欣融 shineroad®

Shineroad International Holdings Limited
欣融國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 1587

2022
ANNUAL REPORT

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Huang Haixiao *(Chairman of the Board)*
Ms. Huang Xin Rong *(Chief Executive Officer)*
Mr. Dai Yihui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Wee Seng
Mr. Chan Ka Kit
Mr. Meng Yuecheng

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael

AUTHORISED REPRESENTATIVES

Mr. Huang Haixiao
Mr. Ngai Tsz Hin Michael

AUDIT COMMITTEE

Mr. Tan Wee Seng *(Chairman)*
Mr. Chan Ka Kit
Mr. Meng Yuecheng

REMUNERATION COMMITTEE

Mr. Tan Wee Seng *(Chairman)*
Mr. Chan Ka Kit
Mr. Meng Yuecheng

NOMINATION COMMITTEE

Mr. Huang Haixiao *(Chairman)*
Mr. Tan Wee Seng
Mr. Meng Yuecheng

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

as to Hong Kong laws
Loong & Yeung

HEADQUARTERS IN THE PRC

25th Floor South
Block 1 Zhongyou Building
Lane 1040 Caoyang Road
Putuo District
Shanghai
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F, China Building
29 Queen's Road Central
Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office
Park P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation Shanghai Fengxian Branch

COMPANY'S WEBSITE

www.shineroad.com

STOCK CODE

1587

Financial Highlights

	Year ended 31 December		
	2022	2021	
	RMB'000	*RMB'000*	*% of change*
	(Audited)	(Audited)	
Revenue	**728,308**	863,616	-15.67%
Gross Profit	**121,169**	150,641	-19.56%
Net Profit	**47,662**	86,061	-44.62%
Earnings per share	**0.07**	0.13	-44.62%

Chairman's Statement

For and on behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Shineroad International Holdings Limited (hereinafter referred to as "**we**", "**us**" or the "**Company**") and its subsidiaries (collectively, the "**Group**"), I would like to present to the shareholders of the Company (the "**Shareholders**") the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Reporting Year**").

BUSINESS REVIEW

Our Group is one of the leading distributors of food ingredients and food additives in Asia with outstanding research and development capacity, which distinguishes us from other competitors in the industry and provides us with an unique edge to develop our reputation and diversified customer networks. Leveraging our research and development capability, we will continue to build long-term strategic alliance and co-develop with our customers, so as to stay on course with our mission "To be the Most Reliable Partner in the Food Industry".

2022 is a challenging year in terms of the international economy and domestic environment. A wave of novel coronavirus pneumonia ("**COVID-19**") across China, including city lockdowns and close-down of ports, disrupted nationwide consumption, production and long-haul supply chain logistics. Nonetheless, our Group has swiftly responded to the situation and proactively deployed strategic measures to stabilise the business.

For the Reporting Year, our Group recorded a revenue of approximately RMB728.3 million, representing a decrease of approximately 15.67% as compared to that of the year ended 31 December 2021 (the "**Previous Year**") (RMB863.6 million). The profit for the Reporting Year was approximately RMB47.7 million, representing a decrease of approximately 44.62% compared with that of the Previous Year (RMB86.1 million); while our Group's basic and diluted earnings per share were RMB0.07, representing a decrease of RMB0.06 as compared with that of the Previous Year (RMB0.13).

China Operations

Since the lift of lockdown in June 2022, our Group has been recovering from the pandemic situation and has proactively deployed strategic measures to boost the business. With six PRC subsidiaries in Xiamen, Qingdao, Xi'an, Chengdu, Wuhan, and Zhengzhou while being led by sales force in Shanghai, Beijing, and Guangzhou, we have markedly broadened our geographical coverage in sales and distribution of products by penetrating the PRC markets more extensively.

Over the years, we have built strong relationships with our suppliers worldwide. Major suppliers, such as Nestlé from Switzerland, Mitsubishi from Japan, Sensient from the US, and Rettenmaier from Germany, have been cooperating with us for almost 20 years.

Meanwhile, our Group further obtained new distribution rights with focus on the nutrition and care industry:

— Obtained the distribution rights of various food ingredients products of Korea Ginseng from Korea in April 2022

— Obtained the distribution rights of various food additives products of Chr. Hansen from Denmark in November 2022

On the other hand, our Group has established and maintained a solid customer base over the years across different provinces in the PRC. Our core customers, categorised by food applications, are as follows:

Categories	Business nature	Key Customers
Dairy products manufacturers	manufacturing dairy products and ice cream	Bright Dairy (光明), Nestlé (雀巢), New Hope (新希望), Yili (伊利), Chicecream (鍾薛高)
Beverage manufacturers	manufacturing beverage	Coca-Cola (可口可樂), Suntory (三得利), Wahaha (娃哈哈), Want Want (旺旺), and Uni-President (統一), Nongfu Spring (農夫山泉), Genki Spring (元氣森林)
Snacks manufacturers	manufacturing confectionery, chocolate, and snacks	Fujiya (不二家), Glico (格力高), Hsu Fu Chi (徐福記), Mars (瑪氏), Orion (好麗友), PepsiCo (百事),
Oil and grease manufacturers	manufacturing margarine and shortening	AAK, Cargill (嘉吉), COFCO (中糧), Kerry Grain and Oil (嘉里糧油)
Food service providers	Catering providers (mainly restaurants and teahouses) and upstream suppliers	Boduo (博多), Daka (大咖國際), Tsit Wing (捷榮), McCormick (味可美), Jidong (悸動), inm (一鳴), Babi Mantou (巴比饅頭)

South East Asia Operations

We anticipate our local offices will provide us a competitive edge by introducing more local South East Asian tastes and appetites to the PRC market going forward. However, our operation and sourcing are subject to the local policies and the worldwide recovery from COVID-19.

Outlook and prospects

We remain confident in our future prospects. Despite having global economic uncertainties, we anticipate to achieve strong revenue growth and to create value for the Shareholders.

Going forward, our development initiatives mainly include:

- Continue to increase the sales of products with existing and new distribution rights:

  With focus on the food service industry and the nutrition and care industry, we are looking into cooperations with distinctive brands to reinforce our competitive advantage.

- Continue to widen our brands and portfolio of self-developed formulated products and potential food ingredients.

- Continue to enhance our research and development capabilities of application and innovation:

  On May 31, 2022, we won the bid for the land use rights of a parcel of land of approximately 20,936.5 square meters as disclosed in the announcement of the Company dated 2 June 2022 where we plan to build and develop an Asia-Pacific innovation center, with food solutions laboratory, manufacture, logistics, and sales functions.

- Continue to extensively identify potential strategic investment opportunities and seek to acquire high-quality target businesses and assets that create synergies for the Group.

APPRECIATION

I take this opportunity to represent the Board and express our sincere gratitude to the contributions made by all of our Directors, the management team and all staff of the Group for their dedication and valuable contribution over the past year. Thank you for your contribution and for your growth with our Group!

At the same time, we are deeply grateful to our customers, suppliers, business partners and Shareholders for their continued support and trust. Our Group will continue to focus on the development of quality and efficiency so as to achieve satisfactory results and thereby bring sustainable returns to our Shareholders.

Shineroad International Holdings Limited
Chairman
Huang Haixiao

Hong Kong, 30 March 2023

BUSINESS REVIEW

Overview

The Group is one of the leading distributors and manufacturers of food ingredients and food additives in Asia with outstanding and innovative research and development capacity, which distinguishes it from other competitors in the industry and provides it with an unique edge to develop the Group's reputation and diversified customer networks. Leveraging its research and development capability, the Group will continue to build long-term strategic alliance and co-develop with its customers, so as to stay on course with the mission "To be the Most Reliable Partner in the Food Industry".

FINANCIAL REVIEW

For the Reporting Year, the Group's revenue was RMB728.3 million (Previous Year: RMB863.6 million). For the Reporting Year, the Group recorded profit of RMB47.7 million (Previous Year: RMB86.1 million).

Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The Group derives its revenue mainly from the distribution of food ingredients, food additives and packaging materials in the PRC. The Group's revenue for the Reporting Year was RMB728.3 million, representing a decrease of 15.67% as compared with that of RMB863.6 million for the Previous Year. The decrease in revenue is due to the adverse influence of recurrence of pandemic.

An analysis of revenue, net is as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
	(Audited)	(Audited)
REVENUE		
Food ingredients	**349,661**	366,736
Food additives	**378,647**	489,729
Packaging materials	**—**	7,151
	728,308	863,616

Cost of sales

The Group's cost of sales solely represents cost of goods sold, which mainly represents the cost of food ingredients and food additives purchased from suppliers. The Group's cost of sales for the Reporting Year was RMB607.1 million, representing a decrease of approximately 14.84% as compared to RMB713.0 million for the Previous Year. The decrease in cost of sales was primarily due to a decrease in sales volume.

Gross profit and gross profit margin

Gross profit of the Group for the Reporting Year dropped by RMB29.4 million to RMB121.2 million (Previous Year: RMB150.6 million), and the gross profit margin decreased to 16.64% (Previous Year: 17.44%). The decrease in the gross profit margin was mainly due to an increase in import cost from exchange rate fluctuation.

Other income and gains

Other income and gains primarily consist of bank interest income, government grants and others. Other income decreased by RMB13.9 million from RMB20.1 million for the Previous Year to RMB6.2 million for the Reporting Year. The difference was mainly due to the one-off gain of RMB13.3 million on bargain purchase recognised in the other income and gains in the Previous Year.

An analysis of other income and gains, net is as follows:

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Other income and gains, net		
Bank interest income	**1,724**	1,950
Government grants*	**3,847**	3,485
Investment income	**—**	13,281
Exchange gains, net	**—**	669
Others	**648**	755
	6,219	20,140

* There were no unfulfilled conditions and other contingencies attaching to government grants that had been recognised.

Selling and distribution expenses

Selling and distribution expenses primarily consist of staff salaries and benefits, travelling expenses, rent and rates and others. The selling and distribution expenses decreased by RMB6.0 million, or approximately 20.07%, to RMB23.7 million for the Reporting Year from RMB29.7 million for the Previous Year. The decrease was mainly attributed to a decrease in bonuses paid.

Administrative expenses

Administrative expenses primarily consist of depreciation, entertainment, rent and rates, research and development, staff salaries and benefits and others. The administrative expenses increased by RMB2.3 million, or approximately 6.23% to RMB39.3 million for the Reporting Year from RMB37.0 million for the Previous Year. The increase was mainly attributed to an increase in staff salaries and a rise of social insurance base.

Finance costs

The finance costs represent interests on other loans and interest on lease liability. Finance costs decreased by RMB0.5 million to RMB0.6 million for the Reporting Year from RMB1.1 million for the Previous Year. The decrease was mainly attributed to a decrease of interest of bank loans.

Income tax expenses

The Group's income tax expenses decreased by RMB4.4 million from RMB22.2 million for the Previous Year to RMB17.8 million for the Reporting Year. The decrease was primarily due to the decline in profits.

The major components of income tax expense of the Group in the condensed consolidated statement of profit or loss are:

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current income tax in Hong Kong	**658**	—
Current income tax in the PRC	**16,236**	22,226
Deferred income tax expense relating to origination and reversal of temporary differences	**913**	(46)
Total tax charge for the period	**17,807**	22,180

Profit for the Reporting Year

As a result of the foregoing, the profit for the Reporting Year decreased by RMB38.4 million, or 44.62%, from RMB86.1 million for the Previous Year to RMB47.7 million for the Reporting Year. The Group remains in a healthy and sound liquidity position during the Reporting Year.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Flows

The following table is a condensed summary of the combined statements of cash flows of the Group for the years indicated:

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Net cash flow generated from/(used in) operating activities	**94,360**	(15,282)
Net cash flow used in investing activities	**(33,434)**	(79,528)
Net cash flow (used in)/generated from financing activities	**(16,670)**	7,288
Cash and cash equivalents at end of year	**182,199**	134,855

Cash flows generated from/(used in) operating activities

For the Reporting Year, the Company had net cash generated from operating activities of approximately RMB94.4 million, which was primarily due to a profit before tax of approximately RMB65.5 million, a decrease in prepayment of other receivables and other assets of approximately RMB16.3 million, a decrease in trade and bills receivables of RMB73.9 million and a decrease in pledged deposits of approximately RMB7.5 million. This cash inflow was partially offset by an income tax paid of approximately RMB17.2 million, a decrease in other payables and accruals of approximately RMB15.7 million, an increase in inventory of approximately RMB34.1 million and a decrease in trade payables of approximately RMB1.3 million.

Cash flows used in investing activities

For the Reporting Year, net cash used in investing activities amounted to RMB33.4 million which was primarily attributable to acquisition of leasehold land of RMB32.4 million.

Cash flows (used in)/generated from financing activities

For the Reporting Year, the net cash used in financing activities amounted to RMB16.7 million, which was primarily attributable to the principal portion of lease payments of RMB3.3 million, the dividend paid of approximately RMB13.1 million and repayment of bank loans of approximately RMB20.0 million. This cash outflow was partially offset by the new bank loans of approximately RMB20.0 million.

Net current assets

The following table sets forth the current assets and current liabilities as at the years and dates indicated:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current assets		
Inventories	**92,879**	60,067
Trade and bills receivables	**83,281**	156,853
Prepayment, deposits and other receivables	**17,831**	28,169
Amounts due from related parties	**5,703**	11,623
Pledged deposits	**27,880**	37,906
Cash and cash equivalents	**182,199**	134,855
Total current assets	**409,773**	429,473
Current liabilities		
Trade payables	**52,359**	50,864
Other payables and accruals	**14,660**	30,335
Amounts due to related parties	**2,423**	5,182
Interest-bearing bank and other borrowings	**20,000**	20,000
Lease Liabilities	**1,020**	2,057
Tax payable	**6,986**	7,339
Total current liabilities	**97,448**	115,777
Net current assets	**312,325**	313,696

The net current assets decreased from RMB313.7 million as at 31 December 2021 to RMB312.3 million as at 31 December 2022.

Cash Position

The Group's cash and cash equivalents as at 31 December 2022 amounted to RMB182.2 million, representing an increase of RMB47.3 million as compared to RMB134.9 million as at 31 December 2021, which was attributable to the improvement of management efficiency.

As at 31 December 2022, the Group's total interest-bearing bank and other borrowings were RMB20.0 million which were the same as at 31 December 2021.

As at 31 December 2022, the gearing ratio, calculated as debt divided by total assets, was 18.3%, as compared with 22.5% as at 31 December 2021.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Currency Risk

The Group's operational activities are mainly denominated in RMB. The Group is exposed to foreign currency risk primarily arising from purchase of goods by foreign currencies and bank deposits denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy but it monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2022 (as at 31 December 2021: Nil).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group did not have any significant capital commitments (as at 31 December 2021: Nil).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the Reporting Year. The capital of the Company comprises RMB451.4 million as at 31 December 2022, representing an increase of RMB37.6 million as compared to RMB413.8 million as at 31 December 2021.

Charges on the Group's Assets

As at 31 December 2022, there were no charges on the Group's assets (as at 31 December 2021: Nil).

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Year.

Significant Investments held

As at 31 December 2022, the Group held 28,125,200 shares, representing approximately 10.42% equity interest in Tianye Innovation Company ("**Tianye**") which is principally engaged in planting, processing and sales of agricultural food including tropical fruits and vegetables. The investment cost incurred by the Group, being the consideration for acquiring the said shares in Tianye, was RMB78.8 million. On 2 February 2023, Tianye's shares were delisted from the National Equities Exchange And Quotations Co., Ltd. (NEEQ) and were transferred to the Beijing Stock Exchange Co. Ltd. (BSE stock code: 832023).

As at 31 December 2022, the Group's investments in associates of Tianye amounted to RMB102.8 million, representing approximately 18.59% of the Group's total asset as at 31 December 2022. The Group recorded a realised gain of RMB5.6 million and did not receive any dividend during the year ended 31 December 2022. The Group considers the performance of Tianye was satisfactory during the year ended 31 December 2022. Looking forward, the Group holds a positive view on the prospects of this investment and currently has no plan to change this investment.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company's total assets as at 31 December 2022.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 176 employees as at 31 December 2022. Remuneration is determined by reference to prevailing market terms and in accordance with the job scope, responsibilities, and performance of each individual employee.

The Company has adopted a share option scheme, pursuant to which the Directors and employees of the Group are entitled to participate. The local employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group.

SHARE OPTION SCHEME

On 31 May 2018, the then sole shareholder of the Company approved and conditionally adopted a share option scheme (the "**Share Option Scheme**") to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. For details of the principal terms of the Share Option Scheme, please refer to the section headed "Share Option Scheme" in Appendix IV to the prospectus of the Company dated 14 June 2018. No option was granted during the Reporting Year.

DIVIDEND

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board recommended the declaration and payment of a final dividend of HK1.50 cents (equivalent to approximately RMB1.34 cents) (2021: HK2.25 cents (equivalent to approximately RMB1.93 cents)) per ordinary share at HK$10.2 million (equivalent to approximately RMB9.1 million) for the Reporting Year based on 680,000,000 shares in issue as at 31 December 2022. The payment of the final dividend is subject to the approval to be obtained at the forthcoming annual general meeting of the Company. The final dividend will be paid in Hong Kong dollars and is expected to be paid on or around 14 June 2023. A notice convening the annual general meeting will be published and despatched to the Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all Code Provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Year. The Company has applied the principles of the CG Code to its corporate governance structure and practices as described in this report. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Reporting Year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this corporate governance report.

Composition

As at the date of this annual report, the Board comprises six Directors and their respective roles are as follows:

Executive Directors

Mr. Huang Haixiao *(Chairman of the Board)*
Ms. Huang Xin Rong *(Chief Executive Officer)*
Mr. Dai Yihui

Independent Non-executive Directors

Mr. Tan Wee Seng
Mr. Chan Ka Kit
Mr. Meng Yuecheng

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Save for Mr. Huang Haixiao, being the father of Ms. Huang Xin Rong, the Board members have no relationship (whether financial, business, family or other material or relevant relationships) amongst members of the Board, senior management or substantial shareholder or controlling shareholder of the Company.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All independent non-executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the participation of independent non-executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all Shareholders and the Group are considered and safeguarded.

Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of resources as well as the effectiveness of its internal control system.

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated from the Board to the management of the Company. In addition, an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**") and a nomination committee (the "**Nomination Committee**") have been set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the paragraph headed "Board Committees" of this corporate governance report.

Chairman and chief executive

In accordance to the Code Provision C.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. Huang Haixiao, the Chairman, is responsible for the overall management, strategic and major decisions on the development and planning and operation of the Group. Ms. Huang Xin Rong, the chief executive officer, is responsible for the overall management and daily operation of the Group. Ms. Huang Xin Rong is the daughter of Mr. Huang Haixiao.

Independence of independent Non-executive Directors

Pursuant to the requirement of Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, two of whom have appropriate professional qualification in accounting and financial management expertise. All independent non-executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company and the Board consider that all independent non-executive Directors have satisfied their independence of the Group.

To ensure that independent views and input are available to the Board, the Company has established mechanisms including (i) strengthening the independent non-executive Directors' recruitment process to include criteria such as each candidates' available time commitments and qualification; (ii) reviewing the number of independent non-executive Directors on an annual basis; (iii) performing additional assessment or evaluation of independent non-executive Directors' contribution; and (iv) engage external independent professional advisors to assist performance of directors' duties when necessary. The Board reviews the implementation and effectiveness of the above mechanisms on an annual basis.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

Board meeting

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media.

The company secretary of the Company (the "**Company Secretary**") assists the Chairman to prepare the agenda of the meetings and each Director may request to include any relevant matters on the agenda. Generally, at least 14 days' prior notice is given for the regular meetings by the Company. All substantive agenda items have comprehensive briefing papers, which are, in general, circulated three days before convening each Board meeting.

All Directors are able to seek advice and services from the Company Secretary on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. Draft minutes of Board meetings and meetings of the Board committees are circulated to all Directors for comment and approval as soon as practicable after the meetings. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and all Board members are given a copy of the minutes for their record. Should a matter being considered involve a potential conflict of interest of a Director, the Director involved in the transaction would be requested to leave the boardroom and abstain from voting. The matter would be discussed and resolved by other Directors. Policy is in place that Directors, upon reasonable request, may seek independent professional advice on issues related to the Group's business at the Company's expenses.

The attendance record of the individual Directors at the Board and committee meetings, and general meeting(s) held during the Reporting Year is set out below:

Number of meetings attended/eligible to attend during the Reporting Year

	Board	Audit committee	Remuneration committee	Nomination committee	Annual general meeting
Executive Directors					
Mr. Huang Haixiao	5/5	—/—	—/—	1/1	1/1
Ms. Huang Xin Rong	5/5	—/—	—/—	—/—	1/1
Mr. Dai Yihui	5/5	—/—	—/—	—/—	1/1
Independent Non-executive Directors					
Mr. Tan Wee Seng	5/5	2/2	1/1	1/1	1/1
Mr. Chan Ka Kit	5/5	2/2	1/1	—/—	1/1
Mr. Meng Yuecheng	5/5	2/2	1/1	1/1	1/1

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael, from Khoo & Co., an external service provider, has been engaged by the Company as the Company Secretary to support the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed.

Mr. Ngai has confirmed that he complied with the requirement in taking no less than 15 hours of relevant professional training during the Reporting Year under Rule 3.29 of the Listing Rules.

DIRECTORS' TERMS OF APPOINTMENT

All Directors are appointed for a term of three years and are subject to the requirement of retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**").

DIRECTORS' TRAINING

Code Provision C.1.4 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remain informed and relevant.

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the Reporting Year according to the records provided by the Directors is as follows:

	Attending seminar(s)/programme(s)/ conference(s) and/or reading materials relevant to the business or directors' duties
Mr. Huang Haixiao	✓
Ms. Huang Xin Rong	✓
Mr. Dai Yihui	✓
Mr. Tan Wee Seng	✓
Mr. Chan Ka Kit	✓
Mr. Meng Yuecheng	✓

BOARD DIVERSITY POLICY

During the Reporting Year, the Board adopted a board diversity policy (the "**Board Diversity Policy**") setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable.

The Board's composition as at the date of this report under diversified perspectives is summarised as follows:

Education background (highest level)	1 with doctorate degree; 2 with master degree; 3 with bachelor degree
Designation	3 executive Directors; 3 independent non-executive Directors
Gender	5 male vs. 1 female
Age group (years old)	1 (between 25 and 29); 0 (between 30 and 39); 2 (between 40 and 49); 2 (between 50 and 59); 1 (between 60 and 69)
Directorship with the Company (years of service)	0 (under 3 years); 4 (between 3 and 5 years); 2 (between 5 and 10 years)

The Board considers that it has achieved gender diversity as the Board has one female Director. To develop a pipeline of potential successors to the Board to achieve gender diversity, the Company has adopted relevant hiring policies for considering candidates of senior management positions which would take into account diversity perspectives including gender diversity.

As at 31 December 2022, the percentage of male and female in the workforce (including the senior management) is 47% and 53%, respectively. The Company's workforce (including its senior management) has achieved gender diversity between males and females. The Company will continue to take into account diversity perspectives including gender diversity in its future hiring to maintain gender diversity across its workforce (including its senior management).

NOMINATION POLICY

The Board has adopted a director nomination policy (the "**Nomination Policy**") on 28 December 2018 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

Before a prospective Director's name is formally proposed, opinions of the existing Directors (including the independent non-executive Directors) will be solicited. The proposed appointment will first be reviewed by the Nomination Committee, taking into account the balance of skills, knowledge and experience on the Board. Upon recommendation of the Nomination Committee, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation. If necessary, the Company may also engage external search firm to assist in the sourcing and identification of appropriate candidates for Board appointments. The Company will also consider the prospective Director's time commitment to the role being applied for and any potential conflicts of interest identified, if he/she has outside mandates.

Procedures for nominating a person for election as a Director by the Directors are disclosed on the website of the Company.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**") on 28 December 2018. A summary of the Dividend Policy is disclosed as below.

Subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group, after taking into account the factors as detailed below and determined by the Board from time to time. The remaining net profits will be used for Group's development and operations. The Dividend Policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

In proposing any dividend payout, the Board shall also take into account, inter alia, (i) the Company's actual and expected financial performance; (ii) retained earnings and distributable reserves of the Group; (iii) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants; and (iv) the general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of our Company.

Any final dividends declared by the Company must be approved by an ordinary resolution of Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee with specific terms of reference.

Audit Committee

Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process and internal control and risk management system, nominate and monitor external auditors, provide advice and comments to the Board on matters related to corporate governance and perform other duties and responsibilities as assigned by the Board.

The Audit Committee consists of three independent non-executive Directors, Mr. Tan Wee Seng (the chairman of the Audit Committee), Mr. Chan Ka Kit and Mr. Meng Yuecheng.

During the Reporting Year and up to the date of this report, the Audit Committee held three meetings on 30 March 2022 and 20 December 2022 and 30 March 2023 the major work performed by the Audit Committee is summarized as follows:

Summary of work in 2022/2023:

— reviewed the financial statements for the Reporting Year and the Previous Year and the related documents and made recommendations to the Board for approval and discussed with the management and the external auditor the accounting policies and practices which may affect the Group, the report prepared by the external auditor covering major findings in the course of the audit and the accounting and financial reporting matters;

— reviewed the interim financial statements for the six months ended 30 June 2022 and the related documents, and the issues noted by the Company's external auditors and made recommendations to the Board for approval;

— reviewed and monitored the Company's financial reporting procedures, the effectiveness of the Group's risk management and internal control systems as well as the Group's internal audit function;

— reviewed the re-appointment, remuneration and engagement letter of the Company's external auditors, its independence and objectivity, and the effectiveness of the audit process;

— reviewed the appointment of the internal control consultant;

— reviewed the Audit Committee's independence and effectiveness in discharging its role and responsibilities, and its terms of reference; and

— reviewed the composition of the Audit Committee.

The individual attendance of the meetings held by the Audit Committee during the Reporting Year is as follows:

	Attendance
Mr. Tan Wee Seng	2/2
Mr. Chan Ka Kit	2/2
Mr. Meng Yuecheng	2/2

The annual results of the Group for the Reporting Year were reviewed by the Audit Committee before submission to the Board for approval.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on the Company's policy for human resource management as well as establish and review policies and structure in relation to remuneration for our directors and senior management.

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Tan Wee Seng (chairman of the Remuneration Committee), Mr. Chan Ka Kit and Mr. Meng Yuecheng.

During the Reporting Year and up to the date of this report, the Remuneration Committee held two one meetings on 30 March 2022 and 30 March 2023, and the major work performed by the Remuneration Committee is summarized as follows:

Summary of work in 2022/2023:

— reviewed and made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the procedure for developing remuneration policy;

— reviewed the remuneration package of the executive Directors (including the salary increase of Mr. Huang Haixiao) and senior management and made recommendations to the Board for approval;

— reviewed the remuneration of the independent non-executive Directors; and

— assessed the performance of the Directors.

The Remuneration Committee adopted the model under Code Provision E.1.2(c)(ii). As such, it makes recommendations to the Board for approval in relation to remuneration packages of individual executive Directors and senior management.

The individual attendance of the meetings held by the Remuneration Committee during the Reporting Year is as follows:

	Attendance
Mr. Tan Wee Seng	1/1
Mr. Chan Ka Kit	1/1
Mr. Meng Yuecheng	1/1

The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the Reporting Year are set out in note 8 to the consolidated financial statements. During the Reporting Year and up to the date of this report, the Remuneration Committee reviewed the remuneration of the Directors and recommended to the Board to increase the remuneration of Mr. Huang Haixiao, the chairman of the board and an executive Director, from nil to HK$150,000 per month with effect from 1 March 2023. Such revision of remuneration was made after having considered with reference to Mr. Huang's duties and responsibilities with the Company and prevailing market conditions.

The remuneration of members of the senior management (excluding Directors) by band for the Reporting Year is set out below:

Remuneration bands	Number of person(s)
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	0
HK$2,000,001 to HK$3,000,000	1

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management, to assess the independence of the independent non-executive Directors, to review the time commitment required of the Directors and to evaluate whether the Directors have committed adequate time to discharge their responsibilities to review and implement the Nomination Policy and to consider related matters.

The Nomination Committee consists of one executive Director Mr. Huang Haixiao (chairman of the Nomination Committee), and two independent non-executive Directors, Mr. Tan Wee Seng and Mr. Meng Yuecheng. During the meeting of the Nomination Committee held on 30 March 2022, the Nomination Committee has reviewed and considered, among other things, the Nomination Policy, the structure, size and composition of the Board and assessed independence of the independent non-executive Directors for the Reporting Year.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of the Group and other relevant statutory requirements and regulations. Further, pursuant to the terms of reference of the Nomination Committee and the Nomination Policy, the Nomination Committee, when reviewing the composition of the Board, will have regard to the Company's Board Diversity Policy and the progress on achieving the objectives set for implementing the said policy. The Company recognises and embraces the benefits of diversity of Board members.

During the Reporting Year and up to the date of this report, the Nomination Committee held two meetings on 30 March 2022 and 30 March 2023, and the major work performed by the Nomination Committee is summarized as follows:

Summary of work in 2022/2023:

— reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;

— reviewed the implementation with measurable targets, progress and effectiveness of the Company's policy on board diversity (the "**Board Diversity Policy**").

— assessed the independence of the independent non-executive Directors;

— reviewed appointments or re-appointments of the Directors;

— reviewed succession planning for Directors;

— nominated Board candidates for election/re-election by Shareholders at the annual general meeting; and

— the time required by the Directors and the evaluation of whether the Directors have devoted enough time to fulfill their responsibilities.

The individual attendance of the meeting held by the Nomination Committee during the Reporting Year is as follows:

	Attendance
Mr. Huang Haixiao	1/1
Mr. Tan Wee Seng	1/1
Mr. Meng Yuecheng	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in Code Provision A.2.1 of the CG Code, namely: (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

During the Reporting Year and up to the date of this report, the major work performed by the Board during the meetings held on 30 March 2022 and 30 March 2023 in relation to corporate governance is summarized as follows:

Summary of work relating to corporate governance in 2022/2023:

— developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;

— reviewed and monitored the training and continuous professional development of Directors and senior management;

— reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

— developed, reviewed and monitored the code of conduct and compliance manual of the employees and Directors;

— reviewed the Company's compliance with the CG Code; and

— endorsed the annual corporate governance report.

The Board acknowledges its responsibility in maintaining a sound and effective internal control and risk management systems for the Group to safeguard Shareholders' investments and assets of the Company at all times.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company conducts an annual review on whether there is a need for an internal audit department. Given the Group's simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for the establishment, maintenance and review of the Group's system of internal controls and risk management throughout the Reporting Year and their effectiveness. The Audit Committee has been authorised under its terms of reference to review the Company's financial reporting, financial controls, risk management and internal control systems. The Company has engaged an internal control consultant (the "**Internal Control Consultant**") to review the effectiveness of the internal control measures relating to our business operations. For the Reporting Year, the Internal Control Consultant reviewed and analysed funds management, tax administration and fixed assets management. The relevant reports from the Internal Control Consultant were presented to and reviewed by the Audit Committee and the Board.

The Board considered the risk management and internal control systems of the Group were adequate and effective for the Reporting Year. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the Reporting Year.

The Board wishes to emphasise that the risk management and internal control systems are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclose to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Company for the Reporting Year and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements.

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 77 to 143 of this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

AUDITOR'S STATEMENT

For the Reporting Year, services provided to the Company by its external auditor, Ernst & Young, and the fees paid were:

	2022 ***RMB'000***
Audit services	**1,261**

INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings (the "**AGM**") and the extraordinary general meetings (the "**EGM**") of the Company. In addition, Shareholders have the right to nominate a person to stand for election as a director at any general meeting by lodging a written notice to the Company.

The forthcoming 2023 AGM of the Company will be held on 18 May 2023, the notice of which shall be sent to the Shareholders in accordance with the Articles of Association, the Listing Rules and other applicable laws and regulations.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

The Shareholders may put forward proposals at general meetings by requisitioning an EGM. Pursuant to article 64 of the Articles of Association, EGM may be convened by the Board on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to article 113 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong (as shown below) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

The Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Shineroad International Holdings Limited
Room 1603, 16/F, China Building
29 Queen's Road Central
Central, Hong Kong
Email address: info@shineroad.cn

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum and articles of association (the "**Memorandum and Articles of Association**") on 31 May 2018.

A copy of Memorandum and Articles of Association is posted on the HKEXnews website and the Company's website.

Although no changes were made to the Memorandum and Articles of Association during the Reporting Year, proposed amendments will be considered for approval during the upcoming AGM of the Company.

SHAREHOLDERS COMMUNICATION POLICY

The objective of the shareholders' communication policy ensures that Shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Board shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review the shareholders' communication policy to ensure its effectiveness. Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company website. Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times. Any question regarding the shareholders' communication policy shall be directed to the Company Secretary.

In addition to Shareholders' enquiries to the Board, Shareholders may direct their questions about their shareholdings to the Company's branch registrar, Tricor Investor Services Limited. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

For additional about the Company, please see the "Investor Relations" section on the Company's website at www.shineroad.com.

Board members, in particular, either the chairmen of Board committees or their delegates, appropriate management executives and external auditors are expected to attend AGMs to answer Shareholders' questions. As such, Shareholders are encouraged to attend Shareholders' activities organised by the Company, where information about the Company, including its latest strategic plan, products and services will be communicated.

For details of the Shareholders' communication policy, please visit the Company's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

As required by the Listing Rules, the Company is required to report ESG information of the Group on an annual basis and regarding the same period covered in this annual report. Please refer to the section headed "Environmental, Social and Governance Report" on pages 47 to 76 of this annual report.

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Haixiao (黃海曉) ("**Mr. Huang**"), aged 51, is the founder of the Group, an executive Director and the Chairman and one of the controlling Shareholders of the Company. He was appointed as a Director on 26 November 2015, and redesignated as the Chairman and an executive Director on 30 October 2017. He is responsible for the overall management, strategic and major decisions on the development and planning and operation of the Group. Mr. Huang is a director of each of Shineroad Holdings Limited, Shineroad Food Holdings Limited ("**Shineroad Food**"), 上海欣融食品原料有限公司 (Shanghai Shineroad Food Ingredients Co., Ltd.*) ("**Shanghai Shineroad**"), 北京申欣融食品配料有限公司 (Beijing Shineroad Food Additives Co., Ltd.*) ("**Beijing Shineroad**") and 廣州捷洋食品科技有限公司 (Guangzhou Jieyang Food Technology Company Limited*) ("**Guangzhou Jieyang**"). Mr. Huang is also the chairman of the Nomination Committee.

Mr. Huang obtained a diploma with major in food science and engineering (baking) professional education from Jiangnan University* (江南大學), the PRC in February 2006 and a master's degree in executive business administration (EMBA) from Fudan University* (復旦大學), the PRC in January 2011.

Mr. Huang has more than 30 years' experience in management of food ingredients and additives companies. Mr. Huang started up his own businesses in food ingredients and additives since 1993 where he was primarily in charge of the general operations of the businesses of the companies which allowed him to input his experience into the Group. He founded 上海欣融實業發展有限公司 (Shanghai Shineroad Industries Development Co., Ltd.*) ("**Shineroad Industries**"), which was then principally engaged in distribution of food ingredients and food additives in the PRC, in January 1996 and acted as legal representative and director, responsible for its daily operation and management. Since the establishment of Guangzhou Jieyang in 2010, Shanghai Shineroad and Beijing Shineroad in 2011, Mr. Huang has been responsible for overseeing their overall management. Mr. Huang is one of the founder and currently the chairman of board of directors of 上海海融食品科技股份有限公司 (Shanghai Hi-Road Food Technology Co., Ltd.*), a company whose shares are listed on the Shenzhen Stock Exchange (Stock code: 300915). He was also appointed as a director of Tianye in February 2022.

Ms. Huang Xin Rong (黃欣融) ("**Ms. Huang**"), aged 29, was appointed as a non-executive Director on 30 October 2017 and re-designated as an executive Director and the chief executive officer of the Company on 14 January 2019. She is primarily responsible for the overall management and daily operations of the Group. She is the daughter of Mr. Huang, who is the founder of the Group, an executive Director and the Chairman, and one of the controlling Shareholders.

Ms. Huang obtained a bachelor's degree of science with honours from the University of Toronto, Canada in November 2016. She worked as an intern in Shanghai Shineroad from February 2017 to September 2017 and has become the general manager of Shineroad Food since September 2017.

Mr. Dai Yihui (戴毅輝) ("**Mr. Dai**"), aged 42, was appointed as an executive Director on 2 December 2019. Mr. Dai is responsible for advising the Group on capital operations, financial management and overseas development.

Mr. Dai obtained a bachelor's degree in accounting from Tongji University, the PRC in July 2002 and a master's degree in accounting from Deakin University, Australia in October 2005. He has been a member of CPA Australia since 2008. Mr. Dai has more than 15 years of professional experience in financial management, capital operation and corporate governance of listed companies. He was previously a manager of Ernst & Young China Branch, a business analyst of CITIC Pacific Mining and a manager of Deloitte Touche Tohmatsu China Branch.

Independent Non-executive Directors

Mr. Tan Wee Seng (陳偉成) ("**Mr. Tan**"), aged 67, was appointed as an independent non-executive Director on 31 May 2018. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee.

Mr. Tan is a fellow of The Chartered Institute of Management Accountants in United Kingdom and of The Hong Kong Institute of Directors.

Mr. Tan has over 31 years of experience in financial management, corporate finance, merger and acquisition, business management and strategy development and specialising in initial public offerings management, investors relationship management and corporate governance. Mr. Tan has held various management and senior management positions in a number of multi-national corporations. He was previously the managing director of AFE Computer Services Limited, a Reuters subsidiary located in Hong Kong which was mainly engaged in domestic equity and financial information services, director of Infocast Australia Pty Limited, a Reuters subsidiary in Australia, and the regional finance manager of Reuters East Asia Region. From January 1999 to June 2002, Mr. Tan was the senior vice president of Reuters for China, Mongolia and North Korea regions, and the chief representative of Reuters in China. From January 2003 to November 2008, Mr. Tan was an executive director, chief financial officer and company secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2331).

Mr. Tan is an independent non-executive director and the chairman of remuneration committee of Health and Happiness (H&H) International Holdings Limited (formerly known as Biostime International Holdings Limited) (Stock Code: 1112), and a non-executive director and the chairman of sustainability committee and each a member of audit committee and nomination committee of Xtep International Holdings Limited (Stock Code: 1368), an independent non-executive director and the chairman of audit committee and member of remuneration committee of CIFI Holdings (Group) Co. Limited (Stock Code: 884) and an independent non-executive director and the chairman of audit committee and nomination committee of Sa Sa International Holdings Limited (Stock Code: 178), the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Tan was an independent director and chairman of the audit committee of Renesola Ltd (Stock Code: SOL) from April 2009 to January 2023, the shares of which are listed on the New York Stock Exchange (the "**NYSE**"). He was also an independent non-executive director of Sinopharm Group Co. Limited (Stock Code: 1099) from October 2014 to September 2020, and was an independent director and chairman of the audit committee of 7 Days Group Holdings Limited (which was listed on the NYSE) between November 2009 and July 2013 until it was privatised. He was the chairman of the special committee for the privatisation of 7 Days Group Holdings Limited from October 2012 to July 2013.

Mr. Chan Ka Kit (陳家傑) ("**Mr. Chan**"), aged 48, was appointed as an independent non-executive Director on 31 May 2018. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also a member of each of the Audit Committee and the Remuneration Committee.

Mr. Chan obtained his bachelor's degree in accountancy from the City University of Hong Kong in November 1997. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since October 2005 and a member of Taxation Institute of Hong Kong since February 2015.

Mr. Chan has over 19 years of experience in handling various projects with companies in Hong Kong and the PRC, including accounting and taxation as well as setting up and modifying internal control system of group companies. He previously worked as an auditor in Deloitte Touche Tohmatsu from September 1997 to September 2004. Mr. Chan was the chief financial officer and company secretary of Sparkle Roll Group Limited (Stock code: 970) from January 2008 to August 2010, the chief financial officer of North Asia Resources Holdings Limited (now known as Green Leader Holdings Group Limited) (Stock code: 61) from August 2010 to March 2011 and the chief financial officer and company secretary of Lijun International Pharmaceutical (Holding) Co., Limited (now known as SSY Group Limited) (Stock code: 2005) from May 2013 to April 2015, all of whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan was an independent non-executive director of Roma Group Limited (Stock code: 8072) from September 2011 to March 2016, the shares of which are listed on GEM of the Stock Exchange. Since November 2008, he has been the director of Smartact (Hong Kong) Limited (智謀 (香港) 有限公司), the principal activities of which are handling the taxation matters, companies daily operations, financial management and internal control management for enterprises in Hong Kong and the PRC.

Mr. Meng Yuecheng (孟岳成) ("**Mr. Meng**"), aged 59, was appointed as an independent non-executive Director on 31 May 2018. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Meng obtained a bachelor's degree (major in animal husbandry) from Zhejiang A&F University* (浙江農業大學), the PRC in July 1984 and a master's degree (major in livestock processing) from Northeast Agricultural University* (東北農業大學), the PRC in July 1987. He also obtained a doctoral degree in science (major in food science) from Northeast Agricultural University, the PRC in December 1999.

Mr. Meng has over 31 years of experience in food science field. After graduation with a master's degree from the Northeast Agricultural University, Mr. Meng had worked as teaching assistant, lecture and associate professor and studied as a doctoral student in the Food Science Faculty of the Northeast Agricultural University from August 1987 to June 1995. From July 1995 to July 2002, he worked as the director of the research centre, director of the products control department and an assistant general manager of Hangzhou Wahaha Group Corporation* (杭州娃哈哈集團公司), a corporation principally engaged in research and development, manufacturing and sales of food and beverage. Mr. Meng was the director of the Food Research Institute of Zhejiang University of Technology* (浙江工業大學), the PRC from August 2002 to February 2004 and has been the director of the Food Science and Engineering Faculty and a tutor of doctoral students in Zhejiang Gongshang University* (浙江工商大學), the PRC since March 2004.

Change in Directors' Biographical Details under Rule 13.51B(1) of the Listing Rules

During the Reporting Year and as at the date of this report, Mr. Tan was re-designated as a non-executive director and the chairman of sustainability committee and each a member of audit committee and nomination committee of Xtep International Holdings Limited (Stock Code: 1368); Mr. Tan resigned as an independent director and chairman of the audit committee of Renesola Ltd (Stock Code: SOL) which he served from April 2009 to January 2023.

Save for the aforesaid, there has been no change in the Director's biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management as at the date of this annual report:

Name	Age	Date of joining the Group	Position	Role and Responsibilities
Wang Jingui (王金貴)	51	3 March 2014	Chief financial officer	Responsible for the formulation of the financial strategies and management and internal control, and implementation of the corporate financial plan of the PRC subsidiaries of the Group

Mr. Wang Jingui (王金貴) ("**Mr. Wang**"), aged 51, has been the chief financial officer of Shanghai Shineroad since 3 March 2014. He is primarily responsible for the formulation of the financial strategies and management and internal control, and implementation of the corporate financial plan of the PRC subsidiaries of the Group. Mr. Wang was an accountant certified by the Ministry of Finance of the PRC in May 1998. He obtained a bachelor degree (part-time) in accountancy from Adult Education School of Shanghai Jiao Tong University* (上海交通大學), the PRC in February 2010. Mr. Wang is an associate member of the Certified Management Accountants of the United States in 2019 and obtained a Master of Business Administration degree from Asia Metropolitan University in 2020.

Mr. Wang previously worked as the chief financial officer of Shanghai Qiangjing Industry Development Investment Holding Company Limited* (上海強勁產業發展投資控股有限公司) from March 2010 to February 2014 and investment consultant of Tebon Securities Company Limited* (德邦證券有限責任公司) from August 2007 to September 2009. He was a financial manager of Shineroad Industries from December 1999 to July 2006.

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for the Reporting Year.

PRINCIPAL ACTIVITIES

The Group is one of the leading distributors of food ingredients and food additives in Asia with outstanding research and development capacity. The Company acts as an investment holding company. The principal business of the Group are carried out through Shanghai Shineroad Food Ingredients Co., Ltd., Guangzhou Jieyang Food Technology Company Limited and Beijing Shineroad Food Additives Company Limited. Particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 81 to 82 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Year and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 13 of this annual report. Discussions on the social, labour and environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 47 to 76 of this annual report.

The above discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTY

Various risks and uncertainties that the Group may face: (i) we rely on our major suppliers for the supply of our products, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation; (ii) our food ingredients and additives involve an inherent risk of injury to consumers if they do not meet the required health and safety standards. These injuries may result from tampering by unauthorised third parties or product contamination, including the presence of foreign contaminants, bacteria, chemicals, pesticides, preservatives or other agents or residues during farming, harvesting, transportation and storage; (iii) the food ingredients and additives business may be subject to increasingly stringent licencing requirements, environmental protection regulations and hygiene standards, which can increase our operating costs. In view of the risks associated with financial instruments, the objectives and policies of Group are set out in note 32 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

At the corporate level, the Group complies with the requirements under the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code set out in Appendix 10 to the Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

Employees are regarded as important and valuable assets of the Group. The Group had 176 employees as at 31 December 2022. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's major customers are food ingredients and additives processing companies, manufacturers and trading companies. The Group supplied food ingredients and additives to over 1,514 customers in the PRC which varied in terms of size and business nature.

Suppliers

The Group firmly believes that its success is largely driven by its ability to source quality products from reputable food ingredients and additives manufacturers and to provide an extensive product portfolio for the customers. The Group emphasises the importance of selecting its suppliers as it believes the supply of quality products is one of the key factors for the Group to succeed in the food ingredients and additives distribution industry. The management typically selects the suppliers based on a number of criteria such as brand reputation, on-going compliance with relevant food safety laws, product quality, price competitiveness and supply capabilities. The Group has its approved list of suppliers. Before engaging a new supplier or including the new supplier into the approved supplier list, the Group performs background checks on the National Enterprise Credit Information Publicity System regarding the relevant supplier.

ENVIRONMENTAL MATTERS

Due to the nature of the Group's business, the Group is not required to apply for environmental related licences and permits. As at the date of this annual report, the Group has not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

RESERVES

Details of movements in the reserves of the Group during the Reporting Year are set out in note 25 to the consolidated financial statement.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2022 are set out in note 22 to the consolidated financial statements.

DISTRIBUTION RESERVES

As at 31 December 2022, the distribution reserves of the Company amounted to RMB176.5 million (as at 31 December 2021: RMB190.1 million).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the Reporting Year and details of the Group's property, plant and equipment are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the "Share Option Scheme", no equity-linked agreements were entered into during the Reporting Year or subsisted at the end of the Reporting Year.

PERMITTED INDEMNITY PROVISION

A directors' liability insurance is currently in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

DIRECTORS

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

Executive Directors

Mr. Huang Haixiao *(Chairman of the Board)*
Ms. Huang Xin Rong *(Chief Executive Officer)*
Mr. Dai Yihui

Independent Non-Executive Directors

Mr. Tan Wee Seng
Mr. Chan Ka Kit
Mr. Meng Yuecheng

In accordance with the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years and, being eligible, offer themselves for re-election for the forthcoming year. Mr. Dai Yihui and Mr. Tan Wee Seng will retire at the forthcoming AGM and will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

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

As at 31 December 2022, the interests and short positions of Directors and/or the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange Limited pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of interest
Mr. Huang Haixiao (Mr. Huang) *(Note)*	Interest in controlled corporation	510,000,000	75%

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ interested in	Percentage of interest
Mr. Huang *(Note)*	Ocean Town Company Limited ("**Ocean Town**")	Beneficial owner	1	100%
Mr. Huang *(Note)*	Shineroad Group Limited ("**Shineroad Group**")	Interest in controlled corporation	1	100%

Note: Mr. Huang beneficially owns the entire issued share capital of Ocean Town, which beneficially owns the entire issued share capital of Shineroad Group. Therefore, each of Mr. Huang and Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group for the purpose of the SFO.

Save as disclosed in the foregoing, as at 31 December 2022, none of the Directors or chief executive of the Company or their respective close associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Year was the Company, its holding company, or its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

On 31 May 2018, the then shareholders of the Company approved and conditionally adopted a share option scheme (the "**Share Option Scheme**") to enable the Company to grant options to eligible participants (the "**Eligible Participants**") as incentives and rewards for their contribution to the Group.

The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine to the following persons: (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, where required under the Listing Rules, our independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 68,000,000 Shares, being 10% of the total number of the Shares in issue as at the Listing Date.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the total number of the Shares in issue for the time being. Any further grant of options in excess of the 1% limit shall be subject to Shareholders' approval in general meeting with such participant and his associates abstaining from voting.

An offer for the grant of option must be accepted within seven days from the offer date. Options granted shall be taken up upon payment of HK$1.00 as consideration for the grant of option. Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the share options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 31 May 2018.

No share option has been granted by the Company under the Share Option Scheme during the Reporting Year.

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

As at 31 December 2022, so far as the Directors are aware, the interest and short positions of the persons, other than a Director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Capacity/Nature of interest	Number of Shares held/ Interested in	Percentage of interest
Ocean Town *(Note 1)*	Interest in controlled corporation	510,000,000	75%
Shineroad Group *(Note 1)*	Beneficial owner	510,000,000	75%
Ms. Chen Dongying *(Note 2)*	Interest of spouse	510,000,000	75%
Mr. Ruan David Ching-Chi *(Note 3)*	Interest in controlled corporation	34,176,000	5.02%
Asian Equity Special Opportunities Portfolio Master Fund Limited *(Note 3)*	Beneficial owner	34,176,000	5.02%
RAYS Capital Partners Limited *(Note 3)*	Investment manager	34,176,000	5.02%

Notes:

1. Such 510,000,000 Shares are held by Shineroad Group as a registered holder. The entire issued share capital of Shineroad Group is wholly-owned by Ocean Town. Therefore, Ocean Town is deemed to be interested in 510,000,000 Shares held by Shineroad Group for the purpose of the SFO.

2. Ms. Chen Dongying is the spouse of Mr. Huang and is therefore deemed to be interested in 510,000,000 Shares in which Mr. Huang has, or is deemed to have, for the purpose of the SFO.

3. Asian Equity Special Opportunities Portfolio Master Fund Limited ("**Asian Equity**") is 100% controlled by RAYS Capital Partners Limited ("**RAYS Capital**") and RAYS Capital is the investment manager of Asian Equity. RAYS Capital is in turn 45.60% controlled by Mr. Ruan, David Ching-Chi ("**Mr. Ruan**"). As such, each of Rays Capital and Mr. Ruan is deemed to be interested in the shares of the Company held by Asian Equity for the purpose of the SFO.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other persons or corporations (other than the Directors and chief executive of the Company) who/which had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" and the related party transactions as disclosed in note 30 to the consolidated financial statements, there were no other transactions, arrangements or contracts that are significant in relation to the business of the Group to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Year.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraph headed "Continuing Connected Transactions", the significant related party transactions that did not constitute connected transactions under the Listing Rules made during the Reporting Year were disclosed in note 30 to the consolidated financial statements.

COMPETING INTEREST

There was no competing business of which any Directors or their respective close associates had a material interest, whether directly or indirectly, subsisted as at 31 December 2022 or at any time during the Reporting Year.

DEED OF NON-COMPETITION

In order to avoid any possible future competition between the Group and the controlling Shareholders, each of Mr. Huang, Ocean Town and Shineroad Group (collectively, the "**Covenantors**") entered into a deed of non-competition (the "**Deed of Non-competition**") on 31 May 2018 in favour of the Company (for itself and for the benefit of each other member of the Group). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of each other member of the Group) that, during the term of the Deed of Non-competition, he/it shall not, and shall procure his/its close associates (other than the members of the Group) not to, directly or indirectly engage, participate, invest or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group or any business activity to be conducted by any member of the Group in the future from time to time within the PRC, Hong Kong and such other parts of the world (excluding the Excluded Businesses (as defined in the Prospectus)), save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on the Stock Exchange or a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its close associates).

When business opportunities which may compete with the business of the Group arise, the respective Covenantor(s) shall, and shall procure their respective close associates (other than the members of the Group) to, give the Company notice in writing and the Company shall have a right of first refusal to take up such business opportunities. The Company shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The Company has received the annual confirmation of the Covenantors in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the Reporting Year. The independent non-executive Directors also reviewed the Covenantors' compliance with the non-competition undertakings.

The independent non-executive Directors confirmed that the Covenantors were not in breach of the non-competition undertakings during the Reporting Year.

REMUNERATION POLICY

The remuneration policy of the Group is set up by the Remuneration Committee by reference to prevailing market terms and in accordance with the job scope, responsibilities and performance of each individual employee.

The Company has adopted the Share Option Scheme pursuant to which the Directors and employees of the Group are entitled to participate. The local employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holding of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Year, the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

1. Master Service Agreement with 上海淘源信息科技有限公司 (Shanghai Taoyuan Information Technology Co., Ltd.*) ("Taoyuan")

On 25 October 2021, Shanghai Shineroad (as purchaser) and Taoyuan (as service provider) entered into the master service agreement ("**Master Service Agreement**") in relation to the procurement of logistic & warehouse service and online sales platform services by the Group on a non-exclusive basis for a term of one year from 1 January 2022 to 31 December 2022.

As Mr. Huang a controlling Shareholder and executive Director, Mr. Huang is a connected person of the Company and as Taoyuan is owned as to 80% by Mr. Huang, Taoyuan is an associate of Mr. Huang and also a connected of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Master Service Agreement is also a continuing connected transaction of the Company.

The proposed annual cap for logistics & warehouse service and online sales platform service as contemplated under the Master Service Agreement for the Reporting Year are RMB4.8 million and RMB7.2 million, respectively.

The actual transaction amounts for logistics & warehouse service and online sales platform service as incurred by the Group from Taoyuan for the Reporting Year was RMB0 and RMB0, respectively, which did not exceed the respective annual cap for the Reporting Year.

For details of the Master Service Agreement, please refer to the Company's announcement dated 25 October 2021.

On 22 December 2022, Shanghai Shineroad (as purchaser) and Taoyuan (as service provider) entered into the new master service agreement ("**New Master Service Agreement**") in relation to renewing the Master Service Agreement for a term of one year 1 January 2023 to 31 December 2023.

The proposed annual cap for logistics & warehouse service and online sales platform service as contemplated under the Master Service Agreement for the year ending 31 December 2023 are RMB500,000 and RMB11.5 million, respectively.

For details of the New Master Service Agreement, please refer to the Company's announcement dated 22 December 2022.

2. New Master Purchase Agreements with 上海海融食品科技股份有限公司 (Shanghai Hi-Road Food Technology Co., Ltd.*) ("Hi-Road") and 上海海象食品配料有限公司 (Shanghai Hi-morse Food Additives Co., Ltd.*) ("Hi-morse Food") and 浙江頂亨生物科技有限公司 (Zhejiang Teaheals Bio-tech Co., Ltd.*) ("Teaheals")

On 25 October 2021, Shineroad Food (as purchaser) entered into the new master purchaser agreement (the "**New Hi-Road Master Purchase Agreement**") with Hi Road and Hi-morse Food (as sellers), under which Shineroad Food agreed to purchase food flavourings, chocolate, dairy-based compound, fruit jam and other food ingredients and additives from Hi-Road and Hi-morse Food on a non-exclusive basis for a term of three years from 1 January 2022 to 31 December 2024. The New Hi-Road Master Purchase Agreement renews the master purchase agreement which was entered into with Hi Road and Hi-more Food on 9 October 2018 as it expired. The purchase price, payment time and method, and other specific terms or conditions (if any) shall be fixed by the relevant parties in the purchase order on a case-by-case basis.

Also, on 25 October 2021, Shineroad Food (as purchaser) entered into the new master purchaser agreement (the "**New Teaheals Master Purchase Agreement**", together with the New Hi-Road Master Purchase Agreement, the "**New Master Purchase Agreements**") with Teaheals (as seller), under which Shineroad Food agreed to purchase tea powder, herbal powder and fruit powder products from Teaheals on a non-exclusive basis for a term of three years from 1 January 2022 to 31 December 2024. The New Teaheals Master Purchase Agreement renews the master purchase agreement which was entered into with Teaheals on 9 October 2018 as it expired. The purchase price, payment time and method, and other specific terms or conditions (if any) shall be fixed by the relevant parties in the purchase order on a case-by-case basis.

Since the terms and nature of the New Hi-Road Master Purchase Agreement and the New Teaheals Master Purchase Agreement are substantially the same, and the counterparties and/or the ultimate beneficial owner of the counterparties under both master purchase agreements are the same, the transactions contemplated under both Master Purchase Agreements were aggregated pursuant to the Listing Rules.

Mr. Huang is interested in 75% of the total issued share capital of the Company and is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. As Hi-Road is owned as to 43.2% by Mr. Huang and 28.8% by Mr. Huang Haihu (a brother of Mr. Huang), Hi-morse Food is wholly-owned by Hi-Road, and Teaheals is wholly-owned by Mr. Huang, each of Hi-Road, Hi-morse Food and Teaheals is a connected person of the Company under the Listing Rules, the transactions under the New Hi-Road Master Purchase Agreement and the New Teaheals Master Purchase Agreement constitute continuing connected transactions of the Company.

Pursuant to the New Master Purchase Agreements, the respectively annual caps for purchase incurred by the Group from Hi-Road, Hi-morse Food and Teaheals in total are RMB52.7 million RMB77.2 million and RMB107.1 million for the Reporting Year and for the two years ending 31 December 2023 and 2024, respectively.

The aggregate actual annual transaction amounts for purchases incurred by the Group from Hi-Road and Hi-morse Food and Teaheals for the Reporting Year was RMB25.3 million, which did not exceed the respective annual cap for the Reporting Year.

For details of both Master Purchase Agreements, please refer to the Company's announcement dated 25 October 2021 and the circular dated 30 November 2021.

3. New Master Supply Agreement with Hi-Road, Hi-morse Food and Teaheals

On 25 October 2021, Shineroad Food (as sellers) and Hi-Road and Hi-morse Food (as purchasers) entered into a Hi-Road master supply agreement (the "**New Hi-Road Master Supply Agreement**") in relation to the supply of sucrose esters (蔗糖酯), vanillin (香蘭素) condensed milk, frozen cream and other food ingredients and additives by the Group to Hi-Road and Hi-morse Food for a term of three years from 1 January 2022 to 31 December 2024. The selling price, payment time and method, and other specific terms or conditions (if any) shall be fixed by relevant parties in the purchase order on a case-by-case basis.

Also, on 25 October 2021, Shineroad Food (as sellers) and Teaheals (as purchaser) entered into a master supply agreement (the "**New Teaheals Master Supply Agreement**", together with the New Hi-Road Master Supply Agreement, the "**New Master Supply Agreements**") in relation to the supply of non-dairy creamer, cheese powder, resistant dextrin and other food ingredients and additives by the Group to Teaheals for a term of three years from 1 January 2022 to 31 December 2024. The selling price, payment time and method, and other specific terms or conditions (if any) shall be fixed by relevant parties in the purchase order on a case-by-case basis.

As mentioned above, Hi-Road and Hi-morse Food are connected persons of the Company under the Listing Rules. Thus, the transactions under the New Master Supply Agreements constitute continuing connected transactions of the Company.

Pursuant to the New Master Supply Agreements, the respectively annual caps for supply of products by the Group to Hi-Road, Hi-morse Food and Teaheals are RMB30.6 million, RMB42.8 million and RMB59.9 million for the Reporting Year and the two years ending 31 December 2023 and 2024, respectively.

The aggregate actual transaction amount for supply of food ingredients and additives by the Group to Hi-Road, Hi-morse Food and Teaheals was RMB27.8 million for the Reporting Year, which did not exceed the annual cap for the Reporting Year.

For details of both New Master Supply Agreements, please refer to the Company's announcement dated 25 October 2021 and the circular dated 30 November 2021.

Annual review and confirmation in pursuance of Rules 14A.55 and 14A.56 of the Listing Rules

The independent non-executive Directors have reviewed and confirmed in pursuance of Rule 14A.55 of the Listing Rules that the continuing connected transactions of the Group during the Reporting Year were carried out (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms at which the transactions are either on an arm's length basis or on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

To comply with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to confirm the followings in respect of the continuing connected transactions set out above:

(i) nothing has come to the attention of the auditor that causes them to believe that the continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the auditor that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to the attention of the auditor that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the auditor that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

CORPORATE GOVERNANCE REPORT

The corporation governance report of the Group during the Reporting Year is set out in the sections headed "Corporate Governance Report" on pages 14 to 28 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, sales to the Group's five largest customers accounted for 27.56% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 7.53%.

During the Reporting Year, purchases from the Group's five largest suppliers accounted for 72.64% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein accounted for 38.17%.

None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of issued Shares) had an interest in the major customers or suppliers noted above.

SUBSEQUENT EVENTS

Save as disclosed in this annual report, there was no important event affecting the Group that had occurred since the end of the Reporting Year.

PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 144.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the AGM of the Company to be held on 18 May 2023 (Thursday) (the "**2023 AGM**"), the register of members of the Company will be closed from 15 May 2023 (Monday) to 18 May 2023 (Thursday) both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the 2023 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 12 May 2023 (Friday).

Subject to approval by the Shareholders in the 2023 AGM, for the purpose of determining the list of shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from 25 May 2023 to 31 May 2023(both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 24 May 2023.

AUDITOR

The accompanying consolidated financial statements have been audited by Ernst & Young who shall retire and, being eligible, offer themselves for re-appointment at the 2023 AGM. Having approved by the Board upon the recommendation of the Audit Committee, a resolution to re-appoint Ernst & Young as the independent auditor of the Company and to authorise the Board to fix its remuneration will be proposed at the forthcoming 2023 AGM.

On behalf of the Board
Mr. Huang Haixiao
Chairman

Hong Kong, 30 March 2023

* *The English names are for identification purpose only*

BOARD STATEMENT

Dear Stakeholders,

The Group is pleased to present the 2022 Environment, Social and Governance Report. We place the sustainable development goal at the forefront of our long-term objectives, integrating climate-related issues and environment, social and governance elements into the long-term planning of the Group's business strategy, with the Board, as the most important leadership role in the Group, having overall responsibility for steering, directly managing, and overseeing environment, social and governance issues.

We have set clear short-term and long-term sustainability visions to achieve carbon neutrality by the year 2050 and have established relevant emission reduction targets and corresponding strategies to integrate sustainability considerations into our strategic planning, business model and other decision-making processes. The Board regularly monitors and reviews the effectiveness of management practices, including reviewing the Group's environment, social and governance performance and adjusting action plans accordingly. The effective environment, social and governance policy implementation relies on the cooperation of different departments, we have established a cross-departmental environment, social and governance working group to coordinate and promote cooperation among different departments to achieve consistent and expected performance in terms of reaching the emission reduction and energy saving targets. During the Reporting Year, the COVID-19 pandemic was gradually under control, employees were resumed and work back to normal. The Group has recovered from its operation, so that the energy conservation and emission reduction management will be more effectively implemented, and it continues in driving toward to the established short-term and long-term sustainable development goals. The Group is committed to maintaining sustainable investment to the community, by engaging and advocating public welfare activities, and pursuing higher social responsibilities to contribute to the society.

The Group endeavours to ensure the establishment of applicable and effective risk management and internal control system to oversee the identification and assessment of environment, social and governance, and climate-related risks and opportunities, and to address the challenges and impacts of COVID-19. We also value the communication with the stakeholders. We regularly review our communication channels and platforms with our stakeholders to ensure that information flows to capture the concerns of key stakeholders on issues that have a significant impact on our business.

Looking ahead, the Board will continue in reviewing and monitoring the Group's environment, social and governance performance and continue to provide stakeholders with reliable, consistent, and comparable key environment, social and governance information to work together for a better environment.

Regards,
Huang Haixiao
Chairman

Shineroad International Holdings Limited

ABOUT THIS REPORT

Shineroad International Holdings Limited (the "**Company**" together with its subsidiaries, hereinafter referred to as the "**Group**" or "**we**" or "**us**") is pleased to present 2022 Environmental, Social and Governance Report (the "**ESG Report**") to summarise the Group's policies, measures and performance on the key environmental, social and governance ("**ESG**") issues.

Reporting Year

The ESG Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1 January 2022 to 31 December 2022 (the "**Reporting Year**" or "**2022**").

Reporting Scope and Boundaries

The information disclosed in the ESG Report covers the core and material business units of the Group in Shanghai, Beijing and Guangzhou, the PRC, including the operations of office, laboratory and warehouse, accounting for approximately 96.87% of the Group's revenue for the year end 31 December 2022. In the view of the impacts of the Group's business unit in Xiamen is not material to the Group's operations, Xiamen is no longer included in the reporting scopes. If the scope and boundaries of the specific contents vary, they are noted in the relevant section of the ESG Report.

Reporting Basis

The ESG Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 "Environmental, Social and Governance Reporting Guide" ("**the Guide**") of the "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited" (the "**Main Board Listing Rules**") issued by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and on the basis of the four reporting principles — materiality, quantitative, balance and consistency.

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's relevant policies. A complete content index is appended to the last chapter hereof for quick reference. The ESG Report is prepared and published in both Chinese and English. In the event of contradiction or inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Review and Approval

This ESG Report was approved by the Board on 30th March 2023, after confirmation by the management of the Group. An electronic version of this ESG Report is available on the HKExnews website (www.hkexnew.hk).

Information and Feedbacks

The Group respects your view on the ESG Report. Should you have any opinions or suggestions, you are welcome to share with the Group at info@shineroad.com.

ESG GOVERNANCE STRUCTURE

The Group adheres the service philosophy of "Sincerity, Standard, Efficiency, Safety", abides by different laws and regulations, commits to integrating environmental, social and governance factors into its operations in order to create sustainable value for stakeholders and take up the responsibilities as a corporate citizen. The Group has established an Environmental, Social and Governance Working Group (the "**Working Group**"). The Working Group is composed of senior management and core members from different departments of the Group and is delegated by the Board in accordance with its terms of reference. The Working Group is responsible for communicating with the external consultants and collecting information and data related to environmental, social and governance confirming ESG objectives and policies, and cooperating in the preparation of this ESG Report. The Working Group is responsible in working on carrying and engaging in internal and external communication, and reports to the Board regarding the implementation of ESG initiatives and the performance of the business units regularly.

The Board has overall responsibility for ESG issues, and formulates management policies and ESG strategies. In addition, the Board is responsible for the evaluation and determination of the Group's ESG-related risks and ensuring that the Group has established an applicable and effective system to manage and internally control ESG-related risks, as well as the regular review of the risk management performance The management reviews the risks and the effectiveness of the internal control system of these aspects and provides confirmation to the Board. In the future, we will further improve the governance structure, enhance the effectiveness of governance, and continue to promote the sustainable development of the Group.

Stakeholder Engagement

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. Stakeholders can express their opinions on ESG through various channels. The relevant stakeholders of the Group and their engagement platforms are as follows:

Stakeholder	Engagement Platform
Government and regulatory agencies	• Annual reports, interim reports, ESG reports and other public information
Shareholders and investors	• Annual general meetings and other general meetings of shareholders • Company's website • Press releases/announcements • Annual reports, interim reports, ESG reports and other public information
Peer Industry	• Exhibitions

Stakeholder	Engagement Platform
Employees	• Training • Meetings • Employee organisations • Performance evaluation • Leisure activities
Customers	• Fax, email and customer service hotline • Product and service feedback
Suppliers	• Annual audit • Meetings • On-site visits

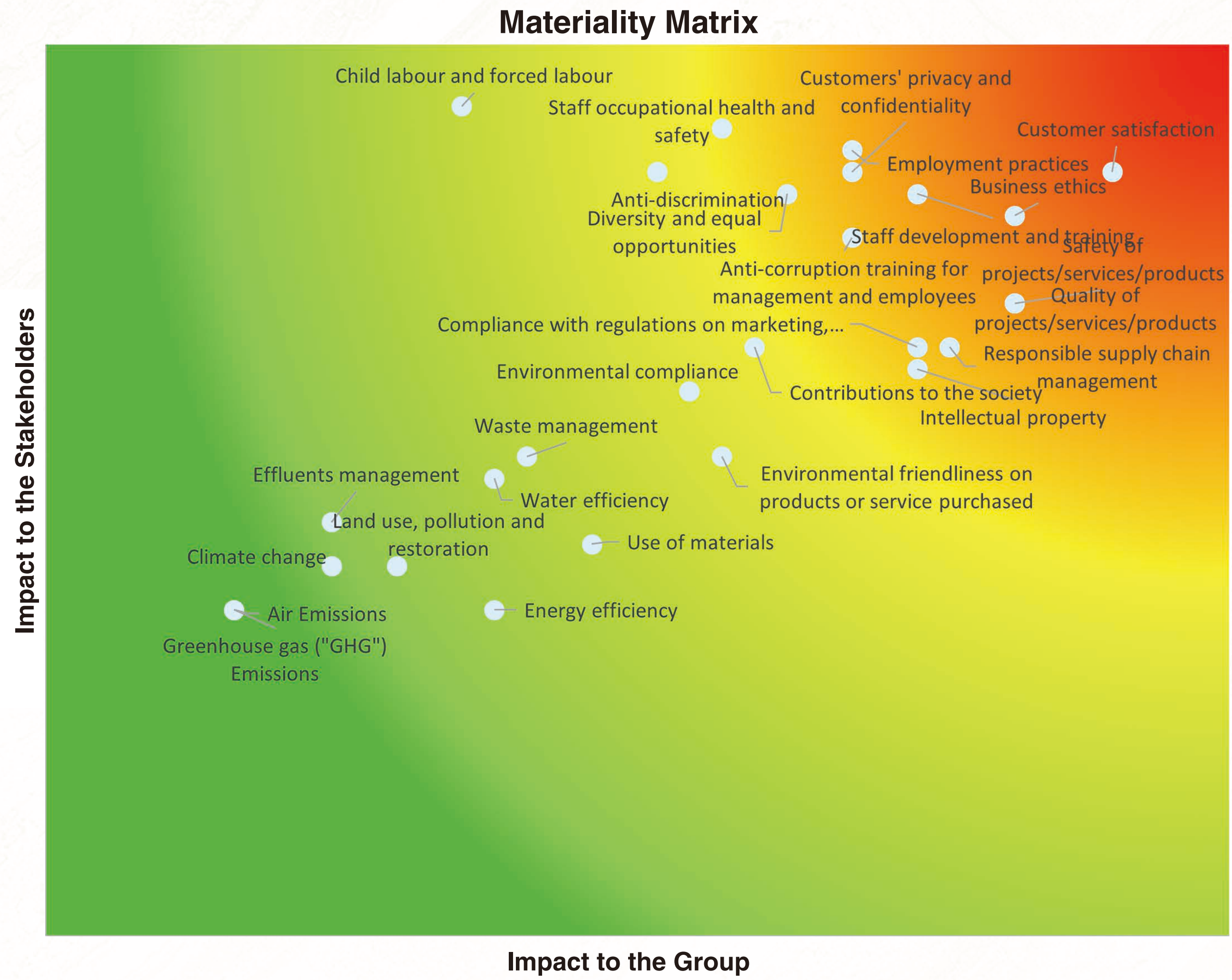
Materiality Assessment

The Group identifies issues for disclosure in the ESG Report through internal and external materiality assessment. By considering the dependence and influence to the Group of the stakeholders and the availability of the resources for the Group, the management has identified key stakeholders and conducted survey with them. They have expressed their opinions and recommendation on the sustainability issues related to the Group's operation via a survey. We determine the level of disclosure in this ESG Report based on the materiality of the issue to the business and its importance to stakeholders.

The issues that are identified with high importance are listed as follows:

- Customer satisfaction level;
- Business ethics;
- Staff development and training;
- Safety of projects/services/products;
- Employment practices;
- Diversity and equal opportunities;
- Anti-corruption training for management and employees;
- Customers' privacy and confidentiality;
- Responsible supply chain management; and
- Quality of projects/services/products.

Consolidating the results of internal assessment and the survey, the Group has complied the materiality matrix (refer to the diagram below).



ENVIRONMENTAL ASPECTS

Emissions

Policy of the Group, Laws and Regulations Related to Emissions

Regarding the nature of the business, the Group does not generate a large amount of industrial pollutants or have a significant impact on the environment, including air pollutants, hazardous waste. Therefore, the Group is not required to apply for environmental licenses or permits, nor are there any environmental laws and regulations with significant impact on the Group. The Group closely monitors the development of relevant environmental regulations to ensure that the Group's operations are in line with the concept of environmental protection. During the Reporting Year, the Group did not receive any fine, complaint or warning related to any material non-compliance in respect of greenhouse gas emissions, harmful gas emissions, air emissions, water emissions, waste emissions and noise emissions.

In line with the national policy on energy conservation and emission reduction, we have set clear emission reduction targets. By 2030, the short-term goal is to reduce all emissions (including air pollutants, greenhouse gases, hazardous and non-hazardous waste, and sewage), energy use (including electricity), and resource consumption (including water and paper) by 2% in every reporting year. The medium-to long-term goal is to gradually adopt renewable energy sources and use low-power products, maintain a steady pace of progress, and promote green development.

Types of Air Emission and Emission Data

Petrol combustion of vehicle fleet in mainland China ("**Mainland China**") was the major source of the Group's air emissions. The amount of air emissions in the Reporting Year was lower than the previous year due to the reduction of vehicles usage during the Reporting Year.

During the Reporting Year, the air emission data[1] were as follows:

Air Emission[2]	Unit	2022	2021
Nitrogen Oxide (NO_x)	kilograms	**24.81**	32.25
Sulphur Oxide (SO_x)	kilograms	**0.09**	0.58
Particle Matter (PM)	kilograms	**1.32**	1.81

1 The data covers emissions from the Group's vehicles at the Group's business units in Shanghai and Beijing.

2 The calculation of the corresponding air emission assessment figures and the emission factors used for the calculation are based on the "How to Prepare ESG Report" and its Annex "Appendix 2: Reporting guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong, and the "Technical Guidelines for the Compilation of Emission Inventories of Air Pollutants from Road Vehicles (Trial)(道路機動車大氣污染物排放清單編製技術指南(試行))" issued by the Ministry of Ecology and Environment of the PRC.

Greenhouse Gases Emission Data

In response to the community's gradual concern on greenhouse gas ("**GHG**") emissions, climate changes and other related issues, the Group has established the "Office Environmental Protection Guidelines". This purpose to encouraging employees to adopt energy-saving measures in the offices to reduce GHG emissions, which the measures are described in the section "Use of Resources". During the Reporting Year, the Group's GHG emission data were as follows:

GHG Emission[3]	Unit	2022	2021
Scope 1[4]	tonnes CO_2-equivalent	**14.30**	17.11
Scope 2[5]	tonnes CO_2-equivalent	**135.28**	126.23
Total GHG Emission	tonnes CO_2-equivalent	**149.57**	143.34
GHG Emission Intensity	tonnes CO_2-equivalent/m^2 [6]	**0.031**	0.028

Purchased electricity was the major source, followed by fossil fuel emissions from the Group's vehicle fleets. In this year, the total GHG emissions were approximately 149.57 tonnes CO2-equivalent (2021: approximately 143.34 tonnes CO2-equivalent). Comparing with the previous year, the GHG emissions of the Group increased by 4%, the raise mainly due to the increase of purchased electricity. The reason of the increase in purchased electricity is that the Group devoted in Research and Development ("**R&D**") investment and new technologies, and newly added professional equipment. Looking ahead, we will continue in implementing energy conservation measures and enhancing in tracking the amount of GHG emissions of the Group.

Waste Management

The Group has increasingly concerned its awareness on environmental pollution, and strives to improving its internal data collection procedures and expanding the scope of disclosure. In this year, the Group has expanded its disclosure of hazardous waste. The hazardous waste of the Group was mainly generated from the office printer, including toner cartridges and ink cartridges. Hazardous waste is disposed under the reused manner, in order to reducing the impact on environment.

During the Reporting Year, the hazardous waste data of the Group were as follows:

Type of Waste	Unit	2022	2021
Toner Cartridge	piece	**48**	100
Ink Cartridge	piece	**34**	24

3 The data covers direct and indirect GHG emissions from the Group's business units in Guangzhou, Shanghai and Beijing. The calculation of the corresponding air emission assessment figures and the emission factors used for the calculation are based on the "How to Prepare ESG Report" and its Annex "Appendix 2: Reporting guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong, "Methodology for Accounting and Reporting of Greenhouse Gas Emissions from Enterprises in Other Industries (Trial)（工業其他行業企業溫室氣體排放核算方法與報告指南（試行））jointly issued by National Development and Reform Commission and National Center for Climate Change Strategy and International Cooperation, "Emission Reduction Project China Regional Grid Baseline Emission Factor（減排項目中國區域電網基準線排放因子）and "IPCC Fifth Assessment Report on Climate Change（IPCC氣候變遷第五次評估報告）" issued by the Ministry of Ecology and Environment of the PRC.

4 Scope 1: The direct emission from the business operations owned or controlled by the Group, including the emission from the Group's vehicle fleet.

5 Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

6 During the Reporting Year, the Group had a total floor area of 4,900.22 m^2.

The Group's waste was mainly from the scrap products, generally was non-hazardous waste, which includes food ingredients, additives and milk powder, etc. Non-hazardous wastes were collected and incinerated by waste disposal agents, they may re-use the hazardous waste as fodder or disposed. During the Reporting Year, there were approximately 24.58 tonnes of non-hazardous wastes are generated (2021: approximately 13.77 tonnes). Comparing with 2021, there was an increase of 78% in the amount of non-hazardous waste. The increase was mainly due to the lockdown policy that affected on logistics during the COVID-19, the inventory remained over the expiry date and caused the increase in scarp products. Hence, it resulted in the increase in non-hazardous waste.

During the Reporting Year, the waste data of the Group were as follows:

Type of Waste	Unit	2022	2021
Non-Hazardous Waste[7]	tonnes	**24.58**	13.77
Non-Hazardous Waste Intensity	tonnes/m^2 [8]	**0.0050**	0.0026

Use of Resources

Resources Policies

The major resources consumed by the Group's operations are purchased electricity and domestic water. The goods from the suppliers do not require additional packaging materials, and the transportation of the goods is outsourced to third-party companies. The Group's vehicle fleet is not frequently used that it is only for the transportation of employees and customers. The business units have established the "Office Environmental Protection Guidelines" to provide guidance on the use of electricity, paper and Company vehicles. Extracted measures are as follows:

1. *Use of air conditioner*

   - Avoiding installing air conditioners at the location exposed to direct sunlight;
   - Turning off the air conditioners when the room is not in use;
   - Sealing the gap between the doors and windows to prevent the loss of cool air;
   - Performing regular cleaning or replacing dust filters of the air conditioner; and
   - Performing regular check on the volume of the refrigerants to detect any possible leakage in advance.

7 Data includes domestic waste, expired and scrap products, and food ingredients.
8 During the Reporting Year, the Group had a total floor area of 4,900.22 m^2.

2. *Use of other electrical appliance*

- Keeping lighting equipment and light bulbs clean to achieve maximum lighting efficiency;
- Considering fluorescent lamp (CFL) as preferred when purchasing new lighting equipment;
- Turning off computers, lighting, electrical appliances and air conditioners that are not in use, or applying an energy-saving mode when appropriate;
- Applying the power saving mode at the computer system;
- Implementing energy-efficient electrical appliances; and
- Monitoring the electricity consumption records.

3. *Paper Saving*

- Communicating via email or electronic notice;
- Applying duplex printing setting for the printer;
- Collecting used paper for reusing and recycling;
- Encouraging employees to use both sides of the paper, recycle envelopes and loose-leaf paper clips; and
- Classifying the wastes beforehand that easy for recycling.

4. *Vehicles maintenance and repairment*

- Performing regular maintenance for vehicles to maintain their efficiency and extend their lifetime;
- Performing regular inspection of the tires to ensure the tire pressure reaches the level recommended by the manufacturer so as to reduce rolling resistance; and
- Turning off the engine when being idle.

5. *Energy and Emission Reduction Education*

- Promoting "World Environment Day", "Energy Conservation Promotion Week", and "Earth Hour", advocate green and low-carbon production and office practices.

Energy Consumption and Intensity

The Group's energy consumption is mainly from the purchased electricity (indirect energy consumption) and the fuel consumption from Group's vehicles (direct energy consumption). During the Reporting Year, the energy consumption data of the Group were as follows:

		Unit	2022	2021
Energy Consumption[9]	Direct Energy Consumption[10]	kWh	**58,288.21**	75,827.57
	Indirect Energy Consumption[11]	kWh	**176,899.84**	158,375.60
	Total Energy Consumption	kWh	**235,188.05**	234,203.17
	Energy Consumption Intensity	kWh/m^2 [12]	**48.00**	44.95

The total energy consumption during the Reporting Year was approximately 235,188 kWh (2021: approximately 234,203 kWh), which presented an increase of about 0.4% comparing with the previous reporting year. In this year, the national lockdown and control during the COVID-19 has resulted in lower vehicles usage, which the use of vehicles fuels (direct energy consumption) has decreased. While the purchased electricity (indirect energy consumption) has increased, with the reason of the Group devoted in R&D investment and new technologies, and newly added professional equipment. Therefore, the energy consumption intensity has also increased. Looking ahead, the Group will continue tracing the Group's energy consumption and implement relevant energy conversation measures.

Water Consumption and Intensity

Water resource has no significant impact on the Group's business. Water consumption in the business units is mainly for domestic use and is provided by third-party suppliers. During the Reporting Year, the water consumption data of the Group were as follows:

		Unit	2022	2021
Water Resource[9]	**Water Consumption**	cubic meter	**1017.19**	1,967.31
	Water Consumption Intensity	cubic meter/ employee[13]	**6.52**	13.29

9 It includes the business units in Guangzhou, Shanghai and Beijing.
10 It includes the energy consumption from the fuel of Group's vehicles.
11 It includes the energy consumption from the purchased electricity of the Group.
12 During the Reporting Year, the Group had a total floor area of 4,900.22 m^2.
13 As at 31st December 2022, the employee number is 156 in this year.

The total water consumption was approximately 1,017.19 m^3 (2021: approximately 1,967.31 m^3) during the Reporting Year. Comparing with previous year, water consumption has recorded the decrease of 48% and its waster intensity has reduced from last year of 13.29 to 6.52 among this year. Although we do not have any issue in sourcing water, in order to remind our staff to save water, the operation unit has posted "Water Saving" label in the washroom to remind employees to save water. Looking Ahead, the Group will continue in tracking the water consumption of the Group and implementing relevant water conservation measures.

Paper Consumption

The paper consumption during the Reporting Year was mainly from offices in Guangzhou, Shanghai and Beijing. During the Reporting Year, the paper consumption data were as follows:

	Unit	2022	2021
Paper Consumption	tonnes	**0.67**	0.98

During the Reporting Year, the paper consumption was approximately 0.67 tonnes (2021: approximately 0.98 tonnes). Compared with the previous year, it had reduced by approximately 0.34 tonnes. The Group has been implemented the "Office Environmental Protection Guidelines". In order to reduce the generation of waste paper, and will continue in seeking opportunities to reduce waste at source and increase the recycling rate.

Packaging Material

The Group is a distributor in the food ingredients and additives distribution industry. No additional packaging material is required for the goods from the suppliers in our operation, thus there was no significant consumption of packaging material.

The Environment and Natural Resources

The Group's operations did not have any direct impact on the environment and natural resources. However, indirect GHG emission would aggravate global warming. The Group strives to reduce indirect GHG emissions and its impact on the environment and natural resources through various measures mentioned in the sections "Emission" and "Use of resources"

Climate Change

The Group deeply acknowledged that climate change is a common challenge for all mankind, while China, the biggest developing country in the world, attaches great importance to tackling climate change. The Chinese government has decided to adopt more vigorous policies and measures and made two significant decisions in 2020: achieve carbon peaking by 2030 and carbon neutrality in 2060. The Group is planning to gradually respond to the decisions. The short-term goal is to reduce all the emissions by 2% compared to the previous year. With the expansion of the Group's sales and distribution regions and business scope, the practices of energy saving should be further enhanced to respond to the goal and achieve sustainable development.

Extreme weather includes storms, floods or other natural disasters may result in unavoidable and substantial risks. Under the circumstance of extreme weather, logistics and the supply chain are specifically prone to negative impacts. Heavy rains, rising tides and flood can cause severe damage to assets such as warehouse and stored goods, which result in financial loss. The Group responded to the potential risk that caused from the climate change, in which those may compromise the integrity of the Group assets and directly interfere with our business operations and customers. To enhance the reliability of the operation, the Group has formulated a series of measures including contingency plans for extreme weather and emergencies.

The Group has established the "Procurement Management System" and formed the Typhoon and Flooding Prevention Working Group. These aim to reduce and mitigate the loss from natural disasters, prevent the occurrence of major accidents and dangerous situations; and in order to maintain the operation and to protect our staff. Regarding the potential risk in the supply chain, the Group has established the "Procurement Management System", which covers standby qualified supplier to cope with situations where supplier networks are disrupted due to extreme weather conditions and reduces the logistics disruption. To secure the occupational health and safety of our staff under hot weather and urban area, we issued hot-weather allowance and distributed heatstroke prevention supplies to the frontline staff. The Group has established internal guideline, with details on the emergency response mechanism to ensure the safety of staff and its property.

The Group highly values our customers, we will continue in improving the application and innovation ability, striving to increase the efficiency, and protecting the Group's reputation. Over the years, the Group has seized different opportunities to expand the business, accelerates transformation and makes the Group smarter and greener, as well as safer for our employees and product users. Our operation has become more automatic. During the pandemic, more online meeting has been conducted to reduce carbon emissions from commuting. These measures allowed our facilities to become more sustainable and fulfilled our commitment to resources management and environmental protection.

The Group has identified a range of climate-related risk and opportunities, which are materials and in terms to the Group's asset and service. Transition and physical risks are discussed in the next section.

	Risks	Opportunities
Short term (0–1 year)	• Physical risks from extreme weather events • Securing the skills and capability required to implement climate strategy	• Technologies to enhance the performance of operation and energy efficiency
Medium term (5 years)	• Transition risks — Implementation of low-carbon policies for the operation • Transition risks — Supply and demand for certain commodities, products and services may change as climate related risks and opportunities are increasingly taken into account.	• Transitioning to low carbon economy market to meet government decarbonisation targets
Medium to long term (5+ years)	• Transition risks — Potential new regulation and policies • Transition risks — Development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness • Transition risks — the Group reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a lower-carbon economy.	• Transitioning to low carbon economy market to meet government decarbonisation targets • Opportunities arising from transition enablers

Looking ahead, the Group will continue reviewing the impact of climate change on business and incorporate climate-related risks and opportunities into operational considerations, such as changes in environmental-related regulations, in order to increase resilience.

SOCIAL ASPECTS

Employment and Labour Practices

Employment

The Group believes that employees are the most important asset of a corporation. As the business grows, the Group must establish sustainable human capital to attract and retain talents. The Group strictly abides by the labour laws in the PRC, including but not limited to the "Regulations on Payment of Wages", the "Labour Law of the PRC", the "Labour Contract Law of the PRC", the "Implementation Measures for Paid Annual Leave for Employees of Enterprises", the "Regulations on Populations and Family Planning", the "Special Rules on the Labour Protection of Female Employees" and the "Trade Union Law of the PRC", etc.

The Group has established the "Employee Handbook", which listed out the recruitment, admission and employment management, attendance and leaves management, remuneration and benefits and assessment and termination management. We value the dignity and equality of employees. We ensure that they are treated fairly in matters including hiring, remuneration, training, and promotion. We prohibit any discrimination or differential treatment based on the race, social status, nationality, religion, gender and cultural background of the employees. Employees could raise concerns on any issue in confidential through the email of Human Resources Department. This grievance channel enables employees to safely report any violation. The Group does not condone or tolerate any acts of retaliation against anyone who reasonably believes that the concern that they have raised is true. During the Reporting Year, the Group did not have any non-compliance issues.

Remuneration and Dismissal

The Group is committed to offering employees fair and reasonable remuneration and benefits. They are adjusted based on factors such as the local average wage, consumer price index, employee performance, job nature and seniority, etc.

The "Termination Management System" specifies the conditions for employee resignation and Company dismissal, as well as the procedure for employee dismissal. In order to improve the human resources management system and reduce employee turnover, we conduct exit interviews with employees to understand the reasons for resignation.

Recruitment and Promotion

The recruitment and promotion of employees is based on the "Recruitment and Employment Management System", which sets out the general requirements for recruiting staff. We are committed to providing equal opportunities in the process of recruitment, hiring and employment. Recruitment followed the "Internal First Then External" principle which means that the Group consider internal promotion before external recruitment. To encourage internal referrals, we have established an internal referral reward system to reward employees who successfully refer the talented candidates.

Working Hours and Rest Periods

The Group implements standard working hours (applicable for administration staff) and irregular working hour system (applicable for salesperson and senior management). The former refers to the system of 40 working hours per week on average. The latter refers to the working hour system that cannot be determined by standard working hours or requires machines operations. The Group's statutory holidays are implemented in accordance with national regulations, including marriage leave, bereavement leave, maternity leave, paternity leave, lactation leave, work-related injury leave and etc.

Employee Benefits and Welfare

According to the applicable laws of the PRC, the Group participates in social insurance and housing provident fund for applicable employees. Related social insurances include pension insurance, medical insurance, maternity insurance, unemployment insurance and work injury insurance. We also provide high-temperature allowances for frontline employees, cleaners and drivers according to the relevant regulations. Taking into account the needs of employees, the Group provides employees with free lunch packs or meal allowance, commuter shuttle bus, protective equipment and communication allowance. If the employee's family encounters financial difficulties and eligible to receive the subsidy from the labour union, the Company will report to the labour union so as to provide corresponding assistance. Applicable employees can also apply by themselves.

To cultivate employees' sense of belonging to the Company, promote friendship among employees and build team spirit, the business units organised various activities regularly. Gifts and coupons were also given during the holiday season for employees to share with their families.

As at 31st December 2022, the employee number and turnover rate of the Group according to gender, age, employment type and geographical regions are as follows:

		2022	2021
Employee Number	**Total**	**156**	148
	By Gender		
	Male	**73**	69
	Female	**83**	79
	Ratio of Male and Female Employee	**1:1.14**	1:1.14
	By Age Group		
	Below 30	**34**	24
	30–50	**107**	110
	50 or above	**15**	14
	By Employment Type		
	Full-time	**155**	147
	Part-time	**1**	1
	By Geographical Regions		
	PRC	**151**	145
	Hong Kong	**1**	1
	Canada	**1**	1
	Australia	**1**	1
	Taiwan	**2**	0

		2022	2021
Employee Turnover Rate[14]	**Overall Number (Turnover rate)**	**33 (21%)**	36 (24%)
	By Gender		
	Male (Turnover rate)	**21 (29%)**	22 (32%)
	Female (Turnover rate)	**12 (14%)**	14 (18%)
	By Age Group		
	Below 30 (Turnover rate)	**8 (24%)**	6 (26%)
	30–50 (Turnover rate)	**24 (22%)**	29 (26%)
	50 or above (Turnover rate)	**1 (7%)**	1 (7%)
	By Geographical Regions		
	PRC (Turnover rate)	**33 (22%)**	36 (24%)
	Hong Kong (Turnover rate)	**0 (0%)**	0 (0%)
	Canada (Turnover rate)	**0 (0%)**	0 (0%)
	Australia (Turnover rate)	**0 (0%)**	0 (0%)

Health and Safety

The Group attaches great importance to the health of its employees and is committed to providing a safe and healthy working environment for them. The Group complies with relevant laws and regulations in the PRC, including the "Food Safety Law of the PRC", the "Labour Law of the PRC", and the "Regulations on Industrial Injury Insurance", etc. During the Reporting Year, the Group did not have any non-compliance issues. The operation unit has developed internal guidelines and regulations, for example the "Food Safety Management System". The Group ensures that each employee who makes contacts with food directly must obtain a valid medical certificate before work commencement.

To guarantee a healthy, hygienic and safe working environment, the operation unit has implemented guidelines as follows, including but not limited to:

- Implementing warehouse environmental management by keeping daily record of warehouse temperature and humidity;
- Implementing hygienic management by keeping the passages in working area is clean and tidy, obstacles are not allowed in order to maintain all pathways are clear;
- Smoking is strictly prohibited in the office and warehouses;
- Providing sufficient lightings in the working area and pathways;
- Keeping all kinds of power cords, wiring of all kinds of electrical equipment should be bundled neatly;
- Turning off electrical equipment (including office electrical equipment) before leaving office after work;

[14] Employee Turnover Rate = Number of employees in the specified category leaving employment/Number of employees in the specified category at the end of the Reporting Year.

- Implementing the maintenance of electrical equipment by qualified technicians. If necessary, a warning sign shall be put to warn other employees;
- Maintaining in good conditions of fire-fighting equipment;
- Wearing a safety helmet and protective clothing when working in the warehouse;
- Paying attention to the signs and warnings on the passage in the warehouse when operating the forklift;
- Reminding all technicians in the laboratory should wear suitable personal protective equipment; and
- Equipping first-aid box in the laboratory.

The Group has implemented internal training projects and workplace health and safety memoranda. Through these projects, the Group educates and reminds employees of the importance of workplace health and safety and proper operation procedures. Apart from office, the logistic warehouse is also an important working place for our employees owing to the nature of our operation. We attached great importance to the quality and safety of the working environment in the logistics warehouse. In order to raise the occupational safety awareness of our warehouse employees and supervisors, we have initiated the "Logistics Warehouse Safety Training" during the Reporting Year. The programme did not only familiarise employees with the above-mentioned business unit safety guidelines but also gave practical examples of dangerous scenarios that might happen to employees working in different positions, such as forklift drivers and work-at-height workers. The programme illustrated the proper professional attitude and considerable safety issues in daily work, which facilitated the formation of employees' good working habits. In addition, the programme covered recommended contingency measures when facing emergency such as fire hazard or extreme weather event, which included teaching employees how to handle fire extinguishing equipment and passing first aid knowledge for various injuries.

Number of Work-related Fatality

2022	**2021**	**2020**
0	0	0

During the Reporting Year, there was no case of work-related fatality of employees. The total number of working days lost by the Group during the Reporting Year was "zero".

To protect the interests of employees and the Group, the Administration and Human Resources Department have assigned staff to record and track any injuries that have occurred in the workplace to ensure effective insurance claims and treatment and continue to propose various options to improve work safety in order to minimise the possibility of future accidents.

Development and Training

The Group attaches great importance to the career development of its employees and provides training when necessary. To improve the overall quality of employee, the Group has established a "Training Management System". The Human Resource and Administration Centre conducts surveys about the demand for training on a quarterly and annually basis. Considering the training demand of each business unit, the centre sets out the Company's annual business plan, employee promotion and career development as references, to establish an annual/quarterly training program and budget. The Group's training is divided into external and internal training, including pre-job training (i.e. new employee training) and on-the-job training. Related training descriptions are as follows:

Training Categories	Description
New Employee Training	The training for new employees includes Company profile, corporate culture, human resource policy, remuneration and benefits, food safety, operational procedures and rules of various departments, and product knowledge etc.
All Staff Trainings	General training for staff includes employees' quality and management skills enhancement, introduction to corporate strategies development, and systems and policies updates etc.
Training the Trainer (TTT) Training	Pieces of training for Company internal instructors, which are delivered by external instructors, include the establishment of the training system, teaching skills, curriculum development and courseware production.
Department Training	Technical skills improvement training is provided by the department to its employees.
Expatriate Training	Expatriate training are provided for the management or recommended employees.

The Group provides on-the-job training for employees to enable them to equip with the appropriate skills. According to the training content, it can be divided into management (leadership) training, professional abilities training, general skills training, interpersonal skills training and so on.

After the completion of the training, the responsible department will assess the quality and effectiveness of the relevant training through the "Training Evaluation Form", staff assessment and post-training performance review.

As at 31st December 2022, the number of trained employee, training percentage and averaged training hours in gender and employment categories are as follows:

		2022	2021
Percentage of Trained Employee[15]	**Overall**	**99%**	117%
	By Gender		
	Male	**104%**	130%
	Female	**95%**	105%
	By Employment Categories		
	Senior Management	**82%**	100%
	Mid-level Management	**126%**	119%
	General Staff	**97%**	118%
Averaged Training Hours[16] (hour/employee)	Overall	**33.27**	20.66
	By Gender		
	Male	**40.45**	29.60
	Female	**26.95**	12.84
	By Employment Categories		
	Senior Management	**18.99**	16.23
	Mid-level Management	**59.81**	23.00
	General Staff	**30.51**	20.65

During the Reporting Year, the overall averaged training hours per employees was 33.27 hours (2021: 20.66 hours), which presented an increase of 12.61 hours compared with previous year. During the period of work from home, the Group has implemented online training courses in order to maintain and enhance the quality of employees. Looking ahead, we will continue in implementing relevant training management and measures to improve the skills of employees and hence to improve the quality of the Group's business operation.

Labour Standard

The Group strictly abides by the "Labour Law of the PRC", the "Law on the Protection of Minors of the PRC", the "Provisions on the Prohibition of Using Child Labour of the PRC" and other relevant labour laws and regulations. The Group prohibits the employment of child labour and forced labour. The human resources department reviews the applicant's personal data in accordance with relevant national laws and regulations and employment management procedures to ensure that the employee's age meets the requirements of the regulations, and conducts pre-job interviews to ensure there is no child labour and forced labour. If violations of laws and regulations such as child labour and forced labour are found, the Company will take countermeasures in accordance with relevant laws and regulations, and will stringently follow up on these violations.

15 Percentage of trained employee = Number of employees received training during the Reporting Year/Number of employees at the end of the Reporting Year. The number of employees trained in each category during the Reporting Year was greater than the number of employees at the end of the Reporting Year, so the percentages calculated are greater than 100%.

16 Averaged Training Hours = Total training hours during the Reporting Year/Total number of employees at the end of the Reporting Year.

During the Reporting Year, the Group did not employ child labour or forced labour and there was no non-compliance issue.

Operating Practices

Supply Chain Management

The Group believes its success is largely driven by the ability to source high-quality products from reputable food ingredients and additives manufacturers and to provide an extensive product portfolio for customers. The Group emphasises the selection of suppliers as we believe the supply of high-quality products is one of the key factors for us to succeed in the food ingredients and additives distribution industry. The Group has formulated a "Procurement Management System". We typically select suppliers based on a number of criteria including brand reputation, on-going compliance with relevant food safety laws, product quality, price competitiveness and supply capabilities. The Group has also developed the "Supplier Environmental Questionnaire" and "Supplier Social Responsibility Survey" to strengthen the positive impact of the supply chain on the environmental and social aspect. We have established an approved supplier list. Before engaging a new supplier or including the new supplier into the approved supplier list, we perform background checks on the National Enterprise Credit Information Publicity System regarding the relevant supplier, to ensure their compliance to national laws and regulations. No disapproved suppliers are accepted. During the Reporting Year, 10 new suppliers were engaged.

We have implemented measures to safeguard the quality of the products provided by our suppliers. Please refer to the "Product Responsibility" section for details.

During the Reporting Year, suppliers provided us with food ingredients and additives, and transportation services respectively. During the Reporting Year, the corresponding geographical distribution of the suppliers is as follows:

Supplier Categories	Location	2022	2021
Food Ingredients, Food Additives and Packaging Material	Mainland China	**262**	246
	Hong Kong, the PRC	**1**	1
	Asia	**7**	9
	North America	**0**	0
	South America	**0**	0
	Oceania	**1**	1
	Europe	**1**	1
Transportation Services	Mainland China	**4**	8
Total		**276**	266

Product Responsibility

Products distributed by the Group to the customers can be broadly categorised into the following types: (i) food ingredients; (ii) food additives; and (iii) packaging materials. The business unit sets up a food safety management team which is responsible for handling food safety issues and has the authority to conduct regular or irregular inspections and spot checks in various departments, and report the problems found to the general manager office. The office is responsible for ordering the responsible department to conduct work analysis, review and rectification of all discovered problems. We have established corresponding policies and measures for food safety and quality, after-sales service and complaint handling, intellectual property rights, product returns, and customer privacy. For details, please refer to the following sections.

The Group strictly abides by the relevant laws and regulations of the PRC on food hygiene and safety, including the "Food Safety Law of the PRC", the "Measures for the Administration of Food Production Licenses", the "Regulations on the Administration of Food Labels", the "Advertising Law of the PRC", and the "Product Quality Law of the PRC", the "Regulations on the Supervision and Administration of Dairy Product Quality and Safety", and the corresponding internal regulations. During the Reporting Year, the Group did not have any related non-compliance issues.

Food Safety and Quality Management

The quality of the supplier's goods is critical to the operation of the Group. To ensure product quality, We have implemented quality control measures of by conducting annual audits for suppliers and requiring them to provide us with the relevant certifications or qualifications (e.g. Hazard Analysis and Critical Control Points (HACCP) certification and ISO 9000 Quality Management System Certification) of the products before procurement. We also require suppliers to provide a certificate of analysis or import goods clearance slips from China Entry-Exit Inspection and Quarantine Bureau for each batch of products supplied.

Upon the receipt of products from suppliers, the inventory management and transportation department will inspect the products (such as checking if packaging appears to be swollen or leaked; if the product specifications are in line with the descriptions on the purchase orders) to ensure that the products received are in good condition and strictly comply with the food safety regulations. Further, we keep records of the products, including expiry date, suppliers' name and address, place of origin for importation, quantity, and description of goods. Such record is made available after the procurement staff confirmed on the purchase invoice.

We also conduct evaluations on new suppliers (before procurement) and on existing suppliers. Evaluation criteria include timeliness of delivery of products, quality of products, pricing, rate of response and feedback from customers. Supplier evaluation reports are then prepared and approved by the director of the supply chain. If the performance of any supplier is not up to the standard of the Group, they would be considered as unqualified and removed from the approved supplier list.

In order to ensure the quality of the products during storage, the Group has implemented measures, including but not limited to:

- Separating storage of non-allergen and allergen products;
- Separating storage of raw materials and additives;
- Recording the temperature and humidity of the warehouse on a daily basis. If it exceeds the standard range, it shall adjust immediately and the arranged temperature and humidity should be recorded; and
- Keeping the warehouse clean and hygienic, preforming dehumidification, pest control and pollution prevention.

Before the products are delivered to customers, we conduct inspection again. Inventory management and transportation department staff will check the product specifications to make sure that they are in line with those stated on the purchase orders we received from customers. The information of our out-going products including the name of customer, product description, quantity and name of the transportation service provider will be recorded by the staff. In order to maintain the quality of the products during transportation, we require transportation service providers to provide a hygienic environment for the transport vehicles in accordance with food safety law in the PRC.

We have formulated "Technicians Project Working Guidelines" for the R&D works performed in the laboratory. It provides clear guidelines on the procedures of the operation of the laboratory, raw materials testing, product development and product promotion, etc.

Product Return Policy

After examination and upon approval of our general manager of our branch offices, we only accept returns or exchanges for (i) any defective products sold by us that were damaged during transportation and delivery; or (ii) products that did not match with the product specifications as specified on the purchase orders between the customers and us.

To ensure the customers are satisfied with our services, we have implemented product return policy to (i) exchange the defective or damaged products; or (ii) refund the customers the relevant purchase amount of the defective or damaged products. For any product that could potentially be returned, we would perform proper inspection and examination to the defective or damaged products. Products returned may be returned to the suppliers or destroyed.

After-sales Service and Complaint Handling

The business management centre is customer-oriented, responsible for supporting and monitoring tasks and also providing after-sales services to customers. Its duties include:

(i) collecting license and qualifications of customers before sales, verifying customers' credits and entering information of new customers into the Company's system;

(ii) monitoring sales prices, customer's receivables, signing of the sales contracts, and travel expenses reimbursement for salesmen;

(iii) processing customer's order during the sales, coordinating both internal and external customers to place and process orders, and delivering quality goods to customers in time;

(iv) gathering feedback from customers about our products and services to ensure the quality of our food ingredients and additives and continuous improvement of our operations; and

(v) providing assistance to customers after receiving complaints. Our business management centre has various sets of procedures and protocols followed by our staff while handling complaints and requests from our customers such as product return or exchange, technical support, and product application solutions.

Feedbacks from the customers on the products supplied by the Group help us improve the services and product quality. The Group has established "Customer Complaint Handling Procedure" to provide guidelines on handling customer complaints and opinions with care. The business management centre collects customer complaints and opinions by fax, telephone and email, and is responsible for promptly responding to those complaints to the sales department and tracking the process of the entire case. During the Reporting Year, we received 7 complaints that related to transportation services. Complaint details included communication issues concerning delivery schedule, logistics Company not being able to provide relevant receipts, etc.

Intellectual Property Protection

The Group's technology centre conducts food application testing and development of food formulations. We have established an "Intellectual Property Management System" to ensure that the interests of the Group and its customers are protected. Intellectual property is of paramount importance to our R&D. The Group strictly abides by relevant laws and regulations, including the "Patent Law of the PRC", the "Copyright Law of the PRC", the "Trademark Law of the PRC" and the "Anti-Unfair Competition Law of PRC" etc. We implemented the following measures to protect intellectual property:

- Registering the intellectual property, filed and applied for authenticity;

- Considering intellectual property should be treated and protected as trade secrets if the result of intellectual effort with commercial value is not applicable for the above measures. It should not be published nor disclosed by any forms (e.g. commissioned appraisal, exhibition, advertisement, test sale, and gift-giving, etc.) before the related protection method is determined;

- Keeping product in strictly confidential during development. Employees should not pass trade secret information in public places or using communication tools without encryption; and

- Providing intellectual property training to employees in order to raise awareness of intellectual property protection.

Product Advertising/Labelling

The Group's business does not involve product packaging and labelling activities. The advertisements of the Compnay are published in exhibitions and related publications only. There is no product released regarding the R&D work in the laboratory during the Reporting Year and in the past. However, we have already established guidelines for product labelling, indicating that the products released to the public are required to specify the storage conditions, production date, shelf life, and tasting recommendations. General speaking, the issue has no significant impact on our operations at the moment.

Customer Data Protection and Privacy

The Group attaches great importance to the confidential information of the customers. We have formulated "Information Protection Policy" which provides guidance on the handling of confidential information. Employees are required to sign confidentiality agreements that they must not distribute or disclose Compnay secrets to unrelated persons by any means. The Group also signs a "Non-Competition Restriction Agreement" with specific employees, stipulating that the trade secrets and technologies obtained by the employees shall not be disclosed to the third party and must not be used to make profits for themselves or others.

In order to protect the interests of customers and the Group and to satisfy with the customers' requirements, the following terms are set out in the confidentiality agreement:

- Committing in keeping all information from the other party strictly confidential, including the implementation of effective security measures and operating procedures; and

- Committing in not to disclose other party's secret information to the third party by leakage, notification, issuance, publishing, passing on, transfer or any other means without the consent of the other parties.

Anti-corruption

Honesty, integrity and fair competition are the core values that all employees of the Group have to defend. We have established the "Code of Conduct for Anti-Corruption" to set out the employee's conducts in dealing with problems related to acceptance of advantages and conflicts of interest. The director or employee receiving the gift should report to the board of directors and seek advice on how to handle the gift from the Board. When there is an actual or potential conflict of interest between the director or employee and the Group, the related person is required to make a declaration of interest. All directors and employees should ensure all records, receipts, account information and other documents they submit to the Group can truly reflect the events or business transactions stated in these documents. Any person, who deliberately uses a document with false information to deceive or mislead the Group, may violate the relevant regulations, whether or not the person can get benefit from it. Our compliance officer is responsible for handling the reports of violation cases.

The Group strictly abides by the laws and regulations relating to bribery, extortion, fraud and money laundering in Mainland China and Hong Kong, including the "Criminal Law of the PRC", the "Anti-Money Laundering Law of the PRC", the "Anti-Unfair Competition Law of the PRC, and the "Prevention of Bribery Ordinance" (Cap. 201) in Hong Kong. The Group has also arranged anti-corruption training for directors and staff to remind them to maintain a high level of ethical conduct and adhere to the core values of "Honesty, Integrity and Fair Competition".

During the Reporting Year, the Group did not have any significant non-compliance issues and related corruption litigation cases in this regard.

Whistleblowing system

The Group has formulated the "Whistleblowing Policy and Procedures" to provide a safe and confidential reporting mechanism and to ensure that all employees are reported properly on all suspected and internal misconduct. The policy outlines the Whistleblowing procedures, including but not limited to, if an employee is aware of discrimination, bribery, extortion, fraud and corruption, and any actual and suspected violation case that against to improper, unethical and inappropriate concerns on policy. Employees may raise concerns anonymously via email, and an independent investigation will be launched and conducted in accordance with relevant laws and regulations. The whistleblowing policy also ensures that the whistleblower who reports under good faith, would not be harmed and detracted in any way. All matters will be handled and kept confidential and sensitive manner.

Community

Community Investment

The Group is committed in maintaining the sustainability of its business and its communities. In addition to actively developing our business, we are committed to and advocate for public welfare activities and pursue higher social responsibility, hoping to give back to the community in the areas of community welfare and education.

We have established the "Shineroad Scholarship" at Jiangnan University, one of the most prestigious institutions in the field of food technology in China. The purpose of this scholarship is to encourage diligent learning, hardworking and assiduous researching; to encourage students to achieve excellent academic performance and all-round development; to reward talented students; and to cultivate more outstanding senior engineering and technical talents to contribute to the food industry. During the Reporting Year, we invested a total of RMB110,000 to support the teaching, research, and talent cultivation of the School of Food Science and Technology of Jiangnan University through the scholarship for three consecutive years.

During the Reporting Year, the Group organised the "Caring for the Elderly" campaign. In compliance with the Government's prevention measures and regulations under the COVID-19, the Group visited the nursing centre during the Mid-Autumn Festival, along with warmth greetings and food. To express the condolence and gratitude to fireman and their contributions to the society, the Group donated heatstroke prevention supplies to the fire stations. During the Reporting Year, the Group encouraged employees to participating in voluntary work. In this period of pandemic, the Group provided voluntary services for residents in local community, accounted for the total of 411 hours.

"Caring for the Elderly" nursing centre visits and condolence

Fire Station condolence

THE STOCK EXCHANGE OF HONG KONG "ESG GUIDE" CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
Subject Area A — Environment		
Aspect A1:Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions
Aspect A2.Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
Aspect A3.The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4.Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
Subject Area B — Social		
Employment and Labour Practices		
Aspect B1.Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full-or parttime), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2.Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
Aspect B3.Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4.Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operation Practices		
Aspect B5.Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
Aspect B6.Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
Aspect B7.Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

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To the shareholders of Shineroad International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shineroad International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 81 to 143, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment allowance for trade receivables	
As at 31 December 2022, the balance of trade receivables amounted to approximately RMB83,281,000. Trade receivables comprised 15.1% of total assets in the consolidated statement of financial position. The Group recognised an allowance for estimated credit losses for trade receivables of approximately RMB722,000 as at 31 December 2022, which required significant judgement from management in evaluating probability of default, expected losses and forward looking factors. We identified impairment allowance for trade receivables as a key audit matter due to the significant judgements and estimates exercised by the Group's management. The accounting policies and disclosures for the loss allowance for impairment of trade receivables are made in note 2.4, 3 and 17 to the consolidated financial statements.	We performed the following procedures to assess the impairment allowance for trade receivables: — understood, evaluated and validated the design and operating effectiveness of management control over the assessment of allowance for trade receivables; — tested on a sample basis the ageing of trade receivables at year end; — evaluated and tested the methodologies and data/parameters used by management, including migration rate, historical loss information and forward looking factors; — analysed the fluctuations of major customers' outstanding balance and accounts receivable turnover days.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yin, Guowei.

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**728,308**	863,616
Cost of sales		**(607,139)**	(712,975)
Gross profit		**121,169**	150,641
Other income and gains	5	**6,219**	20,140
Selling and distribution expenses		**(23,729)**	(29,689)
Administrative expenses		**(39,283)**	(36,980)
Other expenses		**(3,912)**	(1,054)
Finance costs	7	**(555)**	(1,056)
Share of profit of an associate		**5,560**	6,239
PROFIT BEFORE TAX	6	**65,469**	108,241
Income tax expense	10	**(17,807)**	(22,180)
PROFIT FOR THE YEAR		**47,662**	86,061
Attributable to:			
Owners of the parent		**47,662**	86,061
		47,662	86,061
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted	12	**0.07**	0.13

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(13,600)**	4,640
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(13,600)**	4,640
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of an associate		**—**	(54)
Exchange differences on translation of foreign operations		**16,695**	(5,632)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**16,695**	(5,686)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**3,095**	(1,046)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**50,757**	85,015
Attributable to:			
Owners of the parent		**50,757**	85,015
		50,757	85,015

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,543	1,051
Right-of-use assets	14	35,446	5,903
Other intangible assets		6	10
Investment in an associate	15	102,795	97,235
Pledged deposits	19	2,513	—
Other non-current assets		214	—
Deferred tax assets	23	556	469
Total non-current assets		143,073	104,668
CURRENT ASSETS			
Inventories	16	92,879	60,067
Trade receivables	17	83,281	156,853
Prepayments, other receivables and other assets	18	17,831	28,169
Amounts due from related parties		5,703	11,623
Pledged deposits	19	27,880	37,906
Cash and cash equivalents	19	182,199	134,855
Total current assets		409,773	429,473
CURRENT LIABILITIES			
Trade and bills payables	20	52,359	50,864
Other payables and accruals	21	14,660	30,335
Amounts due to related parties		2,423	5,182
Interest-bearing bank and other borrowings	22	20,000	20,000
Lease liabilities	14	1,020	2,057
Tax payable		6,986	7,339
Total current liabilities		97,448	115,777
NET CURRENT ASSETS		312,325	313,696
TOTAL ASSETS LESS CURRENT LIABILITIES		455,398	418,364
NON-CURRENT LIABILITIES			
Lease liabilities	14	2,225	3,807
Deferred tax liabilities	23	1,750	750
Total non-current liabilities		3,975	4,557
NET ASSETS		451,423	413,807
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	5,681	5,681
Other reserves	25	445,742	408,126
Total equity		451,423	413,807

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent						
	Share capital *RMB'000* *(note 24)*	**Share premium** *RMB'000* *(note 25)*	**Other reserve** *RMB'000* *(note 25)*	**Statutory reserve** *RMB'000* *(note 25)*	**Exchange fluctuation reserve** *RMB'000* *(note 25)*	**Retained profits** *RMB'000* *(note 25)*	**Total equity** *RMB'000*
At 1 January 2022	**5,681**	**207,731**	**(54)**	**40,158**	**522**	**159,769**	**413,807**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**47,662**	**47,662**
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**3,095**	**—**	**3,095**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**3,095**	**47,662**	**50,757**
Final 2021 dividend declared	**—**	**—**	**—**	**—**	**—**	**(13,141)**	**(13,141)**
Transfer from retained profits	**—**	**—**	**—**	**7,359**	**—**	**(7,359)**	**—**
At 31 December 2022	**5,681**	**207,731***	**(54)***	**47,517***	**3,617***	**186,931***	**451,423**

	Attributable to owners of the parent						
	Share capital *RMB'000* *(note 24)*	Share premium *RMB'000* *(note 25)*	Other reserve *RMB'000* *(note 25)*	Statutory reserve *RMB'000* *(note 25)*	Exchange fluctuation reserve *RMB'000* *(note 25)*	Retained profits *RMB'000* *(note 25)*	Total equity *RMB'000*
At 1 January 2021	5,681	207,731	—	30,541	1,514	91,814	337,281
Profit for the year	—	—	—	—	—	86,061	86,061
Other comprehensive income for the year:							
Share of other comprehensive income of an associate	—	—	(54)	—	—	—	(54)
Exchange differences on translation of foreign operations	—	—	—	—	(992)	—	(992)
Total comprehensive income for the year	—	—	(54)	—	(992)	86,061	85,015
Final 2020 dividend declared	—	—	—	—	—	(8,489)	(8,489)
Transfer from retained profits	—	—	—	9,617	—	(9,617)	—
At 31 December 2021	5,681	207,731*	(54)*	40,158*	522*	159,769*	413,807

* These reserve accounts comprise the consolidated other reserves of RMB445,742,000 (2021: RMB408,126,000) in the consolidated statements of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		**65,469**	108,241
Adjustments for:			
Finance costs	7	**555**	1,056
Share of profit of an associate		**(5,560)**	(6,189)
Loss on a deemed disposal		**—**	985
Gain on bargain purchase of the acquisition of an associate	5	**—**	(13,281)
Depreciation of property, plant and equipment	6,13	**373**	465
Depreciation of right-of-use assets	6,14	**3,471**	3,518
Amortisation of other intangible assets	6	**6**	9
Write-down of inventories to net realisable value	16	**1,300**	130
Write-back of impairment of trade receivables	6,17	**(377)**	(443)
		65,237	94,491
Increase in inventories		**(34,117)**	(8,346)
Decrease/(Increase) in trade receivables		**73,946**	(68,659)
Decrease/(Increase) in prepayments, other receivables and other assets		**16,258**	(25,907)
Decrease/(Increase) in pledged deposits		**7,513**	(2,957)
(Decrease)/Increase in trade and bills payables		**(1,264)**	5,689
(Decrease)/Increase in other payables and accruals		**(15,675)**	10,595
Cash generated from operations		**111,898**	4,906
Interest paid	7	**(291)**	(400)
Income tax paid		**(17,247)**	(19,788)
Net cash flows from/(used in) operating activities		**94,360**	(15,282)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(851)**	(736)
Acquisition of investment in an associate		**—**	(78,791)
Acquisition of leasehold land		**(32,368)**	—
Purchase of other non-current assets		**(214)**	—
Purchase of intangible assets		**(1)**	(1)
Net cash flows used in Investing activities		**(33,434)**	(79,528)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
New bank loans		20,000	20,000
Repayment of bank loans		(20,000)	—
Interest paid	7	(264)	(656)
Dividends paid		(13,141)	(8,489)
Principal portion of lease payments	26(b)	(3,265)	(3,567)
Net cash flows (used in)/from financing activities		(16,670)	7,288
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		44,256	(87,522)
Cash and cash equivalents at beginning of year		134,855	223,362
Effect of foreign exchange rate changes, net		3,088	(985)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	182,199	134,855
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	19	182,199	134,855
		182,199	134,855

1. CORPORATE AND GROUP INFORMATION

Shineroad International Holdings Limited (the "**Company**") was incorporated as an investment holding company in the Cayman Islands with limited liability under the laws of the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the year, Shineroad International Holdings Limited and its subsidiaries (collectively the "**Group**") was principally engaged in the distribution of food additives.

The ultimate controlling shareholder of the Company is Mr. Huang Haixiao (known as the "**Controlling Shareholder**").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Shineroad Food Ingredients Co., Ltd.[a] ("**Shanghai Shineroad**")	People's Republic of China (The "**PRC**")/ Mainland China	10 January 2011	RMB150,202,000	—	100%	Distribution of food ingredients
Beijing Shineroad Food Additives Co., Ltd.[a] ("**Beijing Shineroad**")	The PRC/ Mainland China	10 July 2011	RMB15,000,000	—	100%	Distribution of food ingredients
Guangzhou Jieyang Food Technology Co., Ltd.[a] ("**Guangzhou Jieyang**")	The PRC/ Mainland China	16 December 2010	RMB20,000,000	—	100%	Distribution of food ingredients
Zhengzhou Shineroad Food Technology Co., Ltd.[a] ("**Zhengzhou Shineroad**")	The PRC/ Mainland China	19 December 2018	RMB5,000,000	—	100%	Distribution of food ingredients
Chengdu Shineroad Food Co., Ltd.[a] ("**Chengdu Shineroad**")	The PRC/ Mainland China	21 December 2018	RMB5,000,000	—	100%	Distribution of food ingredients
Shineroad Holding Limited	British Virgin Islands	1 December 2015	USD50,000	100%	—	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shineroad Food Holding Limited	Hong Kong	9 December 2015	HK$1	—	100%	Investment holding
Qingdao Shineroad Food Technology Co., Ltd.[(a)]	The PRC/ Mainland China	22 May 2019	RMB5,200,000	—	100%	Distribution of food ingredients
Xian Shineroad Food Technology Co., Ltd.[(a)]	The PRC/ Mainland China	28 May 2019	RMB15,000,000	—	100%	Distribution of food ingredients
Xiamen Shineroad Food Technology Co., Ltd.[(a)]	The PRC/ Mainland China	4 June 2019	RMB5,000,000	—	100%	Distribution of food ingredients
Wuhan Shineroad Food Technology Co., Ltd.[(a)]	The PRC/ Mainland China	2 December 2019	RMB600,000	—	100%	Distribution of food ingredients
Shineroad Food Technology (Thailand) Co., Ltd	Thailand	1 October 2019	THB2,250,000	—	99%	Distribution of food ingredients
Shineroad Food Holdings (Thailand) Co., Ltd	Thailand	3 April 2019	THB3,000,000	—	99%	Investment holding
Shineroad Food Technology (Vietnam) Co., Ltd	Vietnam	5 September 2019	USD500,000	—	100%	Distribution of food ingredients
Shineroad Investment Vietnam Co., Ltd	Vietnam	8 March 2019	USD1,000,000	—	100%	R&D and distribution of food ingredients

(a) Registered as domestic companies with limited liability under the laws of the PRC.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKFRS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK (IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK (IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to HKAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB811,284 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB754,364 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 January 2022.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

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

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

Fair value measurement

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

Machinery	9.5% to 19.0%
Motor vehicles	23.8%
Office equipment	19.0% to 31.7%

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

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

Intangible assets (other than goodwill)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 1 year to 3 years.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Office and warehouse	1 to 5 years
Leasehold land	50 years

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

(b) Lease liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities (Continued)

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

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

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

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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

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

Impairment of financial assets

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, an amount due to related parties, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories comprising merchandises, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

(a) Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

(b) Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract liabilities

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

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

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

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC established subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC established subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price less any estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each reporting date.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements, respectively.

Impairment of non-financial assets (other than goodwill)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB556,000 as at 31 December 2022 (2021: RMB469,000) (note 23).

Leases — Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

The Group's principal business is the distribution of food ingredients and food additives. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the distribution of food ingredients and food additives.

Information about geographical area

Since over 95% of the Group's revenue was generated from the distribution of food ingredients and food additives in Mainland China and about 95% of the Group's identifiable non-current assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Information about a major customer

Revenue from continuing operations of approximately RMB54,864,000(2021: RMB62,084,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**728,308**	863,616

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Sale of food ingredients	**349,661**	366,736
Sale of food additives	**378,647**	489,729
Sale of packaging materials	**—**	7,151
	728,308	863,616
Timing of revenue recognition		
Goods transferred at a point in time	**728,308**	863,616

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

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**2,979**	2,749

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(b) Performance obligations

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

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

	2022 *RMB'000*	2021 *RMB'000*
Other income		
Bank interest income	1,724	1,950
Gains		
Government grants*	3,847	3,485
Gain on bargain purchase of the acquisition of an associate	—	13,281
Exchange gains, net	—	669
Others	648	755
	4,495	18,190
	6,219	20,140

* There were no unfulfilled conditions and other contingencies attaching to government grants that had been recognised.

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		607,139	712,975
Depreciation of property, plant and equipment	13	373	465
Depreciation of right-of-use assets	14(a)	3,471	3,518
Amortisation of other intangible assets		6	9
Lease payments not included in the measurement of lease liabilities	14(c)	514	534
Research and development costs:			
Current year expenditure		2,528	3,405
		614,031	720,906
Employee benefit expenses (including directors' and chief executive's remuneration as set out in note 8):			
Wages and salaries		34,169	36,492
Pension scheme contributions		7,832	7,250
Other welfare		1,351	1,021
Auditor's remuneration		1,302	1,253
Travel expenses		1,604	1,528
Foreign exchange differences, net		3,791	(669)
Write-back of impairment of trade receivables	17	(377)	(443)
Write-down of inventories to net realisable value	16	1,300	130
Bank interest income	5	(1,724)	(1,950)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank loans	264	656
Interest on lease liabilities	291	400
	555	1,056

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Fees	**529**	615
Other emoluments:		
Salaries, allowances and benefits in kind	**1,404**	1,581
Performance related bonuses	**150**	250
Pension scheme contributions	**165**	165
	1,719	1,996
	2,248	2,611

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022	2021
	RMB'000	*RMB'000*
Mr. Tan Wee Seng	**241**	305
Mr. Chan Ka Kit	**188**	231
Mr. Meng Yuecheng	**100**	79
	529	615

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Two executive directors and the chief executive

	Salaries allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2022				
Executive director:				
Mr. Huang Haixiao	—	—	—	—
Mr. Dai Yihui	761	150	133	1,044
	761	150	133	1,044
Chief executive:				
Ms. Huang Xinrong	643	—	32	675
	1,404	150	165	1,719
2021				
Executive director:				
Mr. Huang Haixiao	—	—	—	—
Mr. Dai Yihui	700	250	121	1,071
	700	250	121	1,071
Chief executive:				
Ms. Huang Xinrong	881	—	44	925
	1,581	250	165	1,996

Mr. Huang Haixiao was appointed as the Company's executive director and chief executive on 26 November 2015. Ms. Huang Xinrong was appointed as an executive director and chief executive officer on 14 January 2019. Mr. Dai Yihui was appointed as an executive director on 2 December 2019.

There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2021: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor a chief executive of the Company are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,063**	2,563
Performance related bonuses	**1,887**	3,413
Pension scheme contributions	**427**	494
	5,377	6,470

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
	RMB'000	*RMB'000*
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**1**	1

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022	2021
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the year	**658**	—
Current — PRC	**16,236**	22,226
Deferred *(note 23)*	**913**	(46)
Total tax charge for the year	**17,807**	22,180

10. INCOME TAX *(Continued)*

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company and certain of its subsidiaries are not subject to any income tax in the Cayman Islands and BVI.

The provision for current income tax in the PRC is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The statutory tax rate for subsidiaries in Hong Kong is 16.5%.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**65,469**	108,241
Tax at the statutory tax rate (25%)	**16,367**	27,060
Lower tax rate for specific province or enacted by local	**(431)**	(92)
Tax rate differential	**187**	(128)
Adjustments in respect of current tax of previous periods	**232**	361
Profits and losses attributable to an associate	**(1,390)**	(4,637)
Tax effect of non-deductible expenses	**619**	193
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**1,755**	389
Tax losses utilised from previous periods	**(33)**	(1,234)
Tax losses not recognised	**501**	268
Tax charge at the Group's effective rate	**17,807**	22,180

11. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Proposed final — HK1.50 cent (approximately RMB1.34 cent) per ordinary share	**9,112**	12,491

The calculation of the proposed final dividend for the year ended 31 December 2022 is based on the proposed final dividend per ordinary share, and the total number of ordinary shares as at 22 March 2023.

11. DIVIDENDS *(Continued)*

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 18 May 2022, the Directors proposed to declare the final dividend of HKD2.25 cent (approximately RMB1.93 cent) per ordinary share, amounting to RMB13,141,000 for the year ended 31 December 2021.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 680,000,000 (2021: 680,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of basic and diluted earnings per share are based on:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	**47,662**	86,061

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**680,000,000**	680,000,000
Basic and diluted earnings per share (RMB)	**0.07**	0.13

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022					
At 31 December 2021 and 1 January 2022:					
Cost	687	1,412	3,008	145	5,252
Accumulated depreciation	(546)	(875)	(2,780)	—	(4,201)
Net carrying amount	141	537	228	145	1,051
At 1 January 2022, net of accumulated depreciation	141	537	228	145	1,051
Additions	92	—	146	613	851
Depreciation provided during the year	(64)	(218)	(91)	—	(373)
Exchange realignment	6	7	1	—	14
At 31 December 2022, net of accumulated depreciation	175	326	284	758	1,543
At 31 December 2022:					
Cost	789	1,424	3,155	758	6,126
Accumulated depreciation	(614)	(1,098)	(2,871)	—	(4,583)
Net carrying amount	175	326	284	758	1,543

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2021					
At 31 December 2020 and 1 January 2021:					
Cost	688	953	2,895	—	4,536
Accumulated depreciation	(435)	(725)	(2,591)	—	(3,751)
Net carrying amount	253	228	304	—	785
At 1 January 2021, net of accumulated depreciation	253	228	304	—	785
Additions	—	460	131	145	736
Depreciation provided during the year	(111)	(150)	(204)	—	(465)
Exchange realignment	(1)	(1)	(3)	—	(5)
At 31 December 2021, net of accumulated depreciation	141	537	228	145	1,051
At 31 December 2021:					
Cost	687	1,412	3,008	145	5,252
Accumulated depreciation	(546)	(875)	(2,780)	—	(4,201)
Net carrying amount	141	537	228	145	1,051

14. LEASES

The Group has lease contracts of leasehold land and office and warehouse. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office and warehouse generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	**Office and warehouse** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	—	8,426	8,426
Additions	—	995	995
Depreciation charge	—	(3,518)	(3,518)
As at 31 December 2021 and 1 January 2022	—	5,903	5,903
Additions	32,368	646	33,014
Depreciation charge	(324)	(3,147)	(3,471)
As at 31 December 2022	32,044	3,402	35,446

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Carrying amount at 1 January	**5,864**	8,436
New leases	**646**	995
Accretion of interest recognised during the year	**291**	400
Payments	**(3,556)**	(3,967)
Carrying amount at 31 December	**3,245**	5,864
Analysed into:		
Current portion	**1,020**	2,057
Non-current portion	**2,225**	3,807

The maturity analysis of lease liabilities is disclosed in note 32 to the financial statements.

14. LEASES *(Continued)*

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

	2022 *RMB'000*	2021 *RMB'000*
Interest on lease liabilities	**291**	400
Depreciation charge of right-of-use assets	**3,471**	3,518
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	**514**	534
Total amount recognised in profit or loss	**4,276**	4,452

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 26 and 29, respectively, to the financial statements.

15. INVESTMENT IN AN ASSOCIATE

	2022 *RMB'000*	2021 *RMB'000*
Share of net assets	**102,795**	97,235

At 31 December 2022, the Group has a 10.42% interest in Tianye Innovation Company ("**Tianye**"), a company listed on the National Equities Exchange And Quotations Co., Ltd. In the PRC. Tianye principally engages in planting, processing and sales of agricultural food including tropical fruits and vegetables. The Group's interest in Tianye is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Tianye:

	2022 *RMB'000*	2021 *RMB'000*
Current assets	**495,203**	457,998
Non-current assets	**776,969**	759,382
Current liabilities	**204,902**	181,687
Non-current liabilities	**80,393**	101,766
Net assets	**986,877**	933,927
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**10.42%**	10.42%
Group's share of net assets of the associate	**102,800**	97,284
Carrying amount of the investment	**102,795**	97,235
Revenue	**466,418**	459,396
Profit and total comprehensive income for the year	**53,379**	65,143

16. INVENTORIES

	2022 RMB'000	2021 RMB'000
Food ingredients	**35,431**	14,039
Food additives	**58,632**	46,158
	94,063	60,197
Provision for inventories	**(1,184)**	(130)
	92,879	60,067

17. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**84,003**	157,949
write-back of impairment	**(722)**	(1,096)
	83,281	156,853

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**76,840**	149,258
3 to 6 months	**6,441**	7,530
Over 6 months	**—**	65
	83,281	156,853

17. TRADE RECEIVABLES *(Continued)*

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

	2022 *RMB'000*	2021 *RMB'000*
At beginning of year	1,096	1,539
Impairment losses, net *(note 6)*	(377)	(443)
Exchange realignment	3	—
At end of year	722	1,096

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 31 December 2022

	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	0.51%	4.72%	27.44%	100.00%	0.85%
Gross carrying amount (RMB'000)	78,414	6,760	—	—	85,174
Expected credit losses (RMB'000)	403	319	—	—	722

As at 31 December 2021

	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	0.44%	4.94%	24.53%	100.00%	0.67%
Gross carrying amount (RMB'000)	155,298	7,921	86	—	163,305
Expected credit losses (RMB'000)	684	391	21	—	1,096

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments	**15,333**	26,516
Deposits and other receivables	**2,498**	1,653
	17,831	28,169

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**212,592**	172,761
Less: Pledged deposits	**(30,393)**	(37,906)
Cash and cash equivalents	**182,199**	134,855

At the end of the reporting period, the cash and bank balances of the Group denominated in US dollars ("**USD**") amounted to RMB2,976,809 (2021: RMB9,034,000), denominated in Hong Kong dollars ("**HKD**") amounted to RMB716,261(2021: RMB1,816,000), denominated in Vietnam dollars ("**VND**") amounted to RMB1,273,256 (2021: RMB3,104,000), denominated in Thailand Baht ("**THB**") amounted to RMB499,547 (2021: RMB365,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

20. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of reporting period, based on the transaction date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**52,359**	50,864

The trade payables are non-interest-bearing and are normally settled on terms of 7 to 90 days.

21. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Contract liabilities	**2,437**	2,979
Payroll and welfare payable	**7,066**	14,121
Logistics related expenses	**1,452**	2,106
Other tax payables	**878**	8,773
Other payables	**2,155**	1,793
Accruals	**672**	563
	14,660	30,335

Other payables and accruals are non-interest-bearing.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	**3-4**	**2023**	**20,000**	3-4	2022	20,000

23. DEFERRED TAX

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

Deferred tax liabilities

2022

	Withholding taxes RMB'000
At 1 January 2022	**750**
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	**1,000**
Gross deferred tax liabilities at 31 December 2022	**1,750**

23. DEFERRED TAX *(Continued)*

Deferred tax assets

2022

	Right-of-use assets and lease liabilities *RMB'000*	Impairment of receivables *RMB'000*	Provision for inventories *RMB'000*	Unrealised internal sales profit *RMB'000*	Total *RMB'000*
At 1 January 2022	**68**	**268**	**16**	**117**	**469**
Deferred tax credited to profit or loss during the year *(note 10)*	**(11)**	**(114)**	**190**	**22**	**87**
Gross deferred tax assets at 31 December 2022	**57**	**154**	**206**	**139**	**556**

Deferred tax liabilities

2021

	Withholding taxes *RMB'000*
At 1 January 2021	858
Deferred tax charged to profit or loss during the year *(note 10)*	(108)
Gross deferred tax assets at 31 December 2021	750

Deferred tax assets

2021

	Right-of-use assets and lease liabilities *RMB'000*	Impairment of receivables *RMB'000*	Provision for inventories *RMB'000*	Unrealised internal sales profit *RMB'000*	Total *RMB'000*
At 1 January 2021	138	376	17	—	531
Deferred tax credited to profit or loss during the year *(note 10)*	(70)	(108)	(1)	117	(62)
Gross deferred tax assets	68	268	16	117	469

The Group had unused tax losses available for offsetting against future profits in respect of certain subsidiaries of RMB14,764,000 as at 31 December 2022 (2021: RMB12,425,000), for which no deferred tax assets have been recognised. No deferred tax assets have been recognised in respect of these losses because it is uncertain that there are future available taxable profits of these subsidiaries to utilise the tax losses.

23. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Under the current organisation and operation structure, the Group's applicable rate is 5%.

At of 31 December 2022, deferred tax liability, approximately RMB1,750,000 (2021: RMB750,000), has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised were approximately RMB201,206,000 as at 31 December 2022 (2021: RMB190,393,000), respectively.

24. SHARE CAPITAL

Shares

	2022 ***RMB'000***	2021 *RMB'000*
Authorised:		
2,000,000,000 shares of HK$0.01 each	**16,708**	16,708
Issued and fully paid:		
680,000,000 shares of HK$0.01 each	**5,681**	5,681

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

	Number of shares	**Share capital** *RMB*
At 31 December 2021, at 1 January 2022 and 31 December 2022	680,000,000	5,680,720

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 84 of the financial statements.

26. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB646,000 (2021: RMB995,000) and RMB646,000 (2021: RMB995,000), respectively, in respect of lease arrangements for office and warehouse.

(b) Changes in liabilities arising from financial activities

2022

	Lease liabilities *RMB'000*
At 1 January 2022	**5,864**
Changes from financing cash flows	**(3,265)**
New leases	**646**
Interest expense	**291**
Interest paid classified as operating cash flows	**(291)**
At 31 December 2022	**3,245**

2021

	Lease liabilities *RMB'000*
At 1 January 2021	8,436
Changes from financing cash flows	(3,567)
New leases	995
Interest expense	400
Interest paid classified as operating cash flows	(400)
At 31 December 2021	5,864

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within operating activities	**291**	400
Within financing activities	**3,265**	3,567
	3,556	3,967

27. CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no significant contingent liabilities (2021: Nil).

28. PLEDGE OF ASSETS

Details of the Group's pledge of assets are included in note 19 to the financial statements.

29. COMMITMENTS

As of 31 December 2022, the Group's future aggregate minimum lease payments under non-cancellable short-term leases arrangements were RMB120,050 and due in one year. (2021: RMB113,000)

30. RELATED PARTY TRANSACTIONS

(a) Related parties

Related parties for the years ended 31 December 2021 and 2022 were as follows:

Name	Relationship
Shanghai Hi-Road Food Technology Co., Ltd.	Controlled by the Controlling Shareholder
Shanghai Hi-morse Food Additives Co., Ltd.	Controlled by the Controlling Shareholder
Zhejiang Teaheals Bio-technology Co., Ltd.	Controlled by the Controlling Shareholder
Shanghai Taoyuan Information Technology Co., Ltd.	Controlled by the Controlling Shareholder
Tianye Innovation Company	Associates of the Group
Hubei Tianye Nonggu Biotechnology Co., Ltd.	Associates of the Group
Hainan Dachuan Food Co., Ltd.	Associates of the Group
Mr. Huang Haixiao	Controlling Shareholder

(b) Related party transactions

The following transactions were carried out with related parties during the year:

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
Sales of products:			
Shanghai Hi-Road Food Technology Co., Ltd.	*(i)*	**25,870**	9,120
Shanghai Hi-morse Food Additives Co., Ltd.	*(i)*	**1,916**	4,802
Zhejiang Teaheals Bio-technology Co., Ltd.	*(i)*	**14**	—
Tianye Innovation Company	*(i)*	**—**	474
		27,800	14,396

30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions *(Continued)*

The following transactions were carried out with related parties during the year: *(Continued)*

	Notes	**2022** **RMB'000**	2021 RMB'000
Purchase of goods:			
Shanghai Hi-Road Food Technology Co., Ltd.	*(ii)*	**1,715**	194
Zhejiang Teaheals Bio-technology Co., Ltd.	*(ii)*	**21,958**	26,826
Shanghai Hi-morse Food Additives Co., Ltd.	*(ii)*	**1,599**	1,992
Tianye Innovation Company	*(ii)*	**1,447**	1,073
		26,719	30,085
Rental expenses:			
Shanghai Hi-Road Food Technology Co., Ltd.	*(iii)*	**83**	—
Shanghai Hi-morse Food Additives Co., Ltd.	*(iii)*	**84**	167
Mr. Huang Haixiao	*(iv)*	**853**	853
		1,020	1,020
Services purchased:			
Shanghai Taoyuan Information Technology Co., Ltd.	*(v)*	**—**	2,349

(i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from the related parties were made according to the published prices and conditions offered by the related parties to their major customers.

(iii) The Group rented the office building located in No. 666, Jindou Road, Shanghai with a total building area of 369.87 square meters at a monthly rental fee of RMB13,929 for the period from 1 January 2022 to 31 December 2022, respectively, from Shanghai Hi-morse Food Additives Co., Ltd, which was merged by Shanghai Hi-Road Food Technology Co., Ltd. at 30 June 2022.

(iv) The Group rented the office building located in Floor 25, No. 1, Lane 1040, Caoyang Road, Shanghai with a total building area of 584.26 square meters at a monthly rental fee of RMB71,805 with a lease period from 1 July 2020 to 30 June 2023 from Mr. Huang Haixiao.

(v) The fees were paid for online trading services provided by Shanghai Taoyuan Information Technology Co., Ltd.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group

	2022	2021
	RMB'000	*RMB'000*
Short term employee benefits	**4,685**	5,846
Post-employment benefits	**437**	408
	5,122	6,254

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statement.

(d) Outstanding balances with related parties

The Group had the following significant balances with its related parties at the end of the year:

	2022	2021
	RMB'000	*RMB'000*
(i) Due from related parties		
Shanghai Hi-Road Food Technology Co., Ltd.	**932**	562
Zhejiang Teaheals Bio-technology Co., Ltd.	**15**	—
Shanghai Hi-morse Food Additives Co., Ltd.	**—**	131
Tianye Innovation Company	**4,096**	6,421
Mr. Huang Haixiao	**40**	—
Shanghai Taoyuan Information Technology Co., Ltd.	**620**	4,509
	5,703	11,623
(ii) Due to related parties		
Zhejiang Teaheals Bio-technology Co., Ltd.	**2,039**	4,563
Shanghai Hi-morse Food Additives Co., Ltd.	**—**	285
Shanghai Hi-Road Food Technology Co., Ltd.	**384**	180
Tianye Innovation Company	**—**	154
	2,423	5,182

31. FINANCIAL INSTRUMENTS BY CATEGORY

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

2022

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	84,003
Financial assets included in prepayments, other receivables and other assets	597
Amount due from related parties	5,703
Pledged deposits	30,393
Cash and cash equivalents	182,199
	302,895

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	52,359
Financial liabilities included in other payables and accruals	4,279
Amounts due to related parties	2,423
Interest-bearing bank and other borrowings	20,000
Lease liabilities	3,245
	82,306

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2021

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	157,949
Financial assets included in prepayments, other receivables and other assets	733
Amount due from related parties	11,623
Pledged deposits	37,906
Cash and cash equivalents	134,855
	343,066

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	50,864
Financial liabilities included in other payables and accruals	4,059
Amounts due to related parties	5,182
Interest-bearing bank and other borrowings	20,000
Lease liabilities	5,864
	85,969

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has cash and cash equivalents, interest-bearing bank and other borrowings to raise fund for the Group's operations.

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units' functional currencies. For 2022, approximately 81% (2021: 73%) of costs were denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
2022			
If RMB weakens against USD	**5**	**(1,087)**	**(1,087)**
If RMB strengthens against USD	**(5)**	**1,087**	**1,087**
If HKD weakens against USD	**5**	**28**	**28**
If HKD strengthens against USD	**(5)**	**(28)**	**(28)**
2021			
If RMB weakens against USD	5	(1,133)	(1,133)
If RMB strengthens against USD	(5)	1,133	1,133
If HKD weakens against USD	5	84	84
If HKD strengthens against USD	(5)	(84)	(84)

* Excluding retained profits

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging as at 31 December 2022

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial asset.

As at 31 December 2022

	12-month ECLs Stage 1 *RMB'000*	**Lifetime ECLs Simplified approach** *RMB'000*
Trade receivables*	—	85,174
Financial assets included in prepayments, other receivables and other assets**	597	—
	597	85,174

As at 31 December 2021

	12-month ECLs Stage 1 *RMB'000*	Lifetime ECLs Simplified approach *RMB'000*
Trade receivables*	—	163,305
Financial assets included in prepayments, other receivables and other assets**	733	—
	733	163,305

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging as at 31 December 2022 *(Continued)*

* Included in the Group's trade receivables are amounts due from the Group's related parties of RMB1,171 (2021: RMB5,356). For trade receivables and financial assets included in prepayments, other receivables and other assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the consolidated financial statements.

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 December 2022

	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings, current	—	—	20,000	—	—	20,000
Trade and bills payables	—	52,359	—	—	—	52,359
Lease liabilities	161	777	1,691	1,267	—	3,896
Financial liabilities included in other payables and accruals	—	4,279	—	—	—	4,279
Amounts due to related parties	—	2,423	—	—	—	2,423
	161	59,838	21,691	1,267	—	82,957

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

31 December 2021

	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings, current	—	20,000	—	—	—	20,000
Trade and bills payables	—	50,864	—	—	—	50,864
Lease liabilities	—	1,003	1,906	3,807	—	6,716
Financial liabilities included in other payables and accruals	—	3,362	697	—	—	4,059
Amounts due to related parties	5,182	—	—	—	—	5,182
	5,182	75,229	2,603	3,807	—	86,821

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

During the year, the Group's strategy was to maintain the debt to assets ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable debt to assets ratio to support its business. The debt to assets ratios at the end of the reporting periods are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Total current liabilities	**97,448**	115,777
Total non-current liabilities	**3,975**	4,557
Debt	**101,423**	120,334
Total assets	**552,846**	534,141
Debt to assets ratio	**18.3%**	22.5%

33. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2022.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2022 *RMB'000*	2021 *RMB'000*
CURRENT ASSETS			
Amount due from a subsidiary		**189,334**	186,044
Cash and cash equivalents		**37**	183
Total current assets		**189,371**	186,227
CURRENT LIABILITIES			
Amounts due to related parties		**36**	26
Total current liabilities		**36**	26
NET CURRENT LIABILITIES		**189,335**	186,201
TOTAL ASSETS LESS CURRENT LIABILITIES		**189,335**	186,201
NET ASSETS		**189,335**	186,201
EQUITY			
Equity attributable to owners of the parent			
Share capital	*24*	**5,681**	5,681
Reserves		**183,654**	180,520
Total equity		**189,335**	186,201

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

Financial Summary

	Year ended 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Results of operation					
REVENUE	525,578	579,885	655,318	863,616	**728,308**
Gross profit	97,860	100,245	107,524	150,641	**121,169**
PROFIT BEFORE TAX	40,803	41,054	49,335	108,241	**65,469**
Net Profit attributable to:					
Owners of the parent	28,131	30,001	34,898	86,061	**47,662**
Non-controlling interests	—	—	—	—	**—**
Profitability					
Gross profit margin	18.6%	17.3%	16.4%	17.4%	**16.6%**
Net Profit margin	5.4%	5.2%	5.3%	10.0%	**6.5%**
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted*	0.05	0.04	0.05	0.13	**0.07**
Assets					
Total Assets	328,421	380,468	421,573	534,141	**552,846**
Total Liabilities	54,985	76,382	84,292	120,334	**101,423**
Total Equity attributable to owners of the Company	273,436	304,086	337,281	413,807	**451,423**
Debt to assets ratio	16.7%	20.1%	20.0%	22.5%	**18.3%**

* Diluted earnings per share is the same as earnings per share as the Group had no potential dilutive ordinary shares in issue during the periods