The following is the text of a report set out on pages I–1 to I–76, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZJLD GROUP INC, GOLDMAN SACHS (ASIA) L.L.C. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of ZJLD Group Inc (the "Company") and its subsidiaries (together, the "Group") set out on pages I–3 to I–76, which comprises the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and the statements of financial position of the Company as at 31 December 2021 and 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2020, 2021 and 2022 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I–3 to I–76 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2020, 2021 and 2022 and the Company's financial position as at 31 December 2021 and 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I–3 have been made.

Dividends

We refer to Note 24(f) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

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

[●]
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income
(Expressed in Renminbi ("RMB"))

	Note	**Years ended 31 December** **2020** *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Revenue	*4*	2,398,915	5,101,593	5,855,917
Cost of sales		(1,145,794)	(2,371,847)	(2,616,987)
Gross profit	*4(b)*	1,253,121	2,729,746	3,238,930
Other income	*5*	50,268	47,660	83,174
Selling and distribution expenses		(402,873)	(1,020,510)	(1,342,057)
Administrative expenses		(157,906)	(289,344)	(381,135)
Impairment loss on trade receivables	*25(a)*	(1,308)	(982)	(3,720)
Profit from operations		741,302	1,466,570	1,595,192
Finance costs	*6(a)*	(39,743)	(36,420)	(29,445)
Changes in fair value in financial instruments issued to an investor	*23*	–	(21,617)	(130,668)
Profit before taxation		701,559	1,408,533	1,435,079
Income tax	*7*	(181,471)	(376,336)	(405,213)
Profit attributable to equity shareholders of the Company for the year		520,088	1,032,197	1,029,866
Other comprehensive income for the year (after tax)				
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences on translation of financial statements into presentation currency		–	9,383	(837,382)
Total comprehensive income attributable to equity shareholders of the Company for the year		520,088	1,041,580	192,484
Earnings per share				
– Basic and diluted (RMB)	*10*	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position
(Expressed in RMB)

	Note	At 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000
Non-current assets				
Property, plant and equipment	*11*	828,663	2,328,804	3,775,286
Deferred tax assets	*22(b)*	1,066	1,312	37,703
		829,729	2,330,116	3,812,989
Current assets				
Inventories	*13*	1,736,924	3,649,323	5,138,510
Trade and bills receivables	*14*	74,159	64,734	179,782
Prepayments, deposits and other receivables	*15*	28,849	55,567	130,354
Income tax recoverable	*22(a)*	–	–	113,806
Amounts due from related parties	*16*	1,664,999	–	–
Cash at bank and on hand	*17(a)*	311,348	1,544,715	1,683,448
		3,816,279	5,314,339	7,245,900
Current liabilities				
Trade payables	*18*	144,661	550,649	1,045,530
Other payables and accruals	*19*	1,971,055	3,533,762	3,400,271
Amounts due to related parties	*16*	–	198,135	–
Bank and other borrowings	*20(a)*	895,500	710,000	36,600
Lease liabilities	*21*	14,897	25,340	28,024
Current taxation	*22(a)*	404,199	442,222	61,560
		3,430,312	5,460,108	4,571,985
Net current assets/(liabilities)		385,967	(145,769)	2,673,915
Total assets less current liabilities		1,215,696	2,184,347	6,486,904

The accompanying notes form part of the Historical Financial Information.

		At 31 December		
	Note	**2020** *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Non-current liabilities				
Bank and other borrowings	*20(b)*	56,600	186,600	–
Lease liabilities	*21*	29,632	43,722	37,164
Financial instruments issued to an investor	*23*	–	8,756,882	10,253,755
Deferred tax liabilities	*22(b)*	–	11,199	11,199
		86,232	8,998,403	10,302,118
NET ASSETS/(LIABILITIES)		1,129,464	(6,814,056)	(3,815,214)
CAPITAL AND RESERVES	*24*			
Share capital		–	30	30
Reserves		1,129,464	(6,814,086)	(3,815,244)
TOTAL EQUITY/(TOTAL EQUITY - DEFICIT)		1,129,464	(6,814,056)	(3,815,214)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

(Expressed in RMB)

	Note	At 31 December 2021 *RMB'000*	At 31 December 2022 *RMB'000*
Non-current assets			
Interests in subsidiaries	*12*	1,511,639	5,501,274
Property and equipment		–	5,832
		1,511,639	5,507,106
Current assets			
Other receivables	*15*	99,695	110,118
Cash at bank and on hand	*17(a)*	409,873	67,336
		509,568	177,454
Current liabilities			
Other payables and accruals	*19*	100,065	116,560
Lease liabilities		–	1,042
		100,065	117,602
Net current assets		409,503	59,852
Total assets less current liabilities		1,921,142	5,566,958
Non-current liabilities			
Lease liabilities		–	3,893
Financial instruments issued to an investor	*23*	8,756,882	10,253,755
		8,756,882	10,257,648
NET LIABILITIES		(6,835,740)	(4,690,690)
CAPITAL AND RESERVES	*24*		
Share capital		30	30
Reserves		(6,835,770)	(4,690,720)
TOTAL EQUITY - DEFICIT		(6,835,740)	(4,690,690)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in RMB)

	Attributable to equity shareholders of the Company					
	Share capital *RMB'000* *(Note 24(b))*	**Share premium** *RMB'000* *(Note 24(c))*	**Capital reserve** *RMB'000* *(Note 24(d))*	**Exchange reserve** *RMB'000* *(Note 24(e))*	**Retained profits** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2020	–	–	201,357	–	403,719	605,076
Changes in equity for the year ended 31 December 2020:						
Profit and total comprehensive income for the year	–	–	–	–	520,088	520,088
Capital contributions into a subsidiary	–	–	4,300	–	–	4,300
Balance at 31 December 2020	–	–	205,657	–	923,807	1,129,464

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company					
	Note	**Share capital** *RMB'000* *(Note 24(b))*	**Share premium** *RMB'000* *(Note 24(c))*	**Capital reserve** *RMB'000* *(Note 24(d))*	**Exchange reserve** *RMB'000* *(Note 24(e))*	**Retained profits** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2021		–	–	205,657	–	923,807	1,129,464
Changes in equity for the year ended 31 December 2021:							
Profit for the year		–	–	–	–	1,032,197	1,032,197
Other comprehensive income for the year		–	–	–	9,383	–	9,383
Total comprehensive income for the year		–	–	–	9,383	1,032,197	1,041,580
Capital contributions into subsidiaries		–	–	262,753	–	–	262,753
Deemed distribution arising from the Reorganisation (as defined in Note 1)	*1*	–	–	(527,053)	–	–	(527,053)
Issuance of ordinary shares	*24(b)*	30	11,753	–	–	–	11,783
Remeasurement of preference shares to fair value upon issuance	*23(a)*	–	–	(6,437,232)	–	–	(6,437,232)
Issuance of warrants	*23(b)*	–	–	(409,261)	–	–	(409,261)
Distributions/ dividends declared	*24(f)*	–	–	–	–	(1,886,090)	(1,886,090)
		30	11,753	(7,110,793)	–	(1,886,090)	(8,985,100)
Balance at 31 December 2021		30	11,753	(6,905,136)	9,383	69,914	(6,814,056)

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company					
	Note	**Share capital** *RMB'000* *(Note 24(b))*	**Share premium** *RMB'000* *(Note 24(c))*	**Capital reserve** *RMB'000* *(Note 24(d))*	**Exchange reserve** *RMB'000* *(Note 24(e))*	**Retained profits** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2022		30	11,753	(6,905,136)	9,383	69,914	(6,814,056)
Changes in equity for the year ended 31 December 2022:							
Profit for the year		–	–	–	–	1,029,866	1,029,866
Other comprehensive income for the year		–	–	–	(837,382)	–	(837,382)
Total comprehensive income for the year		–	–	–	(837,382)	1,029,866	192,484
Remeasurement of preference shares to fair value upon issuance	*23(a)*	–	–	2,334,185	–	–	2,334,185
Termination of warrants	*23(b)*	–	–	472,173	–	–	472,173
		–	–	2,806,358	–	–	2,806,358
Balance at 31 December 2022		30	11,753	(4,098,778)	(827,999)	1,099,780	(3,815,214)

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

(Expressed in RMB)

		Years ended 31 December		
	Note	**2020** *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Operating activities				
Profit before taxation		701,559	1,408,533	1,435,079
Adjustments for:				
Depreciation expenses	*6(c)*	51,138	77,320	157,069
Finance costs	*6(a)*	39,743	36,420	29,445
Net loss on disposal of property, plant and equipment	*5*	1,599	6,948	909
Changes in fair value in financial instruments issued to an investor		–	21,617	130,668
Interest income	*5*	(2,783)	(12,705)	(30,767)
Changes in working capital:				
Increase in inventories		(228,087)	(1,912,399)	(1,489,187)
(Increase)/decrease in trade and bills receivables		(20,992)	9,425	(115,048)
Increase in prepayments, deposits and other receivables		(5,689)	(23,716)	(68,317)
Increase in trade payables		34,274	405,988	494,881
Increase/(decrease) in other payables and accruals		967,908	1,278,933	(319,249)
(Increase)/decrease in restricted bank deposits		(58)	19	(27)
Cash generated from operations		1,538,612	1,296,383	225,456
Income tax paid	*22(a)*	(14,634)	(327,360)	(936,072)
Net cash generated from/(used in) operating activities		1,523,978	969,023	(710,616)

The accompanying notes form part of the Historical Financial Information.

	Note	Years ended 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000
Investing activities				
Payments for purchase of property, plant and equipment		(201,863)	(635,832)	(1,066,918)
Proceeds from disposal of property, plant, equipment		558	6,201	2,759
Payments for acquisitions of land use rights	*17(c)*	(57,172)	(768,047)	(355,319)
Interest received		2,783	12,705	30,767
Net cash used in investing activities		(255,694)	(1,384,973)	(1,388,711)
Financing activities				
Proceeds from bank and other borrowings	*17(b)*	885,500	840,000	490,000
Repayment of bank and other borrowings	*17(b)*	(886,000)	(895,500)	(1,350,000)
Capital element of lease rentals paid	*17(b)*	(1,391)	(14,307)	(20,742)
Interest element of lease rentals paid	*17(b)*	(1,665)	(2,265)	(3,310)
Proceeds from issuance of convertible and redeemable preference shares to an investor	*17(b)*	–	1,919,400	3,334,550
Proceeds from issuance of ordinary shares	*24(b)*	–	11,783	–
Net change in amounts due from/to related parties	*17(b)*	(1,030,960)	112,780	(198,135)
Capital contributions into subsidiaries		4,300	262,753	–
Payments for the Reorganisation		–	(527,053)	–
Expenses paid in connection with the proposed **[REDACTED]** of the Company's shares		–	(3,002)	(6,470)
Interest paid	*17(b)*	(38,078)	(34,155)	(26,135)
Net cash (used in)/generated from financing activities		(1,068,294)	1,670,434	2,219,758
Net increase in cash and cash equivalents		199,990	1,254,484	120,431
Cash and cash equivalents at the beginning of the year	*17(a)*	111,300	311,290	1,544,676
Effect of foreign exchange rate changes		–	(21,098)	18,275
Cash and cash equivalents at the end of the year	*17(a)*	311,290	1,544,676	1,683,382

The accompanying notes form part of the Historical Financial Information.

Notes to the Historical Financial Information
(Expressed in RMB unless otherwise indicated)

1 Basis of preparation and presentation of the Historical Financial Information

ZJLD Group Inc (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands on 24 September 2021.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, "the Group") are principally engaged in the making, production and sales of baijiu products (the "**[REDACTED]** Business") in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company and completion of the corporate reorganisation as described below, the **[REDACTED]** Business of the Group were carried out through Guizhou Zhenjiu Brewing Co., Ltd. ("Zhenjiu Brewing"), Hunan Xiangjiao Liquor Industry Co., Ltd. ("Hunan Xiangjiao") and Jiangxi Lidu Liquor Industry Co., Ltd. ("Jiangxi Lidu"), and their subsidiaries (together referred to as the "Zhenjiu Group"), which are ultimately owned and controlled by Mr Wu Xiangdong (the "Controlling Shareholder").

To rationalise the corporate structure in preparation for the **[REDACTED]** of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation"), as detailed in the section headed "History, Development and Corporate Structure" in the Document. As part of the Reorganisation, Zhenjiu Brewing acquired the entire equity interests of Hunan Xiangjiao, Jiangxi Lidu and Jindong Sauce Liquor Brewing Co., Ltd. ("Jindong Sauce") at a total consideration of RMB135,300,000. Guizhou Zhenjiu Holding Co., Ltd. ("Guizhou Zhenjiu"), an indirect wholly owned subsidiary of the Company established in the PRC by another indirect wholly owned subsidiary of the Company, China Wine Holding Company Limited ("China Wine"), then acquired the entire equity interests of Zhenjiu Brewing at a consideration of RMB391,753,000. These acquisitions were completed in October 2021.

Upon completion of the Reorganisation on 23 October 2021, the Company, VATS Hunan Winery Limited, China Wine and Guizhou Zhenjiu, all of which are investment holding companies with no substantive operations, became the holding companies of the Zhenjiu Group. There was no change in the economic substance of the ownership, the business and operation of the Zhenjiu Group before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Zhenjiu Group with the assets and liabilities of the Zhenjiu Group recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation or establishment, where applicable.

As at the date of this report, particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of establishment/ incorporation	Particulars of registered and paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by subsidiaries	
Hunan Xiangjiao Liquor Sales Co., Ltd. 湖南湘窖酒業銷售有限公司 *(Notes (i), (iv) and (vi))*	The PRC 28 November 2001	RMB5,000,000	–	100%	Sales of baijiu products
Jiangxi Lidu 江西李渡酒業有限公司 *(Notes (i), (iv) and (vi))*	The PRC 8 April 2002	RMB12,240,000	–	100%	Making and production of baijiu products
Hunan Xiangjiao 湖南湘窖酒業有限公司 *(Notes (i), (iv) and (vi))*	The PRC 7 November 2003	RMB101,010,000	–	100%	Making and production of baijiu products
China Wine *(Notes (iii) and (v))*	Hong Kong 9 March 2009	50,000 shares	–	100%	Investment holding
Zhenjiu Brewing 貴州珍酒釀酒有限公司 *(Notes (i), (iv) and (vi))*	The PRC 28 September 2009	RMB1,500,000,000	–	100%	Making and production of baijiu products
Guizhou Zhenjiu Sales Co., Ltd. 貴州珍酒銷售有限公司 *(Notes (i), (iv) and (vi))*	The PRC 15 October 2009	RMB2,000,000	–	100%	Sales of baijiu products
VATS Hunan Winery Limited *(Notes (iii) and (vi))*	The British Virgin Islands ("BVI") 14 February 2012	United States Dollar ("USD")1	100%	–	Investment holding
Tibet Xiangjiao Liquor Sales Co., Ltd. 西藏湘窖酒業銷售有限公司 *(Notes (i), (iv) and (vi))*	The PRC 28 February 2013	RMB5,000,000	–	100%	Sales of baijiu products
Jiangxi Lidu Liquor Sales Co., Ltd. 江西李渡酒業銷售有限公司 *(Notes (i), (iv) and (vi))*	The PRC 16 June 2015	RMB3,000,000	–	100%	Sales of baijiu products
Guizhou Zhenjiu Trading Co., Ltd. 貴州珍酒貿易有限公司 *(Notes (i), (iv) and (vi))*	The PRC 10 July 2019	RMB500,000	–	100%	Sales of baijiu products
Jindong Sauce 金東醬酒釀造有限公司 *(Notes (i), (iv) and (vi))*	The PRC 20 January 2020	RMB100,000,000	–	100%	Making and production of baijiu products
Shaoyang Xiangjiao Trading Co., Ltd. 邵陽湘窖商貿有限公司 *(Notes (i), (iv) and (vi))*	The PRC 26 April 2020	RMB 500,000	–	100%	Sales of baijiu products
Longhui Xiangjiao Trading Co., Ltd. 隆回湘窖商貿有限公司 *(Notes (i), (iv) and (vi))*	The PRC 13 October 2020	RMB1,000,000	–	100%	Sales of baijiu products

Company name	Place and date of establishment/ incorporation	Particulars of registered and paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by subsidiaries	
Nanchang Lidu Trading Co., Ltd. 南昌李渡商貿有限公司 *(Notes (i), (iv) and (vi))*	The PRC 24 September 2021	Registered capital of RMB1,000,000 and paid-in capital of RMBNil	–	100%	Sales of baijiu products
Guizhou Zhenjiu 貴州珍酒控股有限公司 *(Notes (ii), (iv) and (vi))*	The PRC 18 October 2021	RMB1,500,000,000	–	100%	Investment holding
Guizhou Zhenjiu Commercial Trading Co., Ltd. 貴州珍酒商貿有限公司 *(Notes (i), (iv) and (vi))*	The PRC 10 December 2021	RMB10,000,000	–	100%	Sales of baijiu products
Jiangxi Lidu Trading Co., Ltd. 江西李渡貿易有限公司 *(Notes (i), (iv) and (vi))*	The PRC 15 December 2021	RMB10,000,000	–	100%	Sales of baijiu products
Changsha Xiangjiao Liquor Trading Co., Ltd. 長沙湘窖酒業商貿有限公司 *(Notes (i), (iv) and (vi))*	The PRC 22 December 2021	RMB3,000,000	–	100%	Sales of baijiu products
Guizhou Heyuan Brewing Co., Ltd. 貴州荷苑釀酒有限公司 *(Notes (i), (iv) and (vi))*	The PRC 29 April 2022	RMB10,000,000	–	100%	Making and production of baijiu products
Hunan Zhenjiu Trading Co., Ltd. 湖南珍酒商貿有限公司 *(Notes (i), (iv) and (vi))*	The PRC 26 September 2022	RMB5,000,000	–	100%	Sales of baijiu products
Hunan Zhenjiu Zhenpin Catering Co., Ltd. 湖南珍酒珍品餐飲有限公司 *(Notes (i), (iv) and (vi))*	The PRC 24 November 2022	Registered capital of RMB2,000,000 and paid-in capital of RMB1,000,000	–	100%	Sales of baijiu products

Notes:

(i) These companies are limited liability companies established in the PRC.

(ii) This company is a wholly foreign owned enterprise established in the PRC.

(iii) These companies are limited liability companies incorporated outside of the PRC (excluding Hong Kong).

(iv) The official names of these entities are in Chinese. The English translations are for identification only.

(v) The statutory financial statements of this entity for the year ended 31 December 2020 was audited by UP CPA & Co.

(vi) As at the date of this report, no audited financial statements have been prepared for these entities.

All companies now comprising the Group adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted by the Group are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards, amendments or interpretations that are not yet effective for the accounting period beginning on 1 January 2022. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2022 are set out in Note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

As at 31 December 2022, the Group had net liabilities of RMB3,815,214,000 including liabilities arising from financial instruments issued to an investor amounted to RMB10,253,755,000. The directors of the Company are of the opinion that no payment is expected for the settlement of the liabilities arising from financial instruments issued to an investor as the related redemption option would be terminated and the financial instruments would be converted into equity upon the **[REDACTED]** of the Company's shares on the Stock Exchange. Taken the above into consideration, and together with cashflow forecast for the year ending 31 December 2023 prepared by management of the Group, the directors of the Company are of the opinion that the Group will have sufficient financial resources to continue as a going concern for the next twelve months. Therefore, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

2 Significant accounting policies

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for derivative financial instruments which are stated at their fair values as explained in Note 2(e).

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combinations under common control

Business combinations under common control involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under common control of the controlling entity. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded are recognised directly in equity as part of equity.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)) unless the investment is classified as held for sale.

(e) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(t)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Right-of-use assets	Over the terms of leases
Plant and buildings	20 years
Machinery and equipment	3 – 10 years
Office equipment and others	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest expense capitalised during the periods of construction and installation.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(g) Leased assets

At inception of a contract, the Group assesses 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. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. 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. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after each reporting period end.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash at bank and on hand, trade and bills receivables, prepayments, deposits and other receivables, and amounts due from related parties).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of each reporting period; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of each reporting period.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the end of each reporting period with that assessed at the date of initial recognition.

In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to action such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets; and
- interests in subsidiaries in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(h)(i).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

(n) Convertible and redeemable financial instrument

The Company issued redeemable preference shares, in which elements of conversion options are embedded.

The instrument is classified as a liability, because in case of occurrence of triggering events, which are beyond control of the Company, the instrument is redeemable at the option of the holder within specified periods. The liability is initially recognised and subsequently remeasured at fair value which represents the settlement that would be triggered by the event with the highest settlement outcome. The gain or loss on remeasurement is recognised in profit or loss.

If the preference shares are converted, the capital reserve, together with the carrying amount of the liability at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

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

(p) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of baijiu products

The Group is principally engaged in the making, production and sales of baijiu products.

Revenue from sales of baijiu products is recognised at the point in time when the Group transfers control over a product to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any volume rebates.

The Group offers retrospective volume rebates to certain customers when their purchases reach an agreed threshold. Such volume rebates give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably made available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of baijiu products, the Group recognises revenue after taking into account adjustment to transaction price arising from rebates as mentioned above. A liability is recognised for the expected rebates and is included in other payables and accruals (see Note 19).

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the related asset on a systematic basis.

(s) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB, the Group's presentation currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if 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 an associate or joint venture of a member of a group of which the other entity is a member).

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

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

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

(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).

(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 Group's parent.

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

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgements and estimates

Key sources of estimation uncertainty are as follows:

(a) Variable consideration for volume rebates

The Group estimates variable consideration included in the transaction price arising from the sales of baijiu products where volume rebates are offered. The Group uses judgement in estimating the amount of volume rebates based on the customer's historical rebate rates, accumulated purchases to date, as well as estimates of future purchases. Changes in these estimates could have a significant impact on the amount of revenue recognised in future periods.

(b) Expected credit losses for receivables

The credit losses for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 25(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may be necessary to make additional loss allowances in future periods.

(c) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(h)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment periodically in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of useful lives and residual values, if any, are based on the historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Fair value of financial instruments issued to an investor

The fair value of financial instruments issued to an investor at the dates of issue and the end of the reporting periods were determined based on the valuation performed by an independent valuer, using valuation techniques. The Company uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. As disclosed in Note 25(d)(i), the Company has used equity allocation model to determine the fair values of the financial liabilities arising from the preference shares and binomial lattice model to determine the fair values of the financial liabilities arising from the warrants, which involved the use of significant accounting estimates and judgements.

4 Revenue

(a) Revenue

The Group is principally engaged in the making, production and sales of baijiu products. Further details regarding the Group's principal activities are disclosed in Note 4(b). Revenue disaggregated by major brands of baijiu products is as follows:

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Zhen Jiu	1,345,546	3,487,573	3,822,696
Li Du	359,225	649,954	886,850
Xiang Jiao	394,879	605,569	712,791
Kai Kou Xiao	172,033	256,579	338,675
Others	127,232	101,918	94,905
	2,398,915	5,101,593	5,855,917

All of the revenue of the Group is generated from sales of baijiu products and is recognised at a point in time during the Track Record Period.

The Group's customer base is diversified. During the Track Record Period, there is no single customer with whom transactions have exceeded 10% of the Group's revenue in the respective periods.

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for baijiu products such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of baijiu products that had an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by brands of baijiu products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Zhen Jiu: this segment engages in the making, production and sales of baijiu products under the brand "Zhen Jiu".
- Li Du: this segment engages in the making, production and sales of baijiu products under the brand "Li Du".
- Xiang Jiao: this segment engages in the making, production and sales of baijiu products under the brand "Xiang Jiao".
- Kai Kou Xiao: this segment engages in the making, production and sales of baijiu products under the brand "Kai Kou Xiao".

- Others: this segment engages in the making, production and sales of baijiu products under the brand “Shao Yang” and other brands.

(i) Segment results

For the purposes of assessing segment performance and allocating resources, the Group’s most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and direct expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred during the Track Record Period. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group’s other operating income and expenses, such as other income, selling and distribution expenses, administrative expenses, impairment loss on trade receivables, finance costs, changes in fair value in financial instruments issued to an investor and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance during the Track Record Period is set out below.

	Year ended 31 December 2020					
	Zhen Jiu	**Li Du**	**Xiang Jiao**	**Kai Kou Xiao**	**Others**	**Total**
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*	*RMB’000*
Revenue from external customers	1,345,546	359,225	394,879	172,033	127,232	2,398,915
Reportable segment gross profit	708,302	245,865	232,557	63,351	3,046	1,253,121

	Year ended 31 December 2021					
	Zhen Jiu	**Li Du**	**Xiang Jiao**	**Kai Kou Xiao**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	3,487,573	649,954	605,569	256,579	101,918	5,101,593
Reportable segment gross profit	1,800,011	434,064	388,497	102,032	5,142	2,729,746

	Year ended 31 December 2022					
	Zhen Jiu	**Li Du**	**Xiang Jiao**	**Kai Kou Xiao**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	3,822,696	886,850	712,791	338,675	94,905	5,855,917
Reportable segment gross profit	2,097,231	575,902	429,849	130,510	5,438	3,238,930

(ii) Reconciliations of reportable segment profit or loss

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Total reportable segment gross profit	1,253,121	2,729,746	3,238,930
Other income	50,268	47,660	83,174
Selling and distribution expenses	(402,873)	(1,020,510)	(1,342,057)
Administrative expenses	(157,906)	(289,344)	(381,135)
Impairment loss on trade receivables	(1,308)	(982)	(3,720)
Finance costs	(39,743)	(36,420)	(29,445)
Changes in fair value in financial instruments issued to an investor	–	(21,617)	(130,668)
Consolidated profit before taxation	701,559	1,408,533	1,435,079

(iii) Geographic information

The Group generated all of its revenue in the PRC and its non-current assets are substantially located in the PRC, and accordingly, no analysis of geographic information is presented.

5 Other income

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	22,663	21,189	20,440
Interest income	2,783	12,705	30,767
Net income from sales of raw materials and sub-standard work in progress and maturing inventories	24,680	15,559	21,020
Fees received from distributors for non-compliance with distribution agreements	267	4,111	8,990
Net loss on disposal of property, plant and equipment	(1,599)	(6,948)	(909)
Others	1,474	1,044	2,866
	50,268	47,660	83,174

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank and other borrowings	38,078	34,155	26,135
Interest expenses on lease liabilities (Note 11(b))	1,665	2,265	3,310
	39,743	36,420	29,445

(b) Staff costs#

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	302,489	590,282	1,102,323
Contributions to defined contribution retirement plans (Notes (i), (ii) and (iii))	19,670	72,760	119,989
	322,159	663,042	1,222,312

Notes:

(i) The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at rates range from 16% to 20% of the employees' basic salaries during the Track Record Period. Employees of these subsidiaries are entitled to receive retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

(ii) The Group's employees in Hong Kong participate in a defined contribution scheme registered under the Mandatory Provident Fund Scheme Ordinance (Cap. 485) (the "MPF Scheme"). The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong dollars ("HKD") 30,000. Contributions to the plan vest immediately.

(iii) The Group has no further obligation for payment of other retirement benefits beyond the contributions mentioned in (i) and (ii) above.

(c) Other items

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation expenses# (Note 11)			
- property, plant and equipment	42,368	62,520	118,855
- right-of-use assets	8,770	14,800	38,214
	51,138	77,320	157,069
Auditors' remuneration:			
- statutory audit service	20	–	–
- professional services in connection with the proposed initial **[REDACTED]** of the Company's shares	–	8,075	10,914
Other professional service fees in connection with the proposed initial **[REDACTED]** of the Company's shares (excluding RMBNil, RMB3,002,000 and RMB6,470,000 recognised as prepayments for the years ended 31 December 2020, 2021 and 2022, respectively (see Note 15))	–	8,937	25,841
Cost of inventories# (Note 13)	767,825	1,585,236	1,703,502

Cost of inventories includes RMB92,547,000, RMB111,820,000 and RMB194,962,000 relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses for the years ended 31 December 2020, 2021 and 2022, respectively.

7 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represent:

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current taxation (Note 22(a))			
Provision for the year	181,798	365,383	441,604
Deferred taxation (Note 22(b))			
Origination and reversal of temporary differences	(327)	(246)	(36,391)
Withholding tax in connection with distributions made by a subsidiary	–	11,199	–
	(327)	10,953	(36,391)
	181,471	376,336	405,213

(b) Reconciliations between tax expenses and accounting profits at applicable tax rates:

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	701,559	1,408,533	1,435,079
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	175,390	360,929	394,103
Tax effect of non-deductible expenses	6,083	4,208	11,110
Tax concessions (Note (iv))	(2)	–	–
Tax effect of withholding tax in connection with distributions made by a subsidiary (Note (v))	–	11,199	–
Income tax	181,471	376,336	405,213

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Track Record Period.

(iii) The subsidiary of the Group established in the PRC (excluding Hong Kong) is subject to PRC Corporate Income Tax ("CIT") rate at 25% during the Track Record Period.

(iv) In accordance with relevant rules and regulations of CIT in the PRC, a subsidiary of the Group established in the western region in the PRC enjoyed a preferential CIT tax rate of 15% for the year ended 31 December 2020.

(v) Guizhou Zhenjiu declared a distribution of RMB111,990,000 to its immediate holding company, China Wine, on 22 November 2021. Accordingly, a deferred tax liability of RMB11,199,000 (Note 22(b)) calculated at the applicable withholding tax rate of 10% has been recognised at 31 December 2021.

8 Directors' emoluments

Details of emoluments of directors of the Company during the Track Record Period are as follows:

	Year ended 31 December 2020				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Wu Xiangdong	–	4,857	–	23	4,880
Mr Yan Tao	–	2,488	1,717	23	4,228
Ms Zhu Lin	–	1,183	345	23	1,551
Mr Luo Yonghong	–	1,183	345	23	1,551
	–	9,711	2,407	92	12,210

	Year ended 31 December 2021				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Wu Xiangdong	–	5,096	–	29	5,125
Mr Yan Tao	–	2,612	1,754	29	4,395
Ms Zhu Lin	–	1,277	373	29	1,679
Mr Luo Yonghong	–	1,277	373	29	1,679
Mr Ng Kwong Chue Paul	–	443	170	–	613
Non-executive director					
Mr Sun Zheng	–	–	–	–	–
	–	10,705	2,670	116	13,491

	Year ended 31 December 2022				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Wu Xiangdong	–	5,923	–	29	5,952
Mr Yan Tao	–	3,658	3,627	46	7,331
Ms Zhu Lin	–	1,652	768	60	2,480
Mr Luo Yonghong	–	1,652	768	60	2,480
Mr Ng Kwong Chue Paul	–	1,937	743	31	2,711
Non-executive director					
Mr Sun Zheng	–	–	–	–	–
	–	14,822	5,906	226	20,954

Mr Wu Xiangdong was appointed as executive director and chairman of the board of directors of the Company on 24 September 2021.

Mr Yan Tao, Ms Zhu Lin and Mr Luo Yonghong were appointed as executive directors of the Company on 25 November 2021.

Mr Wu Xiangdong, Mr Yan Tao, Ms Zhu Lin and Mr Luo Yonghong received emoluments from a related party in their roles as directors or key management personnel of subsidiaries of the Group before their appointments as executive directors of the Company. Emoluments of RMB10,892,000, RMB9,262,000 and RMBNil were paid and borne by this related party for the years ended 31 December 2020, 2021 and 2022, respectively. These amounts are shown in the above tables for information only (see Note 27(b)).

Mr Ng Kwong Chue Paul was appointed as executive director of the Company on 5 October 2021.

Mr Sun Zheng was appointed as non-executive director of the Company on 25 November 2021.

Mr Yung Tse Kwong Steven, Mr Li Dong and Ms Yan Jisheng were appointed as independent non-executive directors of the Company on [●].

9 Individuals with highest emoluments

During the Track Record Period, of the five individuals with the highest emoluments, four, four and four are directors of the Company whose emoluments are disclosed in Note 8. The emoluments in respect of the remaining individual are as following:

	Years ended 31 December		
	2020 *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Salaries and other emoluments	101	175	1,567
Discretionary bonuses	1,500	2,500	1,000
Retirement scheme contributions	19	19	15
	1,620	2,694	2,582

The emoluments of the individual who is not a director of the Company and who is amongst the five highest paid individuals of the Group during the Track Record Period are within the following bands:

	Years ended 31 December		
	2020 *Number of individual*	**2021** *Number of individual*	**2022** *Number of individual*
HKD1,500,001 – HKD2,000,000	1	–	–
HKD2,500,001 – HKD3,000,000	–	–	1
HKD3,000,001 – HKD3,500,000	–	1	–

10 Earnings per share

No earnings per share information is presented in the Historical Financial Information as it would not provide a meaningful and comparable measure of the interests of each outstanding ordinary share of the Company in the performance of the Group during the Track Record Period.

11 Property, plant and equipment

(a) Reconciliations of carrying amounts

	Right-of-use assets *RMB'000* *(Notes 11(a)(ii), 11(a)(iii) and 11(b))*	Plant and buildings *RMB'000* *(Note 11(a)(ii))*	Machinery and equipment *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2020	194,146	562,384	141,649	34,476	82,130	1,014,785
Additions	67,835	–	21,323	8,539	192,075	289,772
Transfer in/(out)	–	114,801	11,799	5,532	(132,132)	–
Disposals	(698)	(3,361)	(3,052)	(907)	–	(8,018)
At 31 December 2020	261,283	673,824	171,719	47,640	142,073	1,296,539
Accumulated depreciation:						
At 1 January 2020	26,192	269,031	102,383	24,993	–	422,599
Charge for the year	8,770	29,580	8,902	3,886	–	51,138
Written back on disposals	(698)	(1,428)	(2,861)	(874)	–	(5,861)
At 31 December 2020	34,264	297,183	108,424	28,005	–	467,876
Carrying amount:						
At 31 December 2020	227,019	376,641	63,295	19,635	142,073	828,663
Cost:						
At 1 January 2021	261,283	673,824	171,719	47,640	142,073	1,296,539
Additions	806,751	–	79,700	15,452	688,707	1,590,610
Transfer in/(out)	–	380,130	22,993	3,356	(406,479)	–
Disposals	(9,819)	(8,006)	(5,798)	(1,909)	–	(25,532)
At 31 December 2021	1,058,215	1,045,948	268,614	64,539	424,301	2,861,617
Accumulated depreciation:						
At 1 January 2021	34,264	297,183	108,424	28,005	–	467,876
Charge for the year	14,800	38,696	16,811	7,013	–	77,320
Written back on disposals	(3,897)	(2,023)	(5,226)	(1,237)	–	(12,383)
At 31 December 2021	45,167	333,856	120,009	33,781	–	532,813
Carrying amount:						
At 31 December 2021	1,013,048	712,092	148,605	30,758	424,301	2,328,804

	Right-of-use assets *RMB'000* *(Notes 11(a)(ii), 11(a)(iii) and 11(b))*	**Plant and buildings** *RMB'000* *(Note 11(a)(ii))*	**Machinery and equipment** *RMB'000*	**Office equipment and others** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
Cost:						
At 1 January 2022	1,058,215	1,045,948	268,614	64,539	424,301	2,861,617
Additions	372,188	–	99,317	16,865	1,118,849	1,607,219
Transfer in/(out)	–	1,023,523	131,782	10,440	(1,165,745)	–
Disposals	(2,496)	(1,317)	(14,763)	(2,004)	–	(20,580)
At 31 December 2022	1,427,907	2,068,154	484,950	89,840	377,405	4,448,256
Accumulated depreciation:						
At 1 January 2022	45,167	333,856	120,009	33,781	–	532,813
Charge for the year	38,214	64,395	42,532	11,928	–	157,069
Written back on disposals	(1,727)	(916)	(12,369)	(1,900)	–	(16,912)
At 31 December 2022	81,654	397,335	150,172	43,809	–	672,970
Carrying amount:						
At 31 December 2022	1,346,253	1,670,819	334,778	46,031	377,405	3,775,286

Notes:

(i) The Group's property, plant and equipment are all located in the PRC.

(ii) The Group has yet to obtain the ownership certificates for certain properties with aggregate carrying amounts of RMB196,547,000, RMB1,099,370,000 and RMB713,069,000 as at 31 December 2020, 2021 and 2022. [The Controlling Shareholder has undertaken to procure the obtaining of the title documents for the above mentioned properties. If title documents could not be obtained, the Controlling Shareholder agreed to indemnify the Group for all the losses and damages arising therefrom.]

(iii) At 31 December 2020, 2021 and 2022, the carrying amounts of right-of-use assets included RMB76,750,000, RMB750,613,000 and RMB587,605,000 of prepayments made by the Group, respectively, to local government authorities with the intention to acquire land use rights for use as the Group's baijiu products making and production facilities. Included in these balances of prepayments made by the Group, RMB76,750,000, RMB426,413,000 and RMB539,819,000, respectively, were paid under the legal form of loan agreements for the purpose of dismantling and restoration of the land. The directors of the Company consider that the amounts paid out as prepayments and as loans, together, formed the cost of the land use rights acquired, which, in total, approximated the market values of premises nearby. Accordingly, the directors of the Company consider that the recognition of these payments as right-of-use assets in the consolidated statements of financial position to be appropriate. These right-of-use assets are depreciated over their respective terms of leases commencing from the dates of the related title ownership certificates are obtained.

(b) Right-of-use assets

The analyses of the carrying amounts of right-of-use assets by class of underlying asset are as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Land use rights held for own use, carried at depreciated cost	159,485	244,871	1,212,143
Prepayments for acquisitions of land use rights to be held for own use, carried at cost	30,000	703,863	75,787
Plant and buildings leased for own use, carried at depreciated cost	37,534	64,314	58,323
	227,019	1,013,048	1,346,253

The analyses of expense items in relation to leases recognised in profit or loss are as follows:

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation expenses of right-of-use assets by class of underlying asset:			
– Land use rights held for own use	1,697	2,741	15,647
– Plant and buildings leased for own use	7,073	12,059	22,567
	8,770	14,800	38,214
Interest expenses on lease liabilities (Note 6(a))	1,665	2,265	3,310
Expenses relating to short-term leases	2,094	3,372	4,372

12 Interests in subsidiaries

The Company

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Investment in a subsidiary, at cost	*	*
Amounts due from a subsidiary (Note (i))	1,511,639	5,501,274
	1,511,639	5,501,274

* The balance represents an amount less than RMB1,000.

Note:

(i) The amounts due from a subsidiary are unsecured, non-interest bearing and have no fixed terms of repayment. The directors of the Company consider these amounts due from a subsidiary are long-term interests that in substance form part of the Company's net investment in this subsidiary.

13 Inventories

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and packaging materials	97,209	262,236	291,803
Work in progress and maturing inventories	1,342,376	2,592,796	3,793,366
Finished goods	297,339	794,291	1,053,341
	1,736,924	3,649,323	5,138,510

The analyses of the amounts of inventories recognised in profit or loss and other comprehensive income are as follows:

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amounts of inventories sold	767,825	1,585,236	1,703,502

14 Trade and bills receivables

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	57,809	61,547	127,552
Less: loss allowance (Note 25(a))	(4,264)	(5,246)	(8,966)
	53,545	56,301	118,586
Bills receivables	20,614	8,433	61,196
	74,159	64,734	179,782

All of the trade and bills receivables are expected to be recovered within one year.

(a) Ageing analyses

The ageing analyses of trade receivables, based on the invoice date and net of loss allowance, of the Group are as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Less than 3 months	37,898	45,785	97,530
More than 3 months but less than 6 months	11,163	4,228	10,219
More than 6 months but less than 12 months	3,719	4,157	10,837
More than 12 months	765	2,131	–
	53,545	56,301	118,586

The balances of bill receivables represent bank acceptance notes received from customers with maturity dates of less than six months at the end of each reporting period.

Further details on the Group's credit policy and credit risk are set out in Note 25(a).

15 Prepayments, deposits and other receivables

The Group	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Advances to staff	2,245	3,577	5,230
Deposits paid to suppliers	2,899	4,059	6,604
Deposits paid to lessors	1,439	3,376	4,506
Others	3,218	489	604
Financial assets measured at amortised cost	9,801	11,501	16,944
Prepayments for purchase of raw materials	2,680	6,081	15,366
Prepayments for operating expenses	15,903	29,169	39,958
Prepayments for costs incurred in connection with the proposed **[REDACTED]** of the Company's shares (Note (i))	–	3,002	9,472
Value added tax recoverable	–	–	39,417
Others	465	5,814	9,197
	19,048	44,066	113,410
	28,849	55,567	130,354

Note:

(i) The balances will be transferred to the share premium account within equity upon the **[REDACTED]** of the Company's shares on the Stock Exchange.

The Company	**At 31 December**	
	2021	**2022**
	RMB'000	*RMB'000*
Dividends receivables	99,688	108,800
Others	7	1,318
	99,695	110,118

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

16 Amounts due from/to related parties

The amounts due from/to related parties were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment. These balances had been settled as at 31 December 2022.

17 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

The Group	**At 31 December**		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	311,290	1,544,676	1,683,382
Restricted bank deposits	58	39	66
Cash and cash equivalents in the consolidated statements of financial position	311,348	1,544,715	1,683,448
Less: restricted bank deposits	(58)	(39)	(66)
Cash and cash equivalents in the consolidated cash flow statements	311,290	1,544,676	1,683,382

The Company	At 31 December	
	2021	2022
	RMB'000	*RMB'000*
Cash at bank and on hand	409,873	67,336

The Group's operation in the PRC (excluding Hong Kong) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

(b) Reconciliations of assets/liabilities arising from financing activities

The tables below detail changes in the Group's assets/liabilities from financing activities, including both cash and non-cash changes. Assets/liabilities arising from financing activities are assets/liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank and other borrowings	Interest payable	Distributions/ dividends payables	Lease liabilities	Financial instruments issued to an investor	Amounts due (from)/ to related parties	Net
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 20)	*(Note 19)*	*(Note 19)*	*(Note 21)*	*(Note 23)*	*(Note 16)*	
At 1 January 2020	952,600	–	–	35,256	–	(634,039)	353,817
Changes from financing cash flows:							
Proceeds from bank and other borrowings	885,500	–	–	–	–	–	885,500
Repayment of bank and other borrowings	(886,000)	–	–	–	–	–	(886,000)
Interest paid	–	(38,078)	–	–	–	–	(38,078)
Capital element of lease rentals paid	–	–	–	(1,391)	–	–	(1,391)

	Bank and other borrowings *RMB'000* *(Note 20)*	Interest payable *RMB'000* *(Note 19)*	Distributions/ dividends payables *RMB'000* *(Note 19)*	Lease liabilities *RMB'000* *(Note 21)*	Financial instruments issued to an investor *RMB'000* *(Note 23)*	Amounts due (from)/to related parties *RMB'000* *(Note 16)*	Net *RMB'000*
Interest element of lease rentals paid	–	–	–	(1,665)	–	–	(1,665)
Net increase in amounts due from related parties	–	–	–	–	–	(1,030,960)	(1,030,960)
Total changes from financing cash flows	(500)	(38,078)	–	(3,056)	–	(1,030,960)	(1,072,594)
Other changes:							
Net increase in lease liabilities	–	–	–	10,664	–	–	10,664
Finance costs (Note 6(a))	–	38,078	–	1,665	–	–	39,743
Total other changes	–	38,078	–	12,329	–	–	50,407
At 31 December 2020	952,100	–	–	44,529	–	(1,664,999)	(668,370)

	Bank and other borrowings *RMB'000* *(Note 20)*	Interest payable *RMB'000* *(Note 19)*	Distributions/ dividends payables *RMB'000* *(Note 19)*	Lease liabilities *RMB'000* *(Note 21)*	Financial instruments issued to an investor *RMB'000* *(Note 23)*	Amounts due (from)/ to related parties *RMB'000* *(Note 16)*	Net *RMB'000*
At 1 January 2021	952,100	–	–	44,529	–	(1,664,999)	(668,370)
Changes from financing cash flows:							
Proceeds from bank and other borrowings	840,000	–	–	–	–	–	840,000
Repayment of bank and other borrowings	(895,500)	–	–	–	–	–	(895,500)
Interest paid	–	(34,155)	–	–	–	–	(34,155)
Capital element of lease rentals paid	–	–	–	(14,307)	–	–	(14,307)
Interest element of lease rentals paid	–	–	–	(2,265)	–	–	(2,265)
Proceeds from issuance of convertible and redeemable preference shares to an investor	–	–	–	–	1,919,400	–	1,919,400
Net increase in amounts due to related parties	–	–	–	–	–	112,780	112,780
Total changes from financing cash flows	(55,500)	(34,155)	–	(16,572)	1,919,400	112,780	1,925,953

	Bank and other borrowings *RMB'000* *(Note 20)*	**Interest payable** *RMB'000* *(Note 19)*	**Distributions/ dividends payables** *RMB'000* *(Note 19)*	**Lease liabilities** *RMB'000* *(Note 21)*	**Financial instruments issued to an investor** *RMB'000* *(Note 23)*	**Amounts due (from)/ to related parties** *RMB'000* *(Note 16)*	**Net** *RMB'000*
Other changes:							
Distributions/ dividends declared	–	–	1,886,090	–	–	–	1,886,090
Net increase in lease liabilities	–	–	–	38,840	–	–	38,840
Net change in the amounts of financial instruments issued to an investor	–	–	–	–	6,837,482	–	6,837,482
Finance costs (Note 6(a))	–	34,155	–	2,265	–	–	36,420
Non-cash transactions*	–	–	(1,750,354)	–	–	1,750,354	–
Total other changes	–	34,155	135,736	41,105	6,837,482	1,750,354	8,798,832
At 31 December 2021	896,600	–	135,736	69,062	8,756,882	198,135	10,056,415

* The amounts due from related parties were off-setted by profit distributions made by the Group (Note 24(f)) during the year ended 31 December 2021.

	Bank and other borrowings *RMB'000* *(Note 20)*	Interest payable *RMB'000* *(Note 19)*	Distributions/ dividends payables *RMB'000* *(Note 19)*	Lease liabilities *RMB'000* *(Note 21)*	Financial instruments issued to an investor *RMB'000* *(Note 23)*	Amounts due (from)/to related parties *RMB'000* *(Note 16)*	Net *RMB'000*
At 1 January 2022	896,600	–	135,736	69,062	8,756,882	198,135	10,056,415
Changes from financing cash flows:							
Proceeds from bank and other borrowings	490,000	–	–	–	–	–	490,000
Repayment of bank and other borrowings	(1,350,000)	–	–	–	–	–	(1,350,000)
Interests paid	–	(26,135)	–	–	–	–	(26,135)
Capital element of lease rentals paid	–	–	–	(20,742)	–	–	(20,742)
Interest element of lease rentals paid	–	–	–	(3,310)	–	–	(3,310)
Proceeds from issuance of convertible and redeemable preference shares to an investor	–	–	–	–	3,334,550	–	3,334,550
Net decrease in amounts due to related parties	–	–	–	–	–	(198,135)	(198,135)
Total changes from financing cash flows	(860,000)	(26,135)	–	(24,052)	3,334,550	(198,135)	2,226,228

	Bank and other borrowings *RMB'000* *(Note 20)*	Interest payable *RMB'000* *(Note 19)*	Distributions/ dividends payables *RMB'000* *(Note 19)*	Lease liabilities *RMB'000* *(Note 21)*	Financial instruments issued to an investor *RMB'000* *(Note 23)*	Amounts due (from)/to related parties *RMB'000* *(Note 16)*	Net *RMB'000*
Other changes:							
Net increase in lease liabilities	–	–	–	16,868	–	–	16,868
Net change in the amounts of financial instruments issued to an investor	–	–	–	–	(1,837,677)	–	(1,837,677)
Exchange adjustments	–	–	9,030	–	–	–	9,030
Finance costs (Note 6(a))	–	26,135	–	3,310	–	–	29,445
Total other changes	–	26,135	9,030	20,178	(1,837,677)	–	(1,782,334)
At 31 December 2022	36,600	–	144,766	65,188	10,253,755	–	10,500,309

(c) Total cash outflow for leases

Amounts of cash outflow for leases included in the consolidated cash flow statements comprise the following:

	Years ended 31 December		
	2020 *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Within operating cash flows	2,094	3,372	4,372
Within investing cash flows	57,172	768,047	355,319
Within financing cash flows	3,056	16,572	24,052
	62,322	787,991	383,743

These amounts relate to the following:

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Lease rentals paid	5,150	19,944	28,424
Payments for acquisitions of land use rights	57,172	768,047	355,319
	62,322	787,991	383,743

18 Trade payables

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Payables for purchases of inventories	144,661	550,649	1,045,530

Ageing analyses

The ageing analyses of trade payables, based on the invoice date, are as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	139,911	545,373	1,039,299
1 to 2 years	2,662	3,368	6,142
2 to 3 years	2,088	1,908	89
	144,661	550,649	1,045,530

All of the trade payables are expected to be settled within one year or are repayable on demand.

19 Other payables and accruals

The Group

	At 31 December		
	2020 *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Accruals for sales rebates	367,704	870,434	713,472
Accruals for advertisement expenses	7,740	43,815	62,594
Payables for staff related costs	53,007	137,771	172,307
Other taxes payables	559,697	312,696	119,131
Payables for construction and purchases of property, plant and equipment	32,693	180,720	348,833
Payables for costs incurred in connection with the proposed **[REDACTED]** of the Company's shares	–	3,774	15,368
Distributions/dividends payables	–	135,736	144,766
Others	26,673	31,419	32,529
Financial liabilities measured at amortised cost	1,047,514	1,716,365	1,609,000
Receipts in advance from customers	923,541	1,817,397	1,791,271
	1,971,055	3,533,762	3,400,271

The Company

	At 31 December	
	2021 *RMB'000*	**2022** *RMB'000*
Dividends payables	98,788	107,818
Others	1,277	8,742
	100,065	116,560

All of the other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

20 Bank and other borrowings

(a) The Group's short-term bank and other borrowings comprise:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
– unsecured and guaranteed by related parties (Note (i))	885,500	690,000	–
Add: current portion of long-term bank and other borrowings (Note 20(b))	10,000	20,000	36,600
	895,500	710,000	36,600

(b) The Group's long-term bank and other borrowings comprise:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Bank and other borrowings			
– unsecured and guaranteed by related parties (Note (i))	–	150,000	–
Other borrowings			
– unsecured and unguaranteed (Note (ii))	66,600	56,600	36,600
	66,600	206,600	36,600
Less: current portion of long-term bank and other borrowings (Note 20(a))	(10,000)	(20,000)	(36,600)
	56,600	186,600	–

Notes:

(i) These bank loans are collectively guaranteed by Hunan Jindong Liquor Industry Co., Ltd. ("Jindong Group") and Huaze Group Co., Ltd. ("Huaze Group"), both related parties of the Group (see Note 27). These loans had been repaid during the year ended 31 December 2022, and the guarantees from related parties had accordingly been released.

(ii) Other borrowings are non-interest bearing loans from local government, and are repayable by instalments from 2021 to 2023. These borrowings are recognised in the consolidated statements of financial position using the effective interest method.

(c) The analyses of the repayment schedules of long-term bank and other borrowings are as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	10,000	20,000	36,600
After 1 year but within 2 years	20,000	186,600	–
After 2 years but within 5 years	36,600	–	–
	66,600	206,600	36,600

21 Lease liabilities

At the end of each reporting period, the lease liabilities are repayable as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	14,897	25,340	28,024
After 1 year but within 2 years	7,313	15,183	15,570
After 2 years but within 5 years	13,786	21,892	19,475
After 5 years	8,533	6,647	2,119
	29,632	43,722	37,164
	44,529	69,062	65,188

22 Income tax in the consolidated statements of financial position

(a) Current taxation/(income tax recoverable) in the consolidated statements of financial position represent:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	237,035	404,199	442,222
Provision for the year (Note 7(a))	181,798	365,383	441,604
Income tax paid (Note (i))	(14,634)	(327,360)	(936,072)
At the end of the year	404,199	442,222	(52,246)
Representing:			
Income tax recoverable	–	–	(113,806)
Current taxation	404,199	442,222	61,560
	404,199	442,222	(52,246)

Note:

(i) Generally, the Group submits quarterly and annual tax filings based on unaudited management financial statements to the tax authorities under the various tax jurisdictions, and the Group will make quarterly and annual tax payments upon the tax authorities agreement of the unaudited management financial statements. These unaudited management financial statements are prepared in accordance with the same accounting policies as set out in this Historical Financial Information. The annual tax payments for each year are settled in the following year.

In 2022, tax authorities of certain tax jurisdictions have advised the Group that commencing from the calendar year of 2022, certain expense items, for example sales rebates, previously recognised by the Group based on accruals basis requires to be recognised on cash basis in the Group's quarterly tax filings, where an overall adjustment to accruals basis will only be allowed in the annual tax filing. Accordingly, the Group paid quarterly corporate income taxes on such basis under these tax jurisdictions, and hence an increase in quarterly income tax payments in 2022, which, coupled with the pace of the business growth of the Group, resulted in the increase in tax payments in 2022 and an income tax recoverable balance of RMB113,806,000. The Directors of the Company consider that such balance will be recovered upon the completion of the 2022 annual tax filing in 2023, which will include tax deductions of sales rebates and other expenses paid out in 2023 and were accrued as at 31 December 2022 (see Note 19).

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

	Assets			Liabilities	
	Unused tax losses *RMB'000*	**Credit loss allowance** *RMB'000*	**Sub-total** *RMB'000*	**Withholding tax in connection with distributions made by a subsidiary** *RMB'000*	**Total** *RMB'000*
Deferred tax assets arising from:					
At 1 January 2020	–	739	739	–	739
Credited to the consolidated statements of profit or loss (Note 7(a))	–	327	327	–	327
At 31 December 2020	–	1,066	1,066	–	1,066
Credited/(charged) to the consolidated statements of profit or loss (Note 7(a))	–	246	246	(11,199)	(10,953)
At 31 December 2021	–	1,312	1,312	(11,199)	(9,887)
Credited to the consolidated statements of profit or loss (Note 7(a))	35,461	930	36,391	–	36,391
At 31 December 2022	35,461	2,242	37,703	(11,199)	26,504

(c) Deferred tax liabilities not recognised

Except for deferred tax liabilities recognised in Note 22(b), taxable temporary differences relating to the undistributed profits of the Group's subsidiaries established in the PRC amounted to RMBNil, RMB95,275,000 and RMB1,174,928,000 as at 31 December 2020, 2021 and 2022, respectively, where deferred tax liabilities in respect of the PRC Withholding Tax that would be payable on the distributions of these profits, have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

23 Financial instruments issued to an investor

The Group and the Company	**At 31 December**	
	2021	**2022**
	RMB'000	*RMB'000*
Measured at fair value		
– Preference shares	8,327,504	10,253,755
– Warrants	429,378	–
	8,756,882	10,253,755

(a) Preference shares

On 13 November 2021, the Company entered into a series of agreements (the "Series A Agreements") with Zest Holdings II Pte. Ltd. (the "Series A Preferred Shareholder"). Pursuant to the Series A Agreements, the Series A Preferred Shareholder agreed to purchase an aggregate number of 3,402,805 preference shares (the "Series A Preference Shares") at a total consideration of USD300,000,000 (equivalent to approximately RMB1,919,400,000), which was fully paid in November 2021.

On 20 May 2022, the Company entered into another series of agreements (the "Second Series A Agreements") with the Series A Preferred Shareholder. Pursuant to the Second Series A Agreements, the Series A Preferred Shareholder agreed to purchase an aggregate number of 5,612,625 Series A Preference Shares at a total consideration of USD500,000,000 (equivalent to approximately RMB3,334,550,000), which was fully paid in June 2022.

Pursuant to the Series A Agreements and the Second Series A Agreements, the Group is required to fully or partially redeem the Series A Preference Shares upon the request from the Series A Preferred Shareholder or required to distribute 30% of the distributable profits upon the occurrence of certain triggering events as stipulated in these agreements. These terms and conditions are beyond the Company's control, and accordingly, the Group has recognised financial liabilities at amounts equivalent to the maximum exposure the Group can be required to settle arising from these obligations.

Pursuant to the Series A Agreements and the Second Series A Agreements, the Series A Preferred Shareholder can convert the Series A Preference Shares into an equal number of ordinary shares in the Company at anytime during the life of the Series A Preference Shares. This conversion option is embedded in the Series A Preference Shares, and are recognised and remeasured at fair value, and presented as part of the carrying amounts of the Series A Preference Shares.

The movements of the financial liabilities arising from the Series A Preference Shares during the Track Record Period are set out below:

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
At 1 January	–	8,327,504
Issuance of the Series A Preference Shares	1,919,400	3,334,550
Remeasurement to fair value through equity upon issuance (Note (i))	6,437,232	(2,334,185)
Changes in fair value through profit or loss	–	107,396
Exchange adjustments	(29,128)	818,490
At 31 December	8,327,504	10,253,755

Note:

(i) During the Track Record Period, the Company issued the Series A Preference Shares to an investor. Pursuant to the prevailing accounting standards, the Company shall recognise financial liabilities arising from the issuance of the Series A Preference Shares at the highest possible obligations arising therefrom. The Company assessed that the highest possible outcome if its obligations would be the Company being obliged to distribute 30% of its distributable profits till the perpetuity. As the present value of perpetual cashflow of the future distribution of distributable profits represents the fair value of the Company's equity, the Company measure the financial liabilities arising from its obligations under the Series A Agreements and the Second Series A Agreements using 30% of fair value of its equity (Note 25(d)(i)). The differences between the considerations received from the issuance of the Series A Preference Shares and the fair value of the financial liabilities recognised at the date of issuance were adjusted in equity. Subsequent remeasurement of the financial liabilities at the end of the reporting period were recognised in profit or loss.

Based on the above and upon the issuance of the Series A Preference Shares in 2021, the financial liabilities was remeasured to 30% of fair value of the Company's equity at the date of issuance. The difference (approximately RMB6,437,232,000) between the consideration received (approximately RMB1,919,400,000) and 30% of fair value of the Company's equity was recognised in equity.

Upon issuance of the Series A Preference Shares in 2022, the fair value of the equity value of Company increased by RMB3,334,550,000 (representing the considerations received), of which 30% (representing the settlement that would be triggered by the event with the highest settlement outcome as stipulated in the Series A Agreements and the Second Series A Agreements) was allocated to fair values of the financial liabilities, where the remaining 70% being allocated to equity.

(b) Warrants

Pursuant to the Series A Agreements, the Series A Preferred Shareholder was also granted warrants, which entitled the Series A Preferred Shareholder to purchase additional preference shares of the Company at pre-determined enterprise value of the Company. The warrants were classified as derivative financial instruments and were initially recognised at fair value, and subsequently remeasured at fair value through profit or loss. The warrants had been terminated upon the issuance of the Series A Preference Shares according to the Second Series A Agreements.

The movements of the financial liabilities arising from the issuance of warrants during the Track Record Period are set out below:

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
At 1 January	–	429,378
Issuance of warrants	409,261	–
Changes in fair value through profit or loss	21,617	23,272
Termination of warrants	–	(472,173)
Exchange adjustments	(1,500)	19,523
At 31 December	429,378	–

24 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's equity during the Track Record Period are set out in the consolidated statements of changes in equity.

Details of the changes of the Company's individual components of equity are set out below:

	Share capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Accumulated losses**	**Total equity-deficit**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 24(b))	*(Note 24(c))*	*(Note 24(d))*	*(Note 24(e))*		
At 24 September 2021 (date of incorporation)	–	–	–	–	–	–
Changes in equity for the year ended 31 December 2021:						
Profit and total comprehensive income for the year	–	–	–	23,663	74,397	98,060
Issuance of ordinary shares (Note 24(b))	30	11,753	–	–	–	11,783
Remeasurement of preference shares to fair value upon issuance (Note 23(a))	–	–	(6,437,232)	–	–	(6,437,232)
Issuance of warrants (Note 23(b))	–	–	(409,261)	–	–	(409,261)
Dividends declared (Note 24(f))	–	–	–	–	(99,090)	(99,090)

	Share capital *RMB'000* *(Note 24(b))*	Share premium *RMB'000* *(Note 24(c))*	Capital reserve *RMB'000* *(Note 24(d))*	Exchange reserve *RMB'000* *(Note 24(e))*	Accumulated losses *RMB'000*	Total equity-deficit *RMB'000*
At 31 December 2021 and 1 January 2022	30	11,753	(6,846,493)	23,663	(24,693)	(6,835,740)
Changes in equity for the year ended 31 December 2022:						
Loss and total comprehensive income for the year	–	–	–	(513,507)	(147,801)	(661,308)
Remeasurement of preference shares to fair value upon issuance (Note 23(a))	–	–	2,334,185	–	–	2,334,185
Termination of warrants (Note 23(b))	–	–	472,173	–	–	472,173
At 31 December 2022	30	11,753	(4,040,135)	(489,844)	(172,494)	(4,690,690)

(b) Share capital

The share capital as at 31 December 2021 and 2022 represented the issued share capital of the Company, comprising 46,597,195 shares at USD0.0001 each.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 September 2021. The initial authorised share capital was USD50,000 divided into 50,000 shares with a par value of USD1 each. On 25 November 2021, the authorised share capital has been revised to USD50,000 and divided into 500,000,000 shares of USD0.0001 par value each.

Upon incorporation of the Company and on 4 November 2021, 1 and 96 shares in the Company were allotted and issued, credited as fully paid, to Zhenjiu Holding Limited ("Zhenjiu Holding"), a company with limited liability incorporated and wholly owned by the Controlling Shareholder, at par value, respectively. As a result of a share division took place on 25 November 2021, the 97 shares issued to Zhenjiu Holding were divided into 970,000 shares. On 25 November 2021, additional 44,229,280 shares were allotted and issued, credited as fully paid, to Zhenjiu Holding at par value.

On 25 November 2021, an investor agreed to subscribe for 1,397,915 shares in the Company at a consideration of RMB11,754,000, where RMB1,000 and RMB11,753,000 were credited to the share capital and share premium account, respectively.

(c) Share premium

The application of the share premium account is governed by Section 34 of the Companies Act (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(d) Capital reserve

The Group's capital reserve at 1 January 2020, 31 December 2020 and 1 January 2021 represented the paid-in capital and capital reserve of the Zhenjiu Group prior to the Reorganisation underwent by the Group.

Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group and accordingly, the paid-in capital and capital reserve of the Zhenjiu Group were eliminated when preparing the Historical Financial Information. A total consideration of RMB527,053,000 was paid under the Reorganisation and adjusted against capital reserve.

As mentioned in Note 23, the issuance and recognition of financial liabilities of the Series A Preference Shares, and the issuance and termination of warrants were adjusted through capital reserve.

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(s).

(f) Distributions/dividends

During the Track Record Period, the Group made the following distributions/dividends to its equity holders/shareholders:

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Distributions made by the Zhenjiu Group	–	1,787,000	–
Dividends declared by the Company	–	99,090	–
	–	1,886,090	–

In 2021, the Zhenjiu Group made distributions amounted to RMB1,787,000,000 to the then equity holders, of which RMB1,750,354,000 were used to off set the amounts due from related parties (see Notes 16 and 17(b)).

In November 2021, the Company declared dividends of HKD120,700,000 (equivalent to approximately RMB99,090,000).

The directors of the Company consider that the distributions made and the dividends declared during the Track Record Period are not indicative of the future dividend policy of the Group.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practises used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The directors of the Company are of the opinion that the Group's exposure to credit risks arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks with good credit standing, for which the Group considers to have low credit risk. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over their respective approved credit limits. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Trade receivables are usually due within 30 days from the date of billing, where credit periods of one month to one year are granted to certain large customers. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2020, 2021 and 2022, 47%, 46% and 5% of the total trade receivables was due from the Group's largest debtor, respectively, and 62%, 61% and 12% of the total trade receivables, respectively, were due from the Group's five largest debtors.

The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated by collective assessment using a provision matrix. As the Group's historical credit loss experience indicate no significantly different loss patterns for different types of customer, the loss allowance based on past due status is not distinguished among the Group's different customer types.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables:

	At 31 December 2020		
	Expected loss rate *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
Less than 3 months	0.5%	38,085	187
More than 3 months but less than 6 months	7.2%	12,027	864
More than 6 months but less than 12 months	10.9%	4,173	454
More than 12 months	78.3%	3,524	2,759
		57,809	4,264

	At 31 December 2021		
	Expected loss rate *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
Less than 3 months	1.3%	46,405	620
More than 3 months but less than 6 months	3.9%	4,399	171
More than 6 months but less than 12 months	8.4%	4,539	382
More than 12 months	65.7%	6,204	4,073
		61,547	5,246

	At 31 December 2022		
	Expected loss rate *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
Less than 3 months	0.9%	98,453	923
More than 3 months but less than 6 months	6.7%	10,948	729
More than 6 months but less than 12 months	8.0%	11,780	943
More than 12 months	100.0%	6,371	6,371
		127,552	8,966

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables during the Track Record Period are as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	2,956	4,264	5,246
Impairment loss recognised during the year	1,308	982	3,720
Balance at 31 December	4,264	5,246	8,966

(b) Liquidity risk

The treasury function is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay.

	At 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**Over 1 year but within 2 years**	**Over 2 years but within 5 years**	**Over 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	144,661	–	–	–	144,661	144,661
Other payables and accruals measured at amortised cost	1,047,514	–	–	–	1,047,514	1,047,514
Bank and other borrowings	919,200	20,000	36,600	–	975,800	952,100
Lease liabilities	15,102	7,862	16,341	11,499	50,804	44,529
	2,126,477	27,862	52,941	11,499	2,218,779	2,188,804

	At 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	Over 1 year but within 2 years *RMB'000*	Over 2 years but within 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Trade payables	550,649	–	–	–	550,649	550,649
Other payables and accruals measured at amortised cost	1,716,365	–	–	–	1,716,365	1,716,365
Amounts due to related parties	198,135	–	–	–	198,135	198,135
Bank and other borrowings	731,751	187,875	–	–	919,626	896,600
Lease liabilities	25,886	16,352	25,540	8,825	76,603	69,062
Financial instruments issued to an investor	1,925,549	–	–	–	1,925,549	8,756,882
	5,148,335	204,227	25,540	8,825	5,386,927	12,187,693

	At 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	Over 1 year but within 2 years *RMB'000*	Over 2 years but within 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Trade payables	1,045,530	–	–	–	1,045,530	1,045,530
Other payables and accruals measured at amortised cost	1,609,000	–	–	–	1,609,000	1,609,000
Bank and other borrowings	36,600	–	–	–	36,600	36,600
Lease liabilities	28,612	16,704	22,994	2,782	71,092	65,188
Financial instruments issued to an investor	5,797,810	–	–	–	5,797,810	10,253,755
	8,517,552	16,704	22,994	2,782	8,560,032	13,010,073

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

(i) Interest rate profile

The following tables detail the interest rate profile of the Group's bank and other borrowings at the end of each reporting period:

	At 31 December 2020		At 31 December 2021		At 31 December 2022	
	Effective interest rate *%*	*RMB'000*	**Effective interest rate** *%*	*RMB'000*	**Effective interest rate** *%*	*RMB'000*
Fixed rate borrowings:						
– Bank and other borrowings	2.85% – 4.75%	726,600	3.70% – 4.75%	596,600	4.75%	36,600
– Lease liabilities	4.75% – 4.90%	44,529	4.75% – 4.90%	69,062	4.75% – 4.90%	65,188
		771,129		665,662		101,788
Variable rate borrowings:						
– Bank borrowings	4.18%	225,500	4.15%	300,000		–
Total borrowings		996,629		965,662		101,788

(ii) Sensitivity analyses

At 31 December 2020, 2021 and 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,691,000, RMB2,250,000 and RMBNil, respectively.

The sensitivity analyses above indicate the instantaneous change in the Group's profit after tax and retained profits on the Group's exposure to cash flow interest rate risk from variable rates non-derivative instruments that would arise assuming that the change in interest rates had occurred at the end of each reporting period. The impact is estimated as an annualised impact on interest exposure of such a change in interest rates. The sensitivity analyses are performed on the same basis during the Track Record Period.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements at 31 December 2021 categorised into Level 3 *RMB'000*	**Fair value measurements at 31 December 2022 categorised into Level 3** *RMB'000*
Recurring fair value measurement		
Financial liabilities:		
– Preference shares	8,327,504	10,253,755
– Warrants	429,378	–
	8,756,882	10,253,755

The Group engaged an independent valuer to perform valuations for financial instruments categorised into Level 3 of the fair value hierarchy.

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Series A Preference Shares

The fair values of the financial liabilities arising from preference shares are determined using the equity allocation model. As at 31 December 2021 and 2022, key assumptions used are set out below:

	At 31 December	
	2021	**2022**
Risk free interest rate	1.32%	2.97%
Expected volatility	42.10%	44.62%

As at 31 December 2021 and 2022, if all other variables are held constant, an(a) increase/decrease in the risk free interest rate by 0.1% would have a(an) (decrease)/increase impact on the Group's profit after tax as below:

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Risk free interest rate increased by 0.1%	(630,000)	(526,000)
Risk free interest rate decreased by 0.1%	635,000	529,000

As at 31 December 2021 and 2022, if all other variables are held constant, an(a) increase/decrease in the excepted volatility by 1% would have an(a) increase/(decrease) impact on the Group's profit after tax as below:

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Expected volatility increased by 1%	919,000	510,000
Expected volatility decreased by 1%	(947,000)	(558,000)

Warrants

The fair values of the financial liabilities arising from warrants are determined using the binomial lattice model. As at 31 December 2021, key assumptions used are set out below:

	At 31 December
	2021
Risk free interest rate	0.88%
Expected volatility	47.49%

As at 31 December 2021, if all other variables are held constant, an(a) increase/decrease in the risk free interest rate by 0.1% would have a(an) (decrease)/increase impact on the Group's profit after tax as below:

	At 31 December
	2021
	RMB'000
Risk free interest rate increased by 0.1%	(1,239)
Risk free interest rate decreased by 0.1%	1,236

As at 31 December 2021, if all other variables are held constant, an(a) increase/decrease in the excepted volatility by 1% would have a(an) (decrease)/increase impact on the Group's profit after tax as below:

	At 31 December
	2021
	RMB'000
Excepted volatility increased by 1%	(9,557)
Excepted volatility decreased by 1%	9,580

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2020, 2021 and 2022.

26 Commitments

Commitments outstanding at 31 December 2020, 2021 and 2022 not provided for in the Historical Financial Information were as follows:

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Commitments in respect of purchase of property, plant and equipment			
- contracted for	1,020,965	550,880	867,473
- authorised but not contracted for	109,856	118,983	96,432
	1,130,821	669,863	963,905

27 Material related party transactions and balances

(a) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period and balances with the Group at the end of each reporting period

Name of related parties	Relationship
Zhenjiu Holding	Immediate holding company of the Company
Charm Cultural Tourism Development Co., Ltd. ("Charm Cultural Tourism") 魅力文旅發展有限公司 (Note (i))	A company controlled by the Controlling Shareholder
Guilin Xiangshan Liquor Industry Co., Ltd. ("Guilin Xiangshan") 桂林湘山酒業有限公司 (Note (i))	A company controlled by the Controlling Shareholder
Huaze Liquor Sales Co., Ltd. ("Huaze Liquor") 華澤酒業銷售有限公司 (Note (i))	A company controlled by the Controlling Shareholder (disposed of on 17 December 2021)
Huaze Group 華澤集團有限公司 (Note (i))	A company controlled by the Controlling Shareholder
Jindong Group (formerly "Hunan Jinliufu Liquor Industry Co., Ltd.") 湖南金東酒業有限公司（前稱"湖南省金六福酒業有限公司"）(Note (i))	A company controlled by the Controlling Shareholder
Shaoyang Huaze Real Estate Co., Ltd. ("Shaoyang Huaze") 邵陽華澤房地產開發有限公司 (Note (i))	A company controlled by the Controlling Shareholder
Sichuan Qionglai Jinliufu Cliff Valley Ecological Brewing Co., Ltd. ("Qionglai Jinliufu") 四川邛崍金六福崖谷生態釀酒有限公司 (Note (i))	A company controlled by the Controlling Shareholder
Xiangtan Huapeng Packaging Co., Ltd. ("Xiangtan Huapeng") 湘潭華鵬包裝有限公司 (Note (i))	A company controlled by the Controlling Shareholder (disposed of on 19 September 2022)
Liling Turandot Hotel ("Turandot Hotel") 醴陵圖蘭朵酒店 (Note (i))	A company controlled by the Controlling Shareholder
Jindong Capital (HK) Limited ("Jindong Capital")	A company controlled by the Controlling Shareholder
Guizhou Huashi Packaging Technology Co., Ltd. ("Guizhou Huashi") 貴州華世包裝科技有限公司 (Note (i))	An associate of a company controlled by the Controlling Shareholder (disposed of on 19 September 2022)

Name of related parties	**Relationship**
Diqing Shangri-La Economic Development Zone Tianlai Liquor Industry Co., Ltd. ("Diqing Shangri-La Tianlai") 迪慶香格里拉經濟開發區天籟酒業有限公司 (Note (i))	A company controlled by a close family member of the Controlling Shareholder

Note:

(i) The official names of these entities are in Chinese. The English translations are for identification only.

(b) Transactions with related parties during the Track Record Period

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sales of baijiu products			
Huaze Liquor	336	104,293	–
Diqing Shangri-La Tianlai	6,388	11,998	–
Charm Cultural Tourism	999	1,143	1,230
Turandot Hotel	255	404	51
	7,978	117,838	1,281
Purchase of raw materials			
Xiangtan Huapeng	17,745	28,111	21,867
Qionglai Jinliufu	–	3,490	2,187
Guilin Xiangshan	–	504	698
Guizhou Huashi	20,017	89,040	52,140
	37,762	121,145	76,892
Hospitality services received			
Turandot Hotel	6	537	2,191
Leases of premises			
Huaze Group	574	574	574
Shaoyang Huaze	283	283	283
	857	857	857

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries of the Group's employees borne and paid by a related party			
Huaze Group	10,892	9,262	–
Net outflow to/(inflow from) related parties (non-trade in nature)			
Huaze Group	1,030,960	(1,854,999)	190,000
Jindong Capital	–	(8,135)	8,135
	1,030,960	(1,863,134)	198,135

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees provided by Jindong Group and Huaze Group on the Group's bank borrowings at the end of the reporting period (Note 20)	885,500	840,000	–

The directors of the Company expect the above transactions in the form of (i) sales of baijiu products; (ii) purchase of raw materials; and (iii) leases of premises, to be continued after the **[REDACTED]** of the Company's shares on the Stock Exchange.

(c) Balances with related parties at the end of the reporting period

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Included in trade payables			
Xiangtan Huapeng	5,992	3,643	–
Qionglai Jinliufu	–	16	444
Guizhou Huashi	3,263	6,116	–
	9,255	9,775	444

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Receipts in advance included in other payables and accruals			
Huaze Liquor	597	–	–
Diqing Shangri-La Tianlai	5,779	338	15
Charm Cultural Tourism	186	3,643	11
Turandot Hotel	17	39	–
	6,579	4,020	26
Non-trade in nature:			
Amounts due from related parties			
Huaze Group	1,664,999	–	–
Amounts due to related parties			
Huaze Group	–	190,000	–
Jindong Capital	–	8,135	–
	–	198,135	–

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employee of the Group as disclosed in Note 9 during the Track Record Period, is as follows:

	Years ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	12,118	13,375	20,728
Contributions to defined contribution retirement plans	92	116	226
	12,210	13,491	20,954

During the years ended 31 December 2020, 2021 and 2022 and prior to the completion of the Reorganisation, remuneration of RMB10,892,000, RMB9,262,000 and RMBNil, respectively, for key management personnel was paid and borne by a related party. These amounts are shown in the above tables for information only.

Except for remuneration borne by a related party mentioned above, total remuneration is included in "staff costs" in Note 6(b).

28 Immediate and ultimate controlling party

The directors of the Company consider the immediate holding company of the Company at 31 December 2022 to be Zhenjiu Holding, and the ultimate controlling party to be Mr Wu Xiangdong.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2022

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards which are not yet effective for the accounting period beginning on 1 January 2022 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance Contracts*, and amendments to IFRS 17, *Insurance Contracts*	1 January 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practise Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be decided

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

30 Subsequent events

[There was no material non-adjusting event after reporting period up to the date of this report.]

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2022.