June 2022				
Structured deposit at fair value through profit or loss	–	29,000	–	29,000
Debt investments at fair value through other comprehensive income				
Bills receivable	–	10,507	–	10,507

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During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Management has assessed that the fair values of cash and cash equivalents, bills receivable, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, current bank loans, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer and also are discussed with the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

#### **40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group’s principal financial instruments comprise cash and cash equivalents, lease liabilities, and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to support the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

##### **Foreign currency risk**

The Group’s major businesses are in Mainland China and the majority of the transactions are conducted in RMB. Most of the Group’s assets and liabilities are denominated in RMB. The Group does not have material foreign currency risk during the Relevant Periods.

##### **Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant.

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**Maximum exposure and year-end staging**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2019**

	<b>12-month ECLs</b>	<b>Lifetime ECLs</b>			<b>Total</b>
	<b>Stage 1 RMB’000</b>	<b>Stage 2 RMB’000</b>	<b>Stage 3 RMB’000</b>	<b>Simplified approach RMB’000</b>	<b>RMB’000</b>
Bills receivable	10,335	–	–	–	10,335
Trade receivables*	–	–	–	444,479	444,479
Financial assets included in prepayments, other receivables and other assets					
– Normal**	82,977	–	–	–	82,977
Pledged deposits					
– Not yet past due	33,652	–	–	–	33,652
Cash and cash equivalents					
– Not yet past due	132,374	–	–	–	132,374
	<u>259,338</u>	<u>–</u>	<u>–</u>	<u>444,479</u>	<u>703,817</u>

**As at 31 December 2020**

	<b>12-month ECLs</b>	<b>Lifetime ECLs</b>			<b>Total</b>
	<b>Stage 1 RMB’000</b>	<b>Stage 2 RMB’000</b>	<b>Stage 3 RMB’000</b>	<b>Simplified approach RMB’000</b>	<b>RMB’000</b>
Bills receivable	23,847	–	–	–	23,847
Trade receivables*	–	–	–	359,783	359,783
Financial assets included in prepayments, other receivables and other assets					
– Normal**	24,802	–	–	–	24,802
Pledged deposits					
– Not yet past due	440	–	–	–	440
Cash and cash equivalents					
– Not yet past due	154,195	–	–	–	154,195
	<u>203,284</u>	<u>–</u>	<u>–</u>	<u>359,783</u>	<u>563,067</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**As at 31 December 2021**

	<b>12-month ECLs</b>	<b>Lifetime ECLs</b>			<b>Total</b>
	<b>Stage 1 RMB’000</b>	<b>Stage 2 RMB’000</b>	<b>Stage 3 RMB’000</b>	<b>Simplified approach RMB’000</b>	<b>RMB’000</b>
Bills receivable	10,288	–	–	–	10,288
Trade receivables*	–	–	–	391,007	391,007
Financial assets included in prepayments, other receivables and other assets					
– Normal**	22,534	–	–	–	22,534
Cash and cash equivalents – Not yet past due	145,208	–	–	–	145,208
	<u>178,030</u>	<u>–</u>	<u>–</u>	<u>391,007</u>	<u>569,037</u>

**As at 30 June 2022**

	<b>12-month ECLs</b>	<b>Lifetime ECLs</b>			<b>Total</b>
	<b>Stage 1 RMB’000</b>	<b>Stage 2 RMB’000</b>	<b>Stage 3 RMB’000</b>	<b>Simplified approach RMB’000</b>	<b>RMB’000</b>
Bills receivable	10,507	–	–	–	10,507
Trade receivables*	–	–	–	307,601	307,601
Financial assets included in prepayments, other receivables and other assets					
– Normal**	30,870	–	–	–	30,870
Pledged deposits – Not yet past due	11,500	–	–	–	11,500
Cash and cash equivalents – Not yet past due	114,965	–	–	–	114,965
	<u>167,842</u>	<u>–</u>	<u>–</u>	<u>307,601</u>	<u>475,443</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical financial information.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

At 31 December 2019, the Group had certain concentrations of credit risk as 31% and 75% of the Group’s trade receivables were due from the Group’s largest customer and five largest customers, respectively. At 31 December 2020, the Group had certain concentrations of credit risk as 40% and 72% of the Group’s trade receivables were due from the Group’s largest customer and five largest customers, respectively. At 31 December 2021, the Group had certain concentrations of credit risk as 31% and 73% of the Group’s trade receivables were due from the Group’s largest customer and five largest customers, respectively. At 30 June 2022, the Group had certain concentrations of credit risk as 27% and 66% of the Group’s trade receivables were due from the Group’s largest customer and five largest customers, respectively. The Group does not hold any collateral or other credit enhancement for the balance of trade receivable.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and projected cash flows from operations.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	<b>Within 1 year</b> <i>RMB’000</i>	<b>1 to 5 years</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>31 December 2019</b>			
Trade and bills payables	717,900	–	717,900
Financial liabilities included in other payables and accruals	262,956	–	262,956
Interest-bearing bank and other borrowings	364,899	172,777	537,676
Lease liabilities	42,140	132,416	174,556
Other liabilities	507,458	–	507,458
<b>Total</b>	<b>1,895,353</b>	<b>305,193</b>	<b>2,200,546</b>
<b>31 December 2020</b>			
Trade and bills payables	549,122	–	549,122
Financial liabilities included in other payables and accruals	182,245	–	182,245
Interest-bearing bank and other borrowings	285,179	181,639	466,818
Lease liabilities	29,519	102,897	132,416
<b>Total</b>	<b>1,046,065</b>	<b>284,536</b>	<b>1,330,601</b>
<b>31 December 2021</b>			
Trade and bills payables	565,961	–	565,961
Financial liabilities included in other payables and accruals	144,999	–	144,999
Interest-bearing bank and other borrowings	62,299	145,271	207,570
Lease liabilities	29,641	79,849	109,490
<b>Total</b>	<b>802,900</b>	<b>225,120</b>	<b>1,028,020</b>
<b>30 June 2022</b>			
Trade and bills payables	382,990	–	382,990
Financial liabilities included in other payables and accruals	302,993	–	302,993
Interest-bearing bank and other borrowings	277,036	99,566	376,602
Lease liabilities	29,349	66,551	95,900
<b>Total</b>	<b>992,368</b>	<b>166,117</b>	<b>1,158,485</b>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**Capital management**

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total debt	2,517,505	1,639,898	1,319,525	1,314,774
Total assets	2,323,838	2,224,288	2,274,563	2,136,035
Net gearing ratio	108.33%	73.73%	58.01%	61.55%

**41. EVENTS AFTER THE RELEVANT PERIODS**

There is no material subsequent event undertaken by the Group after 30 June 2022.

**42. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022.