ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

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TO THE DIRECTORS OF ZHENGWEI GROUP HOLDINGS COMPANY LIMITED AND GRAND MOORE CAPITAL LIMITED

Introduction

We report on historical financial information of Zhengwei Group Holdings Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages I-4 to I-98, which comprises the combined statements of financial position as at 31 December 2019, 2020 and 2021 and the statements of the financial position of the Company as at 31 December 2020 and 2021, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-98 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") 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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting 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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 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 purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2020 and 2021, the Group's financial position as at 31 December 2019, 2020 and 2021, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively.

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 16 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No financial statements for the Company

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

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, [Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**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.

1. COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	6	297,398	282,889	341,998
Cost of sales		(201,147)	(192,301)	(233,518)
Gross profit		96,251	90,588	108,480
Other revenue	7	4,500	5,153	4,181
Other gains and losses	8	1,013	3,655	3,797
Distribution and selling expenses		(21,877)	(20,314)	(28,224)
Administrative expenses		(20,415)	(20,504)	(23,130)
Provision of impairment loss recognised on trade and other receivables and deposits, net		58	580	893
Finance costs	9	(7,530)	(7,760)	(6,150)
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit before income tax expense	10	48,262	47,313	57,844
Income tax expense	14	(7,317)	(6,374)	(9,552)
Profit for the year		40,945	40,939	48,292
Profit for the year attributable to:				
Owners of the Company		40,945	40,939	48,292
Profit for the year		40,945	40,939	48,292
Other comprehensive income, net of tax	15			
Items that will not be reclassified subsequently to profit or loss:				
— Changes in fair value of financial asset at fair value through other comprehensive income ("**FVOCI**")		222	(446)	212
— Revaluation of property, plant and equipment and right-of-use assets on transfer to investment property		826	—	—
Other comprehensive income for the year		1,048	(446)	212
Total comprehensive income for the year		41,993	40,493	48,504
Total comprehensive income for the year attributable to:				
Owners of the Company		41,993	40,493	48,504

2. COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*18*	30,424	31,415	42,953
Right-of-use assets	*19*	6,007	5,860	6,310
Investment property	*20*	5,430	5,590	—
Goodwill	*21*	269	269	269
Intangible assets	*22*	1,458	1,073	688
Financial asset at fair value through other comprehensive income	*23*	1,355	909	1,121
Deferred tax assets	*24*	1,885	946	617
Deposits and other receivables	*27*	1,392	557	—
Total non-current assets		48,220	46,619	51,958
Current assets				
Inventories	*25*	62,445	98,248	106,459
Trade receivables	*26*	74,344	52,395	63,163
Prepayments, deposits and other receivables	*27*	37,754	15,631	15,300
Right of return assets	*28*	976	767	818
Amount due from a related party	*29*	58	58	—
Amounts due from shareholders	*35*	—	343	343
Cash and cash equivalents	*30*	41,136	142,338	127,321
Total current assets		216,713	309,780	313,404
Total assets		264,933	356,399	365,362
Current liabilities				
Trade payables	*31*	24,774	52,390	42,511
Other payables and accruals	*32*	17,459	14,046	14,380
Contract liabilities	*33*	450	290	593
Borrowings	*34*	80,972	98,586	87,033
Amount due to a shareholder	*35*	—	9	9
Lease liabilities	*19*	249	238	84
Income tax payable		4,306	4,171	5,490
Total current liabilities		128,210	169,730	150,100
Net current assets		88,503	140,050	163,304
Total assets less current liabilities		136,723	186,669	215,262

		As at 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Borrowings	*34*	23,673	20,000	3,626
Lease liabilities	*19*	1,936	1,782	—
Other payables	*32*	2,005	1,755	—
Total non-current liabilities		27,614	23,537	3,626
NET ASSETS		109,109	163,132	211,636
Capital and reserves attributable to the owners of the Company				
Share capital	*36*	—	372	372
Reserves	*37*	109,109	162,760	211,264
TOTAL EQUITY		109,109	163,132	211,636

3. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2020	As at 31 December 2021
		RMB'000	*RMB'000*
Non-current asset			
Investment in a subsidiary	*38*	363	363
Total non-current asset		363	363
Current assets			
Amounts due from shareholders		344	344
Total current assets		344	344
Total assets		707	707
Current liability			
Amount due to subsidiaries		327	449
Total current liability		327	449
Net current assets/(liabilities)		17	(105)
Total assets less current liability		380	258
NET ASSETS		380	258
Capital and reserves attributable to the owners of the Company			
Share capital	*36*	372	372
Accumulated losses	*37*	8	(114)
Total equity		380	258

4. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Capital reserve	Statutory reserve	Merger reserve	Investment property revaluation reserve	FVTOCI reserve	Retained earnings	Attributable to owners of the Company	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 36)	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*		
As at 1 January 2019	—	—	2,941	17,412	—	(367)	27,097	47,083	47,083
Profit for the year	—	—	—	—	—	—	40,945	40,945	40,945
Other comprehensive income:									
• Fair value change in financial asset at fair value through other comprehensive income	—	—	—	—	—	222	—	222	222
• Fair value change in property, plant and equipment and right-of-use assets on transfer to investment property at fair value through other comprehensive income	—	—	—	—	826	—	—	826	826
Total comprehensive income	—	—	—	—	826	222	40,945	41,993	41,993
Capital contributions from beneficial shareholders to a subsidiary	—	—	—	20,033	—	—	—	20,033	20,033
Transfer from retained earnings to statutory reserve	—	—	3,321	—	—	—	(3,321)	—	—
As at 31 December 2019 and 1 January 2020	—	—	6,262	37,445	826	(145)	64,721	109,109	109,109
Profit for the year	—	—	—	—	—	—	40,939	40,939	40,939
Other comprehensive income									
• Fair value change in financial asset at fair value through other comprehensive income	—	—	—	—	—	(446)	—	(446)	(446)
Total comprehensive income	—	—	—	—	—	(446)	40,939	40,493	40,493
Initial ordinary shares issued in incorporation	372	—	—	—	—	—	—	372	372
Capital contribution from beneficial shareholders to a subsidiary	—	—	—	13,158	—	—	—	13,158	13,158
Transfer from retained earnings to statutory reserve	—	—	3,109	—	—	—	(3,109)	—	—
As at 31 December 2020	372	—	9,371	50,603	826	(591)	102,551	163,132	163,132

	Attributable to owners of the Company								
	Share capital	Capital reserve	Statutory reserve	Merger reserve	Investment property revaluation reserve	FVTOCI reserve	Retained earnings	Attributable to owners of the Company	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 36)	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*	*(Note 37)*		
As at 1 January 2021	372	—	9,371	50,603	826	(591)	102,551	163,132	163,132
Profit for the year	—	—	—	—	—	—	48,292	48,292	48,292
Other comprehensive income:									
• Fair value change in financial asset at fair value through other comprehensive income	—	—	—	—	—	212	—	212	212
Total comprehensive income	—	—	—	—	—	212	48,292	48,504	48,504
Transfer from retained earnings to statutory reserve	—	—	2,458	—	—	—	(2,458)	—	—
As at 31 December 2021	372	—	11,829	50,603	826	(379)	148,385	211,636	211,636

5. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax expense	48,262	47,313	57,844
Adjustments for:			
Depreciation of property, plant and equipment	2,411	2,374	3,793
Depreciation of right-of-use assets	268	231	214
Loss from net investment in subleases	1,920	—	—
Gain from early termination of subleases	—	—	(1,782)
Finance costs	7,530	7,760	6,150
Provision/(reversal) of impairment loss recognised on trade receivables, net	146	(554)	(901)
(Reversal)/provision of impairment loss recognised on deposits and other receivables, net	(204)	(26)	8
Amortisation of intangible assets	385	385	385
Fair value gain on investment property	(70)	(160)	(1,100)
Interest income	(125)	(273)	(307)
(Reversal of write-down)/write-down of inventories	(1,094)	(627)	171
Exchange loss, net	—	29	—
Loss on disposal of property, plant and equipment	74	13	264
Reversal for the provision of social insurance	(2,937)	(3,537)	(1,179)
Operating profits before working capital changes	56,566	52,928	63,560
Decrease/(increase) in inventories	8,815	(35,176)	(8,382)
(Increase)/decrease in trade receivables	(46,095)	22,503	(9,867)
(Increase)/decrease in prepayments, deposits and other receivables	(1,190)	24,334	(469)
Increase in amount due from a related party	(58)	—	—
(Decrease)/increase in trade payables	(1,847)	27,617	(9,880)
Increase/(decrease) in other payables and accruals	1,383	(126)	(237)
Decrease in right of return assets	1,197	209	(51)
Increase/(decrease) in contract liabilities	191	(160)	303
Cash generated from operations	18,962	92,129	34,977
Income tax paid	(8,374)	(5,570)	(7,905)
Net cash generated from operating activities	10,588	86,559	27,072

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities			
Purchases of property, plant and equipment.	(1,454)	(3,378)	(9,488)
Net cash inflow from disposal of subsidiary *(note 39)*	—	—	1,933
Proceed from disposal of property, plant and equipment	—	—	3
Purchases of intangible assets	(1,300)	—	—
Receipt of advances from a related party	—	—	58
Interest received	125	273	307
Net cash used in investing activities	(2,629)	(3,105)	(7,187)
Cash flows from financing activities			
Repayment of principal portion of the lease liabilities	(119)	(249)	(238)
Proceeds from new borrowings	117,610	100,340	83,700
Repayment of borrowings	(93,467)	(86,422)	(111,600)
Interest paid	(6,340)	(7,669)	(6,155)
Repayment to related parties	(873)	—	—
Advance from beneficial shareholders	—	9	—
Repayment to beneficial shareholders	(2,981)	—	—
Payment of deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Guarantee fee paid	(110)	(68)	(22)
Capital contributions from beneficial shareholders to a subsidiary	20,033	13,158	—
Net cash generated/(used in) from financing activities	32,507	17,748	(34,902)
Net increase/(decrease) in cash and cash equivalents	40,466	101,202	(15,017)
Cash and cash equivalents at the beginning of year	670	41,136	142,338
Cash and cash equivalents at the end of year	41,136	142,338	127,321
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	41,136	142,338	127,321

Reconciliation of liabilities arising from financing activities

	Borrowings	Amounts due to related parties	Amount due to a beneficial shareholder	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	79,580	873	2,981	—
Changes from cash flow:				
Proceeds from new borrowings	117,610	—	—	—
Repayment of borrowings	(93,467)	—	—	—
Repayment of principal portion of lease liabilities	—	—	—	(119)
Repayment to a beneficial shareholder	—	—	(2,981)	—
Repayment to related parties	—	(873)	—	—
Interest paid	(6,333)	—	—	(7)
Total financing cash flow	17,810	(873)	(2,981)	(126)
Other changes:				
Interest expenses	7,255	—	—	165
Commencement of lease	—	—	—	2,146
Total other changes	7,255	—	—	2,311
As at 31 December 2019	104,645	—	—	2,185
As at 31 December 2019	104,645	—	—	2,185
Changes from cash flow:				
Proceeds from new borrowings	100,340	—	—	—
Advance from beneficial shareholders	—	—	9	—
Repayment of borrowings	(86,422)	—	—	—
Repayment of principal portion of lease liabilities	—	—	—	(249)
Interest paid	(7,496)	—	—	(173)
Total financing cash flow	6,422	—	9	(422)
Other changes:				
Interest expenses	7,519	—	—	173
Effect on lease modification	—	—	—	84
Total other changes	7,519	—	—	257

	Borrowings	Amounts due to related parties	Amount due to a beneficial shareholder	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020	118,586	—	9	2,020
Changes from cash flow:				
Proceeds from new borrowings	83,700	—	—	—
Repayment of borrowings	(111,600)	—	—	—
Repayment of principal portion of lease liabilities	—	—	—	(238)
Interest paid	(5,993)	—	—	(162)
Total financing cash flow	(33,893)	—	—	(400)
Other changes:				
Gain from termination of leases	—	—	—	(1,782)
Effect on lease modification	—	—	—	84
Interest expenses	5,966	—	—	162
Total other changes	5,966	—	—	(1,536)
As at 31 December 2021	90,659	—	9	84

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands on 31 March 2020, as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. Its principal place of business is 487 Yuhu Road, Jingji Development Area, Xiaolan, Nanchang County, Nanchang City, Jiangxi Province, the People's Republic of China (the "**PRC**"). The Company is an investment holding company and the Group is principally engaged in sourcing, processing and trading of dried delicacies, instant snacks food, dried aquatic products, grains, seasonings and others (the "**[REDACTED] Business**").

In the opinion of the directors of the Company, the **[REDACTED]** Business was controlled by Mr. Yang Shengyao ("**Mr. Yang**") and Ms. Lin Qiuyun ("**Ms. Lin**"), the spouse of Mr. Yang, throughout the Track Record Period.

(b) Reorganisation

Prior to the incorporation of the Company and completion of the Reorganisation as described below, the development, production and sales of dried delicacies, instant snacks food, dried aquatic products, grains, seasonings and others were carried out by Jiangxi Zhengwei Food Co., Limited ("**Jiangxi Zhengwei**"), Nanchang Kaixing Industrial Co., Limited ("**Nanchang Kaixing**"), Guangchang County Zhenglian Biotechnology Co., Limited ("**Guangchang Zhenglian**") and Pingnan Anwang Trade Co., Limited ("**Pingnan Anwang**") (collectively the "**ZW Group**").

In preparation for the **[REDACTED]** of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 8 June 2022. The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section head "History, Reorganisation and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

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

Under the merger accounting, the net assets of the combined entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or any gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's or parties' interests.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. All significant intra-group balances and transactions within the Group are eliminated on combination.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition, whichever is shorter. The combined statements of financial position of the Group as of 31 December 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the subsidiaries as set out below, all of which are private entities.

Name of subsidiary	Place and date of incorporation/establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	*Note*
		Directly	*Indirectly*			
Zhengwei International Limited "Zhengwei International"	BVI, 21 April 2020, limited liability company	100%	—	Registered and fully paid capital US$50,000	Investment holding, BVI	(a)
Zhengwei Group Limited "Zhengwei Group" (正味集團有限公司)	Hong Kong ("**HK**"), 12 May 2020, limited liability company	—	100%	Registered and fully paid capital HK$10,000	Investment holding, HK	(b)
Jiangxi Zhengwei Food Co., Limited* "Jiangxi Zhengwei" (江西正味食品有限公司)	PRC, 4 January 2002, limited liability company	—	100%	Registered capital RMB14,330,000	Investment holding, sourcing, processing and trading of dried delicacies, grains, seasonings and instant snacks food and performing research and development, PRC	(a)
Nanchang Kaixing Industrial Co., Limited.* "Nanchang Kaixing" (南昌市凱興實業有限公司)	PRC 28 November 2005, limited liability company	—	100%	Registered and fully paid capital RMB5,000,000	Trading of dried delicacies, grains, seasonings and instant snacks food, PRC	(a)
Guangchang County Zhenglian Biotechnology Co., Limited* "Guangchang Zhenglian" (廣昌縣正蓮生物科技有限公司)	PRC, 18 September 2017, limited liability company	—	100%	Registered capital RMB30,000,000	Sourcing and processing of lotus seeds and performing research and development, PRC	(a)
Pingnan Anwang Trade Co., Limited* "Pingnan Anwang" (屏南縣安旺貿易有限公司)	PRC, 9 April 2020, limited liability company	—	100%**	Registered and fully paid capital RMB2,000,000	Trading of dried delicacies, grains, seasonings and instant snacks food, PRC	(a)

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

** *This subsidiary has been disposed of during the Track Record Period (Note 39).*

Notes:

(a) There are no statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation for these subsidiaries. No audited financial statements have been prepared for these entities during the Track Record Period.

(b) The financial statements of this subsidiary for the period from 12 May 2020 (date of incorporation) to 31 December 2020 and for the year ended 31 December 2021 were audited by BDO Limited.

(c) Basis of presentation

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 8 June 2022. The companies now comprising the Group were under the common control of Mr. Yang and Ms. Lin immediately before and after the completion of the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger method of accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the years ended 31 December 2019, 2020 and 2021 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as at 31 December 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

For the purpose of preparing and presenting the Historical Financial Information, the Group has early adopted all applicable new/revised Hong Kong Financial Reporting Standards ("**HKFRSs**") and amendments effective for accounting periods commencing on or after 1 January 2021 consistently throughout the Track Record Period.

At the date of this report, HKICPA has issued certain new or revised HKFRSs but are not yet effective and have not been adopted early by the Group. Details of which are set out in Note 3.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with the accounting policies set out below, which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**").

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis, except for investment property and financial asset at fair value through other comprehensive income, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company. All values in the Historical Financial Information are rounded to the nearest thousand except when otherwise indicated.

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised HKFRSs, potentially relevant to the Group's Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimate[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]

Amendment to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 1, First-time Adoption of HKFRSs[1]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9, Financial Instruments[1]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases[1]

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

2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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

4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

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

Amendments to HKAS 1 and HKFRS Practice Statement 2- Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

i) Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

ii) Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

iii) Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two addition examples on the application of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's combined financial statements.

Amendments to HKAS 8 — Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainly.

The amendments also, clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's combined financial statements.

Amendments to HKAS 12 — Deferred Tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced white bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact of application of the amendments and anticipate it will not have material impact on the combined financial statements as it is seldom for the Group to sell its property, plant and equipment before they are capable of intended use.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the combined financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Interpretation 21 Levies, the acquirer applies HK(IFRIC)-Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

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

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

Annual Improvements to HKFRSs 2018–2020 cycle

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Merger accounting for the Reorganisation

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

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

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

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

(b) Basis of combination

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

Under 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. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. For each business combination, the acquirer measures the non-controlling interest that represents a present ownership interest in the subsidiary in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

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

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

(c) Subsidiaries

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

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

(d) Goodwill

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

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

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

(e) Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

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

Owned assets

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

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

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

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

(f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

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 the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

(g) Government grant

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

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

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

(h) Leases

The Group as lessee

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

Right-of-use asset

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

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

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

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

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

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

Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group as lessor

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

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

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

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

(i) Intangible assets (other than goodwill)

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

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

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

Software	5 years
Patent	5 years

(ii) Subsequent expenditure

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

(iii) Derecognition of intangible assets

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

(iv) Impairment of intangible assets

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

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

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

(j) Financial instruments

(i) Financial asset

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

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

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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

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

Equity instruments

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

(ii) Impairment loss on financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Financial liabilities

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

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

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings and leases liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instrument

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

(vi) Financial guarantee contracts

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

(vii) Derecognition

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

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

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

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Revenue recognition

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

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

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

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

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

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

Sale of instant snacks, dried delicacies, dried aquatic products, grains, seasonings and instant snacks food

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

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

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

Contract liabilities

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

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(m) Income taxes

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

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

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

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

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

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

(n) Foreign currencies

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

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

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

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

(o) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participants in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the subsidiaries of the Company in PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

(iii) Termination benefits

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

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

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

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

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

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

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

(q) Capitalisation of borrowing costs

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

(r) Provisions and contingent liabilities

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

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

(s) Cash and cash equivalents

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

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

(t) Related parties

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

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of key management personnel of the Company or the Company's parent.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management services to the Company or to the Company's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(u) Research and development costs

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

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

(i) Determination the method to estimate variable consideration and assessing the constraint for sale of food product

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

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

Before including any amount of revenue in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on historical experience, business forecast and the current economic environment, as well as the uncertainty being resolved within a short period of time.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in this Historical Financial Information, other key sources of estimation uncertainty that have significant risks or resulting material adjustments to the carrying amounts of assets and liabilities with next financial year for the Track Record Period are as follows:

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

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

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

(ii) Fair value measurement

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

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
Level 3: Unobservable inputs (i.e. not derived from market data).

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

The Group measures a number of items at fair value:

- Investment property (sib); and

- Financial asset at fair value through other comprehensive income (Note 23).

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

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

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

(iv) Net realisable value of inventories

The Group's management reviews the inventory aging analysis periodically, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales.

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

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

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

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

(vi) Income tax and deferred tax

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

6. REVENUE AND SEGMENT REPORTING

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 1(b).

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

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Dried delicacies	86,800	70,454	87,410
Instant snacks	128,419	137,426	171,059
Dried aquatic products	46,716	52,965	59,002
Grains	28,791	17,899	21,358
Seasonings and others	6,672	4,145	3,169
	297,398	282,889	341,998
Timing of revenue recognition			
At a point in time	297,398	282,889	341,998
Transferred over time	—	—	—
	297,398	282,889	341,998

(a) Reportable segment revenue and profit

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

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

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customer within the scope of HKFRS 15:			
Manufacturing	223,435	228,949	250,352
Trading	73,963	53,940	91,646
	297,398	282,889	341,998

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

	Year ended 31 December 2019		
	Manufacturing	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	223,760	73,638	297,398
Inter-segment revenue	75,121	—	75,121
Reportable segment revenue	298,881	73,638	372,519
Reportable segment profit	24,238	27,762	52,000
Interest revenue	73	52	125
Interest expense	(7,254)	(166)	(7,420)
(Impairment loss)/reversal of impairment loss:			
— Trade receivables	239	(385)	(146)
— Deposits and other receivables	119	85	204
	358	(300)	58
Write-down of inventories	831	263	1,094
Income tax expense	(758)	(6,559)	(7,317)

	Year ended 31 December 2020		
	Manufacturing	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	228,747	54,142	282,889
Inter-segment revenue	19,735	—	19,735
Reportable segment revenue	248,482	54,142	302,624
Reportable segment profit	38,877	12,558	51,435
Interest revenue	250	23	273
Interest expense	(7,472)	(220)	(7,692)
(Impairment loss)/reversal of impairment loss:			
— Trade receivables	(189)	743	554
— Deposits and other receivables	30	(4)	26
	(159)	739	580
Write-down of inventories	612	15	627
Income tax expense	(3,703)	(2,671)	(6,374)

	Year ended 31 December 2021		
	Manufacturing	**Trading**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	250,787	91,211	341,998
Inter-segment revenue	20,846	—	20,846
Reportable segment revenue	271,633	91,211	362,844
Reportable segment profit	28,763	31,175	59,938
Interest revenue	288	19	307
Interest expense	(5,786)	(342)	(6,128)
Impairment loss/reversal of impairment loss:			
— Trade receivables	820	81	901
— Deposits and other receivables	(4)	(4)	(8)
	816	77	893
Write-down of inventories	(171)	—	(171)
Income tax expense	(2,182)	(7,370)	(9,552)

(b) Reconciliations of reportable segment revenue, profit or loss and other material items

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Reportable segment revenue	372,519	302,624	362,844
Elimination of inter-segment revenue	(75,121)	(19,735)	(20,846)
	297,398	282,889	341,998
Profit before income tax expense			
Reportable segment profit	52,000	51,435	59,938
Elimination of inter-segment profits	—	—	—
Other revenue	—	—	—
Other gains and losses	—	(37)	—
Unallocated corporate expenses	(3,738)	(4,085)	(2,094)
Finance costs	—	—	—
	48,262	47,313	57,844
Other material items			
Reportable depreciation and amortisation	3,064	2,990	4,392
Unallocated	—	—	—
Consolidated depreciation and amortisation	3,064	2,990	4,392

(c) Geographical information

The management determines the Group is domiciled in the PRC, which is the location of the Group's principal office. The Group's revenue information above is based on the delivery destinations of the Group's products requested by the customers. The Group's revenue from external customers is all derived from the customers located in the PRC and no geographical information is presented.

The geographical location of non-current assets is based on the physical location of the assets. As at 31 December 2019, 2020 and 2021, all of the Group's non-current assets are located in the PRC.

(d) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Customer A	110,370	115,659	138,915
Customer B	55,108	53,148	54,348
Customer C	38,446	42,588	56,367
	203,924	211,395	249,630

7. OTHER REVENUE

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest income from bank deposits	125	273	307
Government grants *(Note)*	4,122	4,620	3,690
Imputed interest on government grant receivable	78	40	—
Rental income	110	220	184
Others	65	—	—
	4,500	5,153	4,181

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

(a) incentive of agricultural development for the year ended 31 December 2019, 2020 and 2021 which the Group was required to lease over 40 acres land in agricultural use for ten years;

(b) government grant related to successful listing on National Equities Exchange and Quotations in the PRC for the year ended 31 December 2019 and 2020 which does not have other unfulfilled obligations;

(c) government grant for revenue growth for the year ended 31 December 2020 which does not have other unfulfilled obligations.

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Loss from net investment in subleases	(1,920)	—	—
Gain from early termination of subleases	—	—	1,782
Gain on changes in fair value of investment property *(Note 20)*	70	160	1,100
Exchange loss, net.	—	(29)	—
Reversal for the provision of staff social insurance	2,937	3,537	1,179
Losses on disposals of property, plant and equipment	(74)	(13)	(264)
	1,013	3,655	3,797

9. FINANCE COSTS

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank and other borrowings	7,255	7,519	5,966
Guarantee fee	110	68	22
Interest expenses on lease liabilities	165	173	162
	7,530	7,760	6,150

10. PROFIT BEFORE INCOME TAX EXPENSE

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

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
(Reversal of write-down)/write-down of inventories *(Note i)*	(1,094)	(627)	171
Depreciation charge:			
— Owned property, plant and equipment *(Note 18)*	2,411	2,374	3,793
— Right-of-use-assets *(Note 19)*	268	231	214
	2,679	2,605	4,007
Amortisation on intangible assets included in *(Note 22)*:			
— Administrative expenses	25	25	25
— Research and development costs	360	360	360
	385	385	385
Auditors' remuneration	—	—	—
Cost of inventories recognised as expenses	201,147	192,301	233,518
[REDACTED] — Hong Kong Exchanges and Clearing Limited ("**HKEX**")	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Research and development costs	9,491	10,225	10,386
Employee costs *(Note 11)*	21,706	29,331	38,955

Note:

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

11. EMPLOYEE COSTS

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Employee costs (including directors' emoluments *(Note 13)* comprise:			
Wages and salaries	17,347	26,084	30,722
Contributions to retirement benefits scheme	4,036	2,297	6,741
Other employee benefits	323	950	1,492
	21,706	29,331	38,955

12. RETIREMENT BENEFITS SCHEMES

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

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

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

		Year ended 31 December 2019			
		Fees	**Salaries, allowances and benefits in kind**	**Contributions to retirement benefits scheme**	**Total emoluments**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Shengyao	*(i)*	—	240	11	251
Lin Qiuyun	*(ii)*	—	144	11	155
Li Hui	*(iii)*	—	181	11	192
		—	565	33	598
Independent non-executive directors					
Li Taihong	*(iv)*	—	—	—	—
Lau Jing Yeung William	*(iv)*	—	—	—	—
Lee Kwok Tung Louis	*(iv)*	—	—	—	—
		—	—	—	—
		—	565	33	598

		Year ended 31 December 2020			
		Fees	**Salaries, allowances and benefits in kind**	**Contributions to retirement benefits scheme**	**Total emoluments**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Shengyao.	*(i)*	—	234	5	239
Lin Qiuyun.	*(ii)*	—	143	5	148
Li Hui	*(iii)*	—	178	5	183
		—	555	15	570
Independent non-executive directors					
Li Taihong	*(iv)*	—	—	—	—
Lau Jing Yeung, William . .	*(iv)*	—	—	—	—
Lee Kwok Tung, Louis. . . .	*(iv)*	—	—	—	—
		—	—	—	—
		—	555	15	570

		Year ended 31 December 2021			
		Fees	**Salaries, allowances and benefits in kind**	**Contributions to retirement benefits scheme**	**Total emoluments**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Yang Shengyao.	*(i)*	—	241	11	252
Lin Qiuyun.	*(ii)*	—	145	11	156
Li Hui	*(iii)*	—	182	11	193
		—	568	33	601
Independent non-executive directors					
Li Taihong	*(iv)*	—	—	—	—
Lau Jing Yeung William. . .	*(iv)*	—	—	—	—
Lee Kwok Tung Louis	*(iv)*	—	—	—	—
		—	—	—	—
		—	568	33	601

Note:

(i) Mr. Yang Shengyao was appointed as an executive director and Chairman of the Board on 31 March 2020.

(ii) Ms. Lin Qiuyun has been appointed as an executive director on 20 June 2022.

(iii) Mr. Li Hui has been appointed as an executive director on 20 June 2022.

(iv) Mr. Li Taihong, Mr. Lau Jing Yeung William and Mr. Lee Kwok Tung Louis were appointed as an independent non-executive directors on [•].

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

During the Track Record Period, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals of the Group included three, two, one directors for the years ended 31 December 2019, 2020 and 2021, whose emoluments are reflected in Note 13(i).

The analysis of the emolument of the remaining two, three and four highest paid individuals for the years ended 31 December 2019, 2020 and 2021, respectively, are set out below:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	361	563	919
Contributions to retirement benefits scheme	22	14	38
	383	577	957

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

	Year ended 31 December		
	2019	**2020**	**2021**
Nil to HK$1,000,000	2	3	4

During the Track Record Period, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(iii) Senior management emolument band

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

	Year ended 31 December		
	2019	**2020**	**2021**
Nil to HK$1,000,000	1	1	1

14. INCOME TAX EXPENSE

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

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current tax — PRC Enterprise Income Tax (the "**PRC EIT**")			
— for the year	7,505	5,435	9,223
Deferred tax *(Note 24)*			
— for the year	(188)	939	329
Income tax expenses	7,317	6,374	9,552

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

Hong Kong Profits Tax for the Company's subsidiary incorporated in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits.

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

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the combined statements of profit or loss and the comprehensive income as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax expense	48,262	47,313	57,844
Tax calculated at the PRC statutory tax rate of 25%	12,066	11,837	14,461
Tax effect of revenue not taxable for tax purposes	(2,620)	(1,364)	(2,380)
Tax effect of expenses not deductible for tax purposes	119	95	117
Effect of tax exemptions granted to PRC subsidiaries	(511)	(2,410)	(1,189)
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(1,728)	(1,875)	(1,902)
Tax losses/temporary difference not recognised	(9)	91	445
	7,317	6,374	9,552

The weighted average applicable tax rate was 15.2%, 13.5%, and 16.2% for the years ended 31 December 2019 and 2020 and 2021 respectively.

15. OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income:

	Year ended 31 December 2019		
	Before-tax amount	Tax expenses/ (benefits)	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instrument at FVOCI	222	—	222
Revaluation of property, plant and equipment and right-of-use assets on transfer to investment property	972	(146)	826
	1,194	(146)	1,048

	Year ended 31 December 2020		
	Before-tax amount	Tax expenses/ (benefits)	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Item that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instrument at FVOCI	(446)	—	(446)

	Year ended 31 December 2021		
	Before-tax amount	Tax expenses/ (benefits)	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instrument at FVOCI	212	—	212

16. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

17. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Track Record Period on a combined basis as disclosed in Note 1.

18. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment						
	Buildings	Leasehold improvement	Plant and machineries	Furniture, electronic and other equipment	Motor vehicles	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2019	24,723	5,617	5,834	1,612	502	—	38,288
Additions	—	—	664	790	—	—	1,454
Disposals	—	—	(50)	(70)	—	—	(120)
Transfer to investment property *(Note (i))*	(2,746)	—	—	—	—	—	(2,746)
At 31 December 2019	21,977	5,617	6,448	2,332	502	—	36,876
Additions	—	61	2,541	243	86	447	3,378
Disposals	—	—	—	(54)	—	—	(54)
Transfer from CIP	211	—	—	—	—	(211)	—
At 31 December 2020	22,188	5,678	8,989	2,521	588	236	40,200
Additions	—	—	6,962	477	120	1,929	9,488
Disposals	—	—	(92)	(6)	—	(236)	(334)
Transfer from investment property *(Note (ii))*	6,110	—	—	—	—	—	6,110
Transfer from CIP	—	877	1,052	—	—	(1,929)	—
At 31 December 2021	28,298	6,555	16,911	2,992	708	—	55,464
Accumulated depreciation and impairment							
At 1 January 2019	1,235	2,358	161	346	248	—	4,348
Provided for the year	590	800	610	340	71	—	2,411
Eliminated on disposals	—	—	(14)	(32)	—	—	(46)
Transfer to investment property	(261)	—	—	—	—	—	(261)
At 31 December 2019	1,564	3,158	757	654	319	—	6,452
Provided for the year	548	612	700	436	78	—	2,374
Eliminated on disposals	—	—	—	(41)	—	—	(41)
At 31 December 2020	2,112	3,770	1,457	1,049	397	—	8,785
Provided for the year	606	533	2,045	503	106	—	3,793
Eliminated on disposals	—	—	(63)	(4)	—	—	(67)
At 31 December 2021	2,718	4,303	3,439	1,548	503	—	12,511

	Property, plant and equipment						
	Buildings	Leasehold improvement	Plant and machineries	Furniture, electronic and other equipment	Motor vehicles	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value							
At 31 December 2021	25,580	2,252	13,472	1,444	205	—	42,953
At 31 December 2020	20,076	1,908	7,532	1,472	191	236	31,415
At 31 December 2019	20,413	2,459	5,691	1,678	183	—	30,424

Note:

(i) During the year ended 31 December 2019, a building was reclassified as investment property (Note 20), because it was no longer used by the Group and it was decided that the building would be leased to a related party (Note 40).

(ii) During the year ended 31 December 2021, the investment property (Note 20) was reclassified as building, because the Group terminate the lease with the related party and used by the Group for its own operation.

At 31 December 2019, 2020 and 2021, the Group's buildings with an aggregate carrying amount of approximately RMB20,413,000, RMB20,076,000 and RMB25,580,000 respectively were pledged to secure banking facilities granted to the Group (Note 34).

The net book value of construction in progress consists of an amount of RMB236,000 as at 31 December 2020 relating to the Group's new low temperature warehouse, which was under construction started depreciated when the property was completed and available for use.

19. LEASE

The Group as a lessee

The Group leases land use right and low-temperature warehouses in the PRC during the Track Record Period.

During the Track Record Period, the leases of the Group are with fixed payments only; and the lease contracts signed by the Group did not contain any extension options exercisable.

RIGHT-OF-USE ASSETS

	Land use right	Low temperature warehouses	Lease of farm land	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	7,952	—	—	7,952
Commencement of lease	—	226	8,641	8,867
Offset with net investment in subleases	—	—	(6,721)	(6,721)
Loss from net investment in subleases	—	—	(1,920)	(1,920)
Transfer to investment property *(Note 20)*	(1,903)	—	—	(1,903)
Depreciation for the year	(147)	(121)	—	(268)
At 31 December 2019	5,902	105	—	6,007
Effect of lease modification	—	84	—	84
Depreciation for the year	(126)	(105)	—	(231)
At 31 December 2020	5,776	84	—	5,860
Effect of lease modification	—	84	—	84
Transfer from investment property *(Note 20)*	580	—	—	580
Depreciation for the year	(130)	(84)	—	(214)
At 31 December 2021	6,226	84	—	6,310

All right-of-use assets were carried at depreciated cost during the Track Record Period.

The interest of land use right in the PRC are prepaid upon acquisition with the lease term of 50 years. The Group had also leased low temperature warehouses in the PRC till October 2021. The rental agreements are made for a fixed period from 12 months to 24 months which do not impose any restriction or covenant.

At 31 December 2019, 2020 and 2021, the Group's land use right with an aggregate carrying amounts of approximately RMB5,902,000, RMB5,776,000 and RMB6,226,000 respectively were pledged to secure banking facilities granted to the Group (Note 34).

LEASE LIABILITIES

The reconciliation of movements in the lease liabilities during the Track Record Period is presented below:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	—	2,185	2,020
Addition	8,867	—	—
Offset with net investment in subleases	(6,721)	—	—
Early termination of leases	—	—	(1,782)
Interest expense	165	173	162
Lease payments	(126)	(422)	(400)
Effect of lease modification	—	84	84
At the end of the year	2,185	2,020	84

The total future minimum lease payments under non-cancellable leases and the reconciliation to the lease liabilities recognised in the combined statements of financial position are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Minimum future lease payments			
— Within one year	422	398	86
— more than 1 year but not exceeding 2 years	313	313	—
— more than 2 year but not exceeding 5 years	938	938	—
— More than five years	1,562	1,250	—
	3,235	2,899	86
Less: Future finance charge	(1,050)	(879)	(2)
Present value of minimum lease payments	2,185	2,020	84
Initial period of the leases	14-120 months	14-120 months	12 months

The present value of future lease payments are analysed as:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current	249	238	84
Non-current	1,936	1,782	—
	2,185	2,020	84
Aggregate undiscounted commitments for short term leases	—	48	48

The Group as a lessor

The Group leases its office premises in the PRC to certain tenants during the Track Record Period.

The minimum rent receivables under non-cancellable operating leases are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Not later than one year	231	231	—
Later than one year and not later than two years	231	231	—
Later than two years and not later than three years	231	231	—
Later than three years and not later than four years	231	115	—
Later than four years and not later than five years	115	—	—
	1,039	808	—
Initial period of the lease	5 years	5 years	N/A

20. INVESTMENT PROPERTY

	RMB'000
At 1 January 2019	—
Addition — transferred from property, plant and equipment (Note 18)	2,485
Addition — transferred from right-of use assets *(Note 19)*	1,903
Increase in fair value recognised in other comprehensive income	972
Increase in fair value recognised in profit or loss *(Note 8)*	70
At 31 December 2019	5,430
Increase in fair value recognised in profit or loss *(Note 8)*	160
At 31 December 2020	5,590
Increase in fair value recognised in profit or loss *(Note 8)*	1,100
Transferred to property, plant and equipment *(Note 18)*	(6,110)
Transferred to right-of use assets *(Note 19)*	(580)
At 31 December 2021	—

Investment property is pledged to a bank to secure a bank borrowing granted to the Group (Note 34).

The fair value of the Group's investment property at 31 December 2019, 2020 and 2021 have been arrived at on market value basis carried out by Sino Infinite Appraisal Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of investment property is a Level 3 recurring fair value measurement. During the years ended 31 December 2019, 2020 and 2021, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the Track Record Period in which they occur.

Fair value is determined by applying the income approach, using the discounted cash flow method, based on the estimated rental value of the property. The valuation takes into account which the property would be fully occupied and rental income of the property. The discount rates have been adjusted for the condition and location of the building. There were no changes to the valuation techniques during the Track Record Period. The fair value measurement is based on the above property's highest and best use, which does not differ from their actual use.

The following table shows the significant unobservable inputs used in the fair value estimate:

Significant unobservable inputs	Relationship with fair value	At 31 December 2019	At 31 December 2020	At 1 October 2021 (Transfer date)
Income capitalisation rate.	Inverse	7.25%	7.47%	6.47%
Expected occupancy	Positive	Fully occupied	Fully occupied	Fully occupied
Terminal yield	Inverse	7.47%	7.71%	6.72%

The higher the income capitalisation rate and terminal yield, the lower the fair value. The higher the occupancy, the higher the fair value.

There were no changes to the valuation techniques during the period.

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

During the Track Record Period, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

During the year ended 31 December 2021, the investment properties was reclassified as owner occupied properties, because they were no longer leased to a third party and it was decided that such warehouse would be used by the Group. Immediately before the transfer, the Group remeasured the properties to fair value and recognised a gain of HK$1,110,000 in profit or loss. The valuation techniques and significant observable inputs used in measuring the fair value of the buildings at the date of transfer were the same as those applied at the end of the reporting period.

21. GOODWILL

	RMB'000
Gross carrying amount	
At 1 January 2019, 31 December 2019, 31 December 2020 and 31 December 2021	269
Accumulated impairment losses	
At 1 January 2019, 31 December 2019, 31 December 2020 and 31 December 2021	—
Net carrying amount	
At 31 December 2019	269
At 31 December 2020	269
At 31 December 2021	269

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

The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.5% throughout the Track Record Period.

	At 31 December 2019	**At 31 December 2020**	**At 31 December 2021**
Pre-tax Discount rate	16.1%	14.8%	15.3%
Revenue growth rate within the five year	2.9% to 5.6%	3.0% to 5.0%	3.0% to 4.0%
Terminal Growth rate	2.5%	2.5%	2.0%

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

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

22. INTANGIBLE ASSETS

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2019	149	500	649
Additions	—	1,300	1,300
Disposals	—	—	—
At 31 December 2019 and 2020	149	1,800	1,949
Additions	—	—	—
Disposals	—	—	—
At 31 December 2021	149	1,800	1,949
Amortisation and impairment			
At 1 January 2019	65	41	106
Amortisation	25	360	385
At 31 December 2019	90	401	491
Amortisation	25	360	385
At 31 December 2020	115	761	876
Amortisation	25	360	385
At 31 December 2021	140	1,121	1,261
Net book value			
As at 31 December 2019	59	1,399	1,458
As at 31 December 2020	34	1,039	1,073
At at 31 December 2021	9	679	688

23. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Equity instrument in an unlisted company measured at FVTOCI *(Note)*			
— Jiangxi Gannong Financing Guarantee Co., Ltd* ("**Jiangxi Gannong**") (江西省贛農融資擔保有限責任公司) (formerly known as Jiangxi Agricultural Industrialization Heading Enterprise Guarantee Co, Limited* (江西省農業產業化龍頭企業擔保有限責任公司)	1,355	909	1,121

The following table presents the changes in investment in Jiangxi Gannong for the years ended 31 December 2019, 2020 and 2021.

	RMB'000
At 1 January 2019	1,133
Change in fair value	222
At 31 December 2019	1,355
Change in fair value	(446)
At 31 December 2020	909
Change in fair value	212
At 31 December 2021	1,121

Note:

The equity investment of 0.5% in a state owned enterprise located in the PRC was irrevocably designated at FVTOCI as the Group considers this investment to be strategic in nature.

Further details on the Group's fair value measurement are set out in Note 42(b).

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

24. DEFERRED TAX

	Accrued expenses	Allowance for expected credit loss	Allowance for sales returns provision	Allowance for inventory provision	Fair value gain on investment property	Temporary difference on right of use assets	Temporary difference on property, plant and equipment	Unrealised internal sales profit	Total
	RMB'000 *(Note (a))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,116	344	113	286	—	—	—	(16)	1,843
Credited/(charged) to profit or loss for the year	199	21	(27)	(147)	(11)	—	—	153	188
Charged to other comprehensive income for the year	—	—	—	—	(146)	—	—	—	(146)
At 31 December 2019 and 1 January 2020	1,315	365	86	139	(157)	—	—	137	1,885
Charged to profit or loss for the year	(535)	(160)	(34)	(49)	(24)	—	—	(137)	(939)
At 31 December 2020 and 1 January 2021	780	205	52	90	(181)	—	—	—	946
Credited/(charged) to profit or loss for the year	31	(142)	11	(64)	181	198	(544)	—	(329)
At 31 December 2021	811	63	63	26	—	198	(544)	—	617

The deductible temporary differences and unused tax losses was not recognised in the combined financial statements due to unpredictability of future profit streams.

(a) The amount represents deferred tax assets arising from accrual of social insurance expenses and housing provident fund expenses at the amounts of RMB199,000 for the year ended 31 December 2019 and reversal of social insurance, house provident fund at the amounts of RMB535,000 for the year ended 31 December 2020 and accrual of RMB31,000 for the year ended 31 December 2021 respectively.

(b) The deductible temporary differences can be carried forward indefinitely.

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

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Tax losses will expire in 2023	293	293	293
Tax losses will expire in 2024	—	—	—
Tax losses will expire in 2025	—	1	1
Tax losses will expire in 2026	—	—	—
Tax losses will expire in 2027	—	—	—
	293	294	294

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

25. INVENTORIES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	46,739	62,495	59,598
Finished goods	12,678	33,700	44,632
Finished goods — merchandise purchase	3,655	2,053	2,400
	63,072	98,248	106,630
Less: Provision for impairment loss	(627)	—	(171)
	62,445	98,248	106,459

26. TRADE RECEIVABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	76,143	53,640	63,507
Less: Impairment provision	(1,799)	(1,245)	(344)
	74,344	52,395	63,163

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

As at 31 December 2019, 2020 and 2021, the Group's trade receivables with an aggregate carrying amounts of approximately RMB5,003,000, nil and nil respectively were pledged to secure banking facilities granted to the Group (Note 34).

An ageing analysis, based on the invoice dates, as of the end of each Track Record Period is as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	53,185	41,315	37,657
1 to 2 months	17,860	11,985	25,510
2 to 3 months	4,453	—	—
3 months to 1 year	—	—	—
Over 1 year	645	340	340
	76,143	53,640	63,507

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

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	1,653	1,799	1,245
Provision/(reversal) of impairment loss, net	146	(554)	(901)
At the end of year	1,799	1,245	344

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 41 (a).

27. PREPAYMENTS AND DEPOSITS AND OTHER RECEIVABLES

		As at 31 December		
	Note	2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Current				
Prepayments		373	656	521
Value added tax recoverable		19	141	1,275
Deposit		422	348	336
Other receivables		8,901	11,279	10,040
Deferred **[REDACTED]**		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Payment in advance to suppliers		26,867	658	—
		37,828	15,679	15,356
Less: Impairment provision	*b*	(74)	(48)	(56)
		37,754	15,631	15,300
Non-current				
Other receivables		1,392	557	—
	a	39,146	16,188	15,300

Note:

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

(b) The impairment provision of deposits and other receivables as at 31 December 2019, 2020 and 2021 were as follow:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Deposits and other receivables, at gross	9,323	11,627	10,376
Less: Impairment provision	(74)	(48)	(56)
Deposits and other receivables, at net	9,249	11,579	10,320

The movement of provision was as follow:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	278	74	48
Provision/(reversal) of impairment loss, net	(204)	(26)	8
At the end of year	74	48	56

28. RIGHT OF RETURN ASSETS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Right of return assets	976	767	818

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

29. AMOUNT DUE FROM A RELATED PARTY

		As at 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Amount due from a related party				
Nanchang Huaheng Xisu Industry Company Limited* ("**Huaheng**") (南昌市華恒吸塑實業有限公司)	*(a, b, c)*	58	58	—

Note:

(a) Huaheng is controlled by Mr. Wu Bangjun who is a key management personnel of the Company.

(b) At 31 December 2019 and 2020, the amount due from a related party was trade nature, unsecured, interest-free and repayable on demand.

(c) The maximum balance outstanding due from Huaheng is RMB58,000 for the years ended 31 December 2019, 2020 and 2021 as disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622).

30. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents.	41,136	142,338	127,321

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

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

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

31. TRADE PAYABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(Note)*	24,774	52,390	42,511

Note:

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

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within six months	24,121	52,390	42,511
Six months to 1 year	653	—	—
Over 1 year	—	—	—
	24,774	52,390	42,511

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

32. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current			
Other payables	3,491	2,816	1,855
Accruals	13,717	10,979	12,525
Deferred revenue	251	251	—
	17,459	14,046	14,380
Non-current			
Deferred revenue	2,005	1,755	—
	19,464	15,801	14,380

33. CONTRACT LIABILITIES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities arising from sale of dried delicacies, instant snacks, dried aquatic products, grains and seasonings and others	450	290	593

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

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

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

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

Movements in contract liabilities are as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
As beginning of the year	259	450	290
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(259)	(450)	(290)
Increase in contract liabilities as a result of advanced consideration received from customers	450	290	593
At end of the year	450	290	593

34. BORROWINGS

	Note	As at 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Current				
Bank borrowings — secured	*a, b*	80,050	97,640	66,114
Other borrowings — unsecured	*c*	—	—	20,000
Provision of interest expense		922	946	919
		80,972	98,586	87,033
Non-current				
Bank borrowings — secured	*b*	3,673	—	3,626
Other borrowings — unsecured	*c*	20,000	20,000	—
		23,673	20,000	3,626
Total borrowings		104,645	118,586	90,659

Note:

(a) The bank loans are secured by:

(i) the Group's certain buildings included in property, plant and equipment (Note 18) amounted to RMB20,413,000, RMB20,076,000 and RMB25,580,000 at 31 December 2019, 2020 and 2021 respectively;

(ii) Land use right under right-of-use assets (Note 19) amounted to RMB5,902,000, RMB5,776,000 and RMB6,226,000 at 31 December 2019, 2020 and 2021 respectively;

(iii) Investment property (Note 20) amounted to RMB5,430,000, RMB5,590,000 and nil at 31 December 2019, 2020 and 2021 respectively;

(iv) trade receivables (Note 26) amounted to RMB5,003,000, nil and nil at 31 December 2019, 2020 and 2021 respectively;

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

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

(b) Interest are charged at fixed/floating effective interest rates ranging from 5.22% to 11.00% per annum ("**p.a.**"), 3.25% to 9.72% p.a. and 4.35% to 8.5% p.a. at 31 December 2019, 2020 and 2021 respectively.

(c) As at 31 December 2019, 2020 and 2021, other borrowings of RMB20,000,000, RMB20,000,000 and nil are guaranteed by the Group's directors, Mr Yang and Ms. Lin. Interest are charged at fixed effective interest rates of 8.5% p.a., 8.5% p.a. and 8.5% p.a. at 31 December 2019, 2020 and 2021 respectively.

At the end of each of the Track Record Period, total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
Within one year	80,169	97,760	66,141
More than one year, but not exceeding two years	3,673	—	2,026
More than two years, but not exceeding five years	—	—	1,600
	83,842	97,760	69,767
Other borrowings			
Within one year	803	826	20,892
More than one year, but not exceeding two years	—	20,000	—
More than two years, but not exceeding five years	20,000	—	—
	20,803	20,826	20,892
Total borrowings	104,645	118,586	90,659

35. AMOUNTS DUE FROM/(TO) SHAREHOLDERS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from shareholders			
Shengyao Investment Group Limited	—	109	109
Trendy Peak International Limited	—	59	59
Pluto Universal Holdings Limited	—	24	24
Best Talent Venture Holdings Limited	—	31	31
Mass Jovial Group Limited	—	15	15
Prosperous Season Group Limited	—	53	53
Chang Nan Financial Control Limited	—	29	29
Cheerly Success Investment Group Limited	—	6	6
Vantage Link Investments Limited	—	17	17
	—	343	343
Amounts due to a shareholder			
Yang Shengyao	—	(9)	(9)

The amounts due from/(to) shareholders were non-trade in nature, unsecured, interest-free and repayable on demand.

36. SHARE CAPITAL

	Number	Amount	Amount
		US$'000	*RMB'000*
Ordinary shares of par value of US$1 each			
Authorised			
On 31 March 2020 (date of incorporation) *(Note a)*	50,000	50	354
Increase in authorised share capital *(Note b)*	50,000	50	361
As at 31 December 2020 and 2021	100,000	100	715
Issued and fully paid			
On 31 March 2020 (date of incorporation) *(Note a)*	50,000	50	354
Capital contribution from a shareholder *(Note c)*	2,632	3	18
As at 31 December 2020 and 2021	52,632	53	372

Note:

(a) There was no authorised, issued and paid share capital as at 1 January 2019 and 31 December 2019 since the Company was not yet set up by then.

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 31 March 2020 with authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, 50,000 ordinary shares of US$1 were allotted and issued by the Company.

(b) On 3 November 2020, the authorised share capital was increased to US$100,000 divided into 100,000 shares of US$1 each by the creation of 50,000 ordinary shares of US$1 each, each ranking pari passu with the ordinary shares then in issue with all respects.

(c) Pursuant to the resolution of the shareholders, the Company allotted and issued 2,632 ordinary shares of US$1 each on 3 November 2020.

37. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the Track Record Period are set out in the combined statements of changes in equity.

(b) The Company

The movement in the reserves of the Company from 31 March 2020 (date of incorporation) to 31 December 2021 is presented below:

	Accumulated losses
	RMB'000
As at 31 March 2020 (date of incorporation)	—
Profit for the period	8
As at 31 December 2020 and 1 January 2021	8
Loss for the year	(122)
As at 31 December 2021	(114)

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

Reserve	Description and purpose
Capital reserve	Capital reserve represents capital injection in excess of registered capital.
Statutory reserve	In accordance with the relevant PRC laws and regulations and the Company's articles of association, the Company is required to transfer 10% of its net profit as determined in accordance with accounting rules and regulations of the PRC to the statutory PRC reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity shareholders. This reserve can be utilised in setting off accumulated losses or increase capital and is non-distributable other than in liquidation.

Reserve	Description and purpose
Merger reserve	It represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital of PRC subsidiaries acquired pursuant to the Group Reorganisation.
FVTOCI reserve (non-recycling)	Balance represents fair value reserve comprises the cumulative net change in the fair value of equity investment designated at FVTOCI under HKFRS 9 that are held at the end of the Track Record Period.
Retained earnings/ (accumulated losses)	Cumulative net gains and loss recognised in profit and loss.

38. INTEREST IN A SUBSIDIARY

The Company

	As at 31 December 2020	As at 31 December 2021
	RMB'000	*RMB'000*
Unlisted investment, at cost	363	363

Particulars of the directly and indirectly held subsidiaries of the Company are set out on pages 19 of this report.

39. DISPOSAL OF A SUBSIDIARY

During the year ended 1 September 2021, the Group disposed of the entire equity interests in a subsidiary Pingnan Anwang Trade Co., Limited ("**Pingnan Anwang**") at a total cash consideration of approximately RMB1,936,000.

The net assets of Pingnan Anwang as at the date of disposal was as follows:

	1/9/2021
	RMB'000
Analysis of assets and liabilities over which the control was lost:	
Deposits and other receivables	1,933
Bank balances and cash	3
Net assets disposed of	1,936
Gain on disposal:	
Consideration received	1,936
Net assets disposed of	(1,936)
	—
Net Cash inflow arising on disposal:	
Cash consideration received	1,936
Less: bank balances and cash disposed of	(3)
	1,933

40. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following significant transactions with related parties during the Track Record Period:

Name of related parties	Nature of transaction	*Note*	For the years ended 31 December 2019	2020	2021
			RMB'000	*RMB'000*	*RMB'000*
南昌市雷式學校 (Nanchang Leishi School*) ("**Leishi School**")	Sales of finished goods	(i)	70	211	338
南昌雷式課外培訓學校有限公司 (Nanchang Leishi Extracurricular Training School Co., Ltd.) ("**Leishi Extracurricular Training**")	Sales of finished goods	(i)	—	186	—
南昌雷式培訓學校 (Nanchang Leishi Training School*) ("**Leishi Training**")	Sales of finished goods	(i)	—	443	240
楊白瓊 ("**Yang Baiqiong**")	Sales of finished goods	(ii)	55	3	—
蘭輝 ("**Lan Hui**")	Sales of finished goods	(iii)	13	—	—
Huaheng	Rental income	(iv)	110	220	184

Note:

(i) Leishi School, Leishi Extracurricular Training and Leishi Training are controlled by Mr. Lei Junfeng, who is a director of Jiangxi Zhengwei.

(ii) Ms. Yang Baiqiong is the spouse of Mr. Yang Shengbing, who is the brother of one of the board of directors, Mr Yang Shengyao.

(iii) Mr. Lan Hui is an employee of Jiangxi Zhengwei.

(iv) Huaheng is controlled by Mr. Wu Bangjun who is the supervisor of Jiangxi Zhengwei.

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

(b) Compensation of key management personnel

The key management personnel of the Group represent directors and other senior management of the Group. Details of the remuneration paid to them during the Track Record Period are set out in Note 13 to the Historical Financial Information.

(c) Outstanding balance with a related party

Details of the Group's amounts due from a related party and shareholders are included in Notes 29 and 35.

41. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade receivables, deposits and other receivables and amounts due from shareholders and a related party and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade payables, other payables, borrowings and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the Track Record Period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum.

(a) Credit risk

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

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

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Management is of the opinion that the risk of default by counterparties is material and Note 26 detail the loss allowance provision was recognised during the Track Record Period. Expected loss rate are based on the actual loss experience over the past 5 years. These rates are adjusted to reflect the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of these receivables. The adjustment factors are based on the historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Measurement of expected credit loss on collective basis

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019, 2020 and 2021:

	Not yet past due	3 months past due	3 to 6 months past due	6 to 12 months past due	Over 12 months past due	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019						
Expected loss rate	1.51%	2.11%	3.00%	6.68%	100%	
Gross carrying amount	73,581	1,917	—	—	645	76,143
Loss allowance provision	1,114	40	—	—	645	1,799
As at 31 December 2020						
Expected loss rate	1.68%	2.12%	3.30%	6.71%	100%	
Gross carrying amount	50,655	2,645	—	—	340	53,640
Loss allowance provision	849	56	—	—	340	1,245
As at 31 December 2021						
Expected loss rate	0.01%	0.05%	0.36%	9.72%	100%	
Gross carrying amount	63,167	—	—	—	340	63,507
Loss allowance provision	4	—	—	—	340	344

For deposits and other receivables, the directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Management is of the opinion that the risk of default by counterparties is material and Note 27 details the loss allowance provision was recognised during the Track Record Period.

As at 31 December 2019, 2020 and 2021, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivable mentioned above. The Group does not hold any collateral or other credit enhancement over these balances.

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

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Five largest customers.	69,928	49,772	58,952

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

(b) Liquidity risk

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

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

	Interest rate	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019							
Trade payables	N/A	24,774	24,774	24,774	—	—	—
Other payables and accruals	N/A	19,464	19,559	17,459	262	788	1,050
Borrowings	5.22%–11.00%	104,645	110,196	82,499	4,180	23,517	—
Lease Liabilities	3.86%–8.52%	2,185	3,236	422	313	938	1,563
		151,068	157,765	125,154	4,755	25,243	2,613
As at 31 December 2020							
Trade payables	N/A	52,390	52,390	52,390	—	—	—
Other payables and accruals	N/A	15,801	15,884	14,046	262	788	788
Borrowings	3.25%–9.72%	118,586	121,581	99,791	21,790	—	—
Lease Liabilities	3.86%–8.52%	2,020	2,899	399	313	937	1,250
Amount due to a shareholder	N/A	9	9	9	—	—	—
		188,806	192,763	166,635	22,365	1,725	2,038
As at 31 December 2021							
Trade payables	N/A	42,511	42,511	42,511	—	—	—
Other payables and accruals	N/A	14,380	14,380	14,380	—	—	—
Borrowings	4.35%–8.50%	90,659	93,289	86,324	—	6,965	—
Lease Liabilities	3.86%–8.52%	84	86	86	—	—	—
Amounts due to beneficial shareholders	N/A	9	9	9	—	—	—
Amounts due to related parties	N/A	—	—	—	—	—	—
		147,643	150,275	143,310	—	6,965	—

(c) Interest rate risk

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

Other than cash and cash equivalent (Note 30), the Group does not have significant interest-bearing assets. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

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

At 31 December 2019, 2020 and 2021, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits (through the impact on the Group's bank borrowings which are subject to floating interest rate) by approximately RMB46,000, RMB30,000 and RMB27,000 respectively. No impact would be on other components of combined equity in response to the general increase/decrease in interest rates.

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

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

(d) Foreign currency risk

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

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

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

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

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Total debt	106,830	120,606	90,743
Equity attributable to the owners of the Company	109,109	163,132	211,636
Total debt and equity	215,939	283,738	302,379
Gearing ratio	49%	43%	30%

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at FVOCI — non-current			
Financial asset at FVOCI	1,355	909	1,121
Financial assets at amortised cost — non-current			
Other receivable	1,392	557	—
	2,747	1,466	1,121

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost — current			
Trade receivables	74,344	52,395	63,163
Deposits and other receivables	9,249	11,579	10,320
Amount due from a related party	58	58	—
Amounts due from shareholders	—	343	343
Cash and cash equivalents	41,136	142,338	127,321
	124,787	206,713	201,147
	127,534	208,179	202,268
Financial liabilities			
Financial liabilities at amortised costs — current			
Trade payables	24,774	52,390	42,511
Other payables and accruals	17,459	14,046	14,380
Amount due to a shareholder	—	9	9
Borrowings	80,972	98,586	87,033
Lease liabilities	249	238	84
	123,454	165,269	144,017
Financial liabilities at amortised costs — non-current			
Borrowings	23,673	20,000	3,626
Lease liabilities	1,936	1,782	—
Other payables	2,005	1,755	—
	27,614	23,537	3,626
	151,068	188,806	147,643

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, deposit, other receivables, amounts due from/(to) a related party/shareholders, trade payables, other payables and accruals, lease liabilities and borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, trade receivables, deposit and other receivables, amounts due from/(to) a related party/shareholders and trade payables and other payables approximates fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019, 2020 and 2021.

(b) Financial instruments measured at fair value

Financial instruments measured at fair value include financial asset at fair value through other comprehensive income, which was in Level 3 of fair value hierarchy. Level 3 hierarchy represented inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no transfers between levels during the Track Record Period. The reconciliation of the change in financial asset at fair value through other comprehensive income was disclosed in Note 23.

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

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

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

	As at 31 December		
	2019	2020	2021
Median of Price-To-Book Ratio	1.0	0.6	0.9
Discount for lack of marketability	20.6%	20.6%	20.6%

If the median of price-to-book ratio changed by 5%, 5% and 5% for the years ended 31 December 2019, 2020 and 2021 would increase/decrease the fair value of investment in Jiangxi Gannong by approximately RMB68,000, RMB45,000 and RMB56,000 respectively.

There were no changes in valuation techniques during the Track Record Period.

43. CAPITAL COMMITMENTS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Commitments for the acquisition of property, plant and equipment:			
Contracted but not provided for	—	—	—

44. SUBSEQUENT EVENTS

Save as disclosed above, there are no other significant events which took place subsequent to 31 December 2021.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2021.