

# Jiujiuwang Food International Limited 久久王食品国际有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1927

## 2022 ANNUAL REPORT



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zheng Zhenzhong (*Chairman and chief executive officer*)  
Mr. Zheng Guosi  
Mr. Chen Kan

### Independent non-executive Directors

Mr. Wang Linan  
Mr. Wu Shiming  
Mr. Chen Congming

## AUTHORISED REPRESENTATIVES

Mr. Chen Kan  
Mr. Ng Shing Kin

## COMPANY SECRETARY

Mr. Ng Shing Kin (*member of HKICPA*)

## AUDIT COMMITTEE MEMBERS

Mr. Wu Shiming (*Chairman*)  
Mr. Wang Linan  
Mr. Chen Congming

## REMUNERATION COMMITTEE MEMBERS

Mr. Wang Linan (*Chairman*)  
Mr. Zheng Zhenzhong  
Mr. Chen Congming

## NOMINATION COMMITTEE MEMBERS

Mr. Zheng Zhenzhong (*Chairman*)  
Mr. Chen Congming  
Mr. Wang Linan

## RISK MANAGEMENT COMMITTEE MEMBERS

Mr. Wu Shiming (*Chairman*)  
Mr. Zheng Zhenzhong  
Mr. Wang Linan

## PRINCIPAL SHARE REGISTRAR

Ogier Global (Cayman) Limited  
89 Nexus Way, Camana Bay  
Grand Cayman, KY1-9009  
Cayman Islands

## LEGAL ADVISER TO THE COMPANY

*As to Hong Kong law*  
Ince & Co  
Suites 4404–10, 44th Floor  
One Island East, 18 Westlands Road  
Taikoo Place, Hong Kong

## COMPLIANCE ADVISER

Lego Corporate Finance Limited  
Room 1601, 16/F, China Building  
29 Queen's Road Central, Hong Kong

## AUDITORS

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants  
31th, Gloucester Tower, The Landmark,  
11 Pedder Street, Central, Hong Kong SAR

## PRINCIPAL BANKERS

China Everbright Bank Co., Ltd.  
Quanzhou Jinjiang sub-branch  
1/F, Aipai Centre, Quan'an Road  
Quetang Community, Luoshan Street  
Jinjiang City, Fujian Province, PRC

Industrial Bank Co., Ltd.  
Jinjiang sub-branch  
Industrial Bank Building, No. 271 Chongde Road  
Jinjiang City, Fujian Province, PRC

PingAn Bank Co., Ltd.  
Quanzhou Jinjiang sub-branch  
1/F, Baolong Hotel  
No. 1558, Quan'an Central Road, Jinjiang City  
Fujian Province, PRC

## HEADQUARTERS

No. 398 Ping An East Road, Xukeng Industrial Zone  
Luoshan Street, Jinjiang City  
Fujian Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4404–10, 44/F, One Island East  
18 Westlands Road, Taikoo Place, Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Wanchai, Hong Kong

## COMPANY WEBSITE

[www.jiujiuwang.com](http://www.jiujiuwang.com)

## STOCK CODE

1927

# CHAIRMAN'S STATEMENT

Dear Shareholders,

We are a confectionary products manufacturer in the PRC. We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We generally source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers in the PRC.

Looking forward, we will endeavor to strengthen the development of our existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

## APPRECIATION

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Jiujiuwang Food International Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to express my sincere gratitude to our valued customers, business partners, and shareholders for their persistent support, and express my appreciation to the management team and employees for their valuable contribution to the development of the Group. Finally, I would like to express my sincere appreciation to the officers of the Stock Exchange of Hong Kong Limited for their guidance.

**Zheng Zhenzhong**

*Chairman*

Hong Kong, 31 March 2023

# FINANCIAL HIGHLIGHTS

## CONSOLIDATED RESULTS

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	376,411	409,825
Profit before taxation	25,439	41,821
Profit and total comprehensive income for the year attributable to owners of the Company	15,222	27,176

## ASSETS AND LIABILITIES

	At 31 December	
	2022 RMB'000	2021 RMB'000
Assets		
Non-current assets	358,864	328,101
Current assets	304,081	290,576
<b>Total assets</b>	<b>662,945</b>	<b>618,677</b>
Equity and liabilities		
Total equity	395,266	380,044
Non-current liability	10,381	–
Current liabilities	257,298	238,633
<b>Total liabilities</b>	<b>267,679</b>	<b>238,633</b>
<b>Total equity and liabilities</b>	<b>662,945</b>	<b>618,677</b>
<b>Net current assets</b>	<b>46,783</b>	<b>51,943</b>
<b>Total assets less current liabilities</b>	<b>405,647</b>	<b>380,044</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

Since the outbreak of COVID-19, major cities in the People's Republic of China (the "PRC") have taken emergency public health measures including travel restrictions to control the COVID-19 epidemic. Our Group has implemented various measures in response to the COVID-19 epidemic to strengthen our existing business.

Our Directors confirm that as at the date of this report, there had been no material impact on the supply of products and/or raw materials to our Group, due to the outbreak of COVID-19.

## BUSINESS REVIEW

We are a confectionary products manufacturer in the PRC. We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We generally source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers in the PRC. We own and operate our production facilities for the manufacturing of our confectionary products with a view to controlling our product quality, production costs and production schedule directly. Our factory is located in Jinjiang City, Fujian Province with a large site area, with a number of production lines to produce large quantities of our products.

During the year ended 31 December 2022, the Group recorded a profit of approximately RMB16.1 million as compared to a profit of approximately RMB27.3 million for the corresponding period in 2021. The decrease was mainly due to the net effect of (i) the decrease in expenses of listing (the "Listing") on the Stock Exchange on 16 March 2021 of approximately RMB14.9 million and (ii) decrease in gross profit of approximately RMB18.4 million.

## PROSPECT

Our business objective is to strive to achieve sustainable growth and further enhance our position as a manufacturer of confectionary products in the PRC.

Historically, we are a confectionary products manufacturer in the PRC. We have focused on manufacturing and selling confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We own and operate our production facilities for the manufacturing of our confectionary products with a view to controlling our product quality, production costs and production schedule directly. We believe that production facilities, product development and quality control are crucial to our competitiveness and success. Thus, we will put significant emphasis on purchasing and introducing new production lines, as well as purchasing new equipment and machines for the replacement of existing machines and equipment. We will also place emphasis on product development and commit to enhancing product quality to cater for changing consumer preferences and enhancing our product offerings.

One of our business strategies is to leverage on our production and product development capacities and experience in the manufacture and sale of our own-branded products. We manufacture and sell our confectionary products under brands owned or licenced by OEM customers in the PRC and to overseas countries. To enhance our marketing, we will continue to engage a marketing firm for the promotion of our brands to strengthen our market position in the confectionary industry in the PRC and enhance our brand recognition and awareness, so as to increase our sales through e-commerce channels and enhance our distribution network.

# MANAGEMENT DISCUSSION AND ANALYSIS

We believe that the above business strategies will allow us to take advantage of the business opportunities and explore new markets with significant growth potential in the PRC. Looking ahead, the Group will endeavor to strengthen the development of its businesses to provide steady return as well as growth prospects for the Shareholders.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately 8.2% from approximately RMB409.8 million for the year ended 31 December 2021 to approximately RMB376.4 million for the year ended 31 December 2022. The decrease in revenue was mainly attributable to the decrease in OEM products due to the increase in our sales of confectionary products to Gary & Bros Confectionary.

### Cost of sales

The Group's cost of sales mainly comprised of (i) direct materials costs, (ii) production costs; and (iii) direct labour costs. For the years ended 31 December 2021 and 2022, the cost of sales amounted to approximately RMB279.6 million and RMB264.6 million, respectively, representing a decrease of approximately 5.4%, which was in line with the decrease in revenue for the same year.

### Gross profit

The Group's gross profit, which equals to the revenue minus cost of sales, for the year ended 31 December 2022 was approximately RMB111.8 million, representing a decrease of approximately 14.1% from approximately RMB130.2 million for the year ended 31 December 2021. The decrease in gross profit was in line with the decrease in revenue for the same period. The Group's gross profit margin amounted to approximately 29.7% and 31.8% for the year ended 31 December 2022 and 2021, respectively, which was mainly attributable to the offering of lower gross profit margin for new products in order to promote those products.

### Other income, gain or (loss), net

The Group's other income, gain or (loss), net changed from a net gain of approximately RMB5.0 million for the year ended 31 December 2021 to a net loss of approximately RMB2.3 million for the year ended 31 December 2022. The changes from a net gain to a net loss was mainly due to the combine effect of the loss on addition of sale and lease back, decrease in government grant and increase in exchange gain.

### Selling expenses

The Group's selling expenses mainly comprised of marketing and promotion expenses, staff costs, travelling expenses, and office expenses and others. The Group's selling expenses remained stable at approximately RMB37.6 million for the year ended 31 December 2021 and approximately RMB37.3 million for the year ended 31 December 2022, respectively.

### Administrative expenses

The Group's administrative expenses mainly comprised of depreciation and amortisation expenses, travelling expenses, vehicle-related expenses, legal and professional fees, taxes and stamp duty, staff costs, research and development expenses and office expenses. The Group's administrative expenses increased from approximately RMB28.6 million for the year ended 31 December 2021 to approximately RMB33.4 million for the year ended 31 December 2022, representing an increase of approximately 16.8%. The increase in administrative expenses was mainly attributable to the increase in travelling expenses, vehicle-related expenses and legal and professional fees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Income tax expenses

The Group's income tax expenses were approximately RMB14.5 million and RMB9.4 million for the years ended 31 December 2021 and 2022, respectively. The decrease was mainly due to the decrease in taxable profit for the year ended 31 December 2022.

## Finance costs

The Group's finance costs increased from approximately RMB12.3 million for the year ended 31 December 2021 to approximately RMB13.1 million for the year ended 31 December 2022. The increase in finance costs was mainly attributable to the increase in interest rates during the year.

## Net Profit

The Group recorded a profit of approximately RMB16.1 million for the year ended 31 December 2022 as compared to a profit of approximately RMB27.3 million for the year ended 31 December 2021. The decrease was mainly due to the combined effect of the decrease in gross profit, decrease in Listing expenses and changes from other income and gain to other income and loss.

## Use of net proceeds

The net proceeds (the "**Net Proceeds**") from the Listing on 28 March 2021 (the "**Listing Date**"), after deducting the underwriting fees and commissions and estimated expenses paid by the Company in connection thereto, were approximately HK\$75.7 million. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 26 February 2021 (the "**Prospectus**").

The Net Proceeds as at 31 December 2022 were used as follows:

	<b>Allocation of the Net Proceeds</b>	<b>Utilised IPO Proceeds as at 31 December 2022</b>	<b>Unutilised IPO Proceeds as at 31 December 2022</b>	<b>Expected Timeline for utilising the remaining unused Net Proceeds</b>
	HK\$' Million	HK\$' Million	HK\$' Million	
Expansion of production capacities	40.3	40.3	–	N/A
Replacement of machines in existing production lines	20.1	20.1	–	N/A
Partial repayment of bank loans	6.3	6.3	–	N/A
Enhancement of marketing efforts	6.7	6.7	–	N/A
General working capital	2.3	2.3	–	N/A
	75.7	75.7	–	



# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Group, which may materially and adversely affect its business, financial condition or results of operations:

1. Substantial amount of our revenue from OEM customers was derived from a few major OEM customers.
2. The Group relies on our third party distributors for the sale of our owned-branded products to their respective subdistributors and retailers. Termination of or failure to renew our distribution agreements with our third party distributors may significantly decrease the sale of our owned-branded products.
3. The Group's business may be negatively affected if our third party distributors fail to comply with our distribution policies and if our third party distributors fail to perform as expected.
4. The Group generally does not enter into long term contracts nor contracts with minimum purchase requirement with our customers.
5. Unfavourable fluctuations in price, availability and quality of raw materials could cause material production delays and materially increase our costs of sales.
6. The outbreak of COVID-19 may cause damage to the economy and as a result may adversely affect our business, results of operations and financial performance.
7. The Group's business is susceptible to food-borne illness claims and product liability claims, which may increase the likelihood of reputational risk.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets as at 31 December 2022.

### Comparison of business strategies and actual business progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period is set out below:

<b>Business objective as stated in the Prospectus</b>	<b>Actual business progress up to 31 December 2022</b>
Expansion of production capacities	The Group used the Net Proceeds to finance the costs of construction of the new factory building of approximately HK\$40.3 million.
Replacement of machines in existing production lines	The Group used approximately HK\$20.1 million to replace the machines in existing production lines.
Partial repayment of bank loans	The Group used approximately HK\$6.3 million to repay the bank loans.
Enhancement of marketing efforts	The Group used approximately HK\$6.7 million to engage a marketing firm for promotion of the brands to strengthen our market position in the confectionary industry in the PRC and enhance our brand recognition and awareness.
General working capital	The Group used approximately HK\$2.3 million for general working capital.

### Principal risks and uncertainties in achieving our business strategies

Up to the date of this report, the Group has faced certain risks and uncertainties in achieving our business strategies in accordance with the use of proceeds plan as set out in the Prospectus, and which are summarised as follows:

- (1) The outbreak of the COVID-19 may cause damage to the economy and as a result may adversely affect our business plan to expand our production capacities and replace the machines in existing production lines;
- (2) When achieving our business plans, timing is everything. The Group may fail to grasp the business trend to determine the optimal time to hit the market or promote our brands; and
- (3) In an increasingly volatile and complex trading environment, the Group may face changes in consumer behavior and high competition when we launch our marketing plan.

In order to alleviate the above risks and uncertainties in achieving our business strategies, we will ensure that our business plans are as resilient as possible to meet these challenges. We will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

### Capital structure

As at 31 December 2022, the Company had a total of 792,000,000 shares of US\$0.0001 each in issue (the “Shares”). The Shares of the Company were listed on the Stock Exchange on 16 March 2021 by way of the Hong Kong public offering and the international placing and 198,000,000 Shares were issued at a price of HK\$0.75 per Share. The Group generally finances its daily operations with internally generated resources and banking facilities. The interest rates of the borrowings are charged by reference to prevailing market rates.

### Cash position

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately RMB27.5 million, representing a decrease of approximately 24.0% from approximately RMB36.2 million as at 31 December 2021. The decrease was mainly due to purchases of property, plant and equipment.

### Borrowings

As at 31 December 2022, the total borrowings of the Group, all of which were denominated in RMB, amounted to approximately RMB201.6 million (as at 31 December 2021: approximately RMB213.4 million). Among the borrowings,

1. approximately RMB21.0 million (as at 31 December 2021: RMB31.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate at 6.09% and was secured by corporate guarantee by independent third parties.
2. approximately RMB118.1 million (as at 31 December 2021: RMB119.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging from 5.15%-5.50% and was secured by right-of-use assets and property, plant and equipment of the Company.
3. approximately RMB26.0 million (as at 31 December 2021: RMB26.5 million) was derived from the bank borrowings from the PRC bank which bears interest rate at 5.22% and was secured by corporate guarantee by independent third parties, personal guarantee by directors and related parties of the Company.
4. approximately RMB31.6 million (as at 31 December 2021: RMB32.0 million) was derived from the bank borrowings from PRC bank which bears interest rate at 5.15% and was secured by a subsidiary of the Company.
5. approximately RMB4.9 million (as at 31 December 2021: RMB4.9 million) was derived from bank borrowings from the PRC bank which bears interest rate at 5.00% and was secured by personal guarantee by directors and related parties of the Company.

### Pledge of assets

As at 31 December 2022, the Group had pledged certain assets to secure facilities granted to the Group included (i) the right-of-use assets with carrying amount of RMB22,250,000 (as at 31 December 2021: RMB22,828,000); (ii) the building with carrying amount of RMB110,400,000 (as at 31 December 2021: approximately RMB114,470,000); and (iii) plant and machinery with carrying amount of RMB40,511,000 (as at 31 December 2021: approximately RMB48,491,000).

### Gearing ratio

As at 31 December 2022, the gearing ratio of the Group was approximately 57.6% (as at 31 December 2021: approximately 56.2%). The increase was mainly due to the increase in the lease liabilities during the year. The gearing ratio is calculated based on the bank borrowings and lease liabilities divided by the total equity of the Group at the end of the respective period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 406 employees (as at 31 December 2021: 403 employees). Remuneration of employees (excluding the Directors) is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. As incentives or rewards for their contribution to the Group, the Group has adopted the share option scheme and may grant options under the share option scheme to reward its employees, the Directors and other selected participants for their contributions to the Group. The Group has adopted defined contribution schemes for its employees. During the year ended 31 December 2022, there were no forfeited contributions that may be used to reduce the existing level of contributions to the schemes.

The Directors are of the view that employees are one of the keys to the sustainable development of the Group. The Directors believe that the Group maintains good working relations with its employees.

Employees are regarded as the most important and valuable assets of the Group. We provide various types of training to our employees, including (i) conducting in-house continuous professional development seminars; and (ii) provision of safety training programmes to enhance their safety awareness.

## CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitment of approximately RMB19,286,000 (2021: RMB30,765,000) in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no other material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2022 (during the year ended 31 December 2021: Nil).

## SIGNIFICANT INVESTMENTS HELD

As at 31 December 2022, the Group did not hold any significant investments (as at 31 December 2021: Nil).

## CONTINGENT LIABILITIES

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

## FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

As at 31 December 2022, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## TREASURY AND RISK MANAGEMENT

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

As at 31 December 2022, the Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents.

As at 31 December 2021 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Trade receivables**

In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits and credit approvals. The Group's monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade receivables individually and the remaining trade receivables are grouped using a provision matrix with past due status grouping. In this regard, the directors consider that the Group's credit risk is significantly reduced.

## **Other receivables**

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

## **Cash and cash equivalents**

The Group deposited its cash with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's rights with respect to cash and cash equivalents held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk was minimal.

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

## **LITIGATIONS**

As at 31 December 2022, the Group was not engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance pending or threatened by or against any member of the Group.

## **DIVIDEND**

The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Zheng Zhenzhong (鄭振忠)**, aged 63, is the founder of our Group, chairman of the Board, executive Director and chief executive officer of our Company and was appointed as a Director on 21 February 2017. He was redesignated as executive Director of the Company on 6 May 2019. He is primarily responsible for formulating the overall strategic planning and monitoring the operational efficiency of the management system. Mr. Zheng Zhenzhong has been the chairman and procurement director of Fujian Jiujiuwang Food Industry Co., Ltd.\* (福建久久王食品工業有限公司) ("**Jiujiuwang Food**") since July 1999 and has served as a director of Jinjiang Coolsa Food Limited\* (晉江市酷莎食品有限責任公司) ("**Coolsa Food**"), Jiujiuwang Food and Jiujiuwang Co., Ltd.\* (久久王有限責任公司) since their establishment. Under Mr. Zheng Zhenzhong's leadership, our business has grown into a food manufacturing company with a multi-brand product portfolio in Fujian Province. From May 1994 to October 2016, Mr. Zheng Zhenzhong served various roles, including general manager and director, in Jinjiang Weijia Food Co., Ltd.\* (晉江味佳食品有限公司), a company engaged in the manufacture of confectionary products and which has not been in operation since July 2013 up to his resignation, where he was responsible for business management. Mr. Zheng Zhenzhong has accumulated more than 28 years of experience in the confectionary industry in the PRC. He is one of the controlling shareholders ("**Controlling Shareholders**") of the Company.

Besides his role in our Group, Mr. Zheng Zhenzhong was involved in various educational institutions, including being:

- the school manager\* (校董) of Jinjiang City Huatai Experimental Primary School\* (晉江市華泰實驗小學) from June 2012 to June 2015; and
- the school manager\* (校董) of Jinjiang City Luoshan Middle School\* (晉江市羅山中學) from June 2016 to June 2017.

Mr. Zheng Zhenzhong graduated from Quetang Village Primary School\* (缺塘村小學) in June 1971.

Mr. Zheng Zhenzhong was a director of Jinjiang Xinghua Food Co., Ltd.\* (晉江市興華食品有限公司), a company established in the PRC, which was engaged in the manufacturing of confectionary products immediately before its dissolution on 9 June 2013 by reason of cessation of business. As confirmed by Mr. Zheng Zhenzhong, (a) the dissolution of such business entity was due to cessation of business; (b) there was no wrongful act on his part leading to the aforesaid dissolution of the business entity; (c) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the business entity; and (d) the business entity was solvent immediately prior to its dissolution.

Mr. Zheng Zhenzhong is the father of Mr. Zheng Guosi, another executive Director.

**Mr. Zheng Guosi (鄭國思)**, aged 39, was appointed as a Director on 17 November 2017 and was redesignated as executive Director of the Company on 6 May 2019. Mr. Zheng Guosi has been working as the general manager and supervisor of Jiujiuwang Food since January 2013 and January 2010, respectively. He assumes overall responsibility for the operation of the business and formulating the overall sales strategies of our Group. Mr. Zheng Guosi has accumulated over 22 years of experience in the confectionary industry in the PRC since he joined Jiujiuwang Food in January 2001. From January 2001 to December 2003, Mr. Zheng Guosi worked as the assistant sales manager of Jiujiuwang Food, mainly being responsible for collecting and analysing sales data and providing customer services. From January 2004 to December 2008, he worked as the sales manager of Jiujiuwang Food, mainly being responsible for implementation of sales plan of our Group. From January 2009 to December 2012, he worked as the sales director of Jiujiuwang Food, mainly being responsible for supervising and leading the sales team to achieve sales target. From April 2015 to October 2016, he also served various roles, including general manager, legal representative and director in Jinjiang Weijia Food Co., Ltd., and he was responsible for business management. He is one of the Controlling Shareholders of the Company.

Mr. Zheng Guosi completed his high school studies at Jinjiang City Jiyan Middle School\* (晉江市季延中學) in July 2000.

Mr. Zheng Guosi is a son of Mr. Zheng Zhenzhong, who is the chairman of the Board, executive Director and chief executive officer of our Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chen Kan (陳侃)**, aged 34, is an executive Director and chief financial officer of our Company. He was appointed as a Director on 4 January 2019 and was redesignated as executive Director of the Company on 6 May 2019. Mr. Chen joined our Group in December 2012. Mr. Chen is the financial controller of Jiujiuwang Food. He is responsible for (i) establishing and improving the accounting and financial management system of our Group, (ii) managing the finance and accounting operation of our Group, (iii) analysing operation and financial performance of our Group; and (iv) coordinating the preparation of financial reports for effective decision making of our Group.

Mr. Chen has over 12 years of experience in accounting and financial management. Before joining our Group, Mr. Chen worked at Xiamen Juxin Investment Company Limited\* (廈門鷗鑫投資有限公司), which is primarily engaged in investment in primary, secondary and tertiary industries, as financial director, and was responsible for the overall financial accounting, financing and management, from July 2010 to December 2012.

Mr. Chen received a bachelor's degree majoring in geography information system and minoring in international economics and trade from Sun Yat-sen University (中山大學) in June 2010. Mr. Chen was awarded the certificate of accounting professional by Zhangshu Municipal Finance Bureau\* (樟樹市財政局) in August 2010.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wang Linan (王禮南先生)**, aged 67, was appointed as our independent non-executive Director on 18 February 2021. Mr. Wang serves on the audit, remuneration, nomination and risk management committees and is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, between September 1988 and March 2016, Mr. Wang worked in Jinjiang County Commission for Inspection and Supervision Bureau\* (晉江縣監察局) as section member\* (科員), deputy chief of the monitoring unit\* (監察股副股長), deputy director general of Jinjiang County (City) Commission for Inspection and Supervision Bureau\* (晉江縣(市)監察局副局長), member of the standing committee of Jinjiang City\* (晉江市紀委常委), deputy secretary\* (副書記) and worked in Quanzhou City Commission for Discipline Inspection Supervision Bureau\* (泉州市紀委監察局) as deputy director discipline inspector\* (副處級紀檢監察員).

Mr. Wang studied physics and graduated from Jinjiang Regional Normal College\* (晉江地區師範大專班) in April 1981. Mr. Wang then studied law and graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China\* (中共中央黨函授學院) in December 2001.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wu Shiming (吳世明先生)**, aged 47, was appointed as our independent non-executive Director on 18 February 2021. Mr. Wu serves on the audit and risk management committees and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Wu has over 26 years of experience in accounting and financial management. From November 2014 to present, Mr. Wu served as executive director and general manager of Xiamen Pivot Software Co., Ltd\* (廈門支點軟件技術有限公司), mainly being responsible for formulating the company's development strategy, supervising the company's operation and management, reviewing and approving the company's financial report, and managing and supervising the company's financial activities. From December 2008 to September 2017, Mr. Wu served as a supervisor in Xiamen Bank Co., Ltd\* (廈門銀行股份有限公司). Between January 2001 and February 2017, Mr. Wu was appointed as deputy chief executive officer in Xiamen Sumpo Group Company Limited\* (廈門森寶集團有限公司), being responsible for monitoring the financial and operational performance and internal control, and executive director in Leyou Technologies Holdings Limited (樂遊科技控股有限公司) (stock code: 1089) from December 2010 to September 2017, being responsible for the overall strategic management and financial management. Between July 1995 and December 2000, Mr. Wu was the accountant of Xiamen Sumpo Group Company Limited\* (廈門森寶集團有限公司), mainly being responsible for accounting-related matters. Mr. Wu was appointed as the independent non-executive director of China Gem Holdings Limited (中國中石控股有限公司) (stock code: 1191) (formerly known as Yueshou Environmental Holdings Limited (粵首環保控股有限公司)) between July 2014 and May 2018 and the independent non-executive director of Pak Tak International Limited (百德國際有限公司) (stock code: 2668) between September 2014 and August 2016. He was appointed as the independent non-executive director of China Putian Food Holding Limited (中國普甜食品控股有限公司) (stock code: 1699) between February 2012 and July 2019, the independent non-executive director of Theme International Holdings Limited (榮暉國際集團有限公司) (stock code: 990) since May 2015, and the independent non-executive director of Miko International Holdings Limited (米格國際控股有限公司) (stock code: 1247) since July 2018.

Mr. Wu studied foreign economic enterprise financial accounting\* (外經企業會計) and graduated from Jimei University (集美大學) in June 1995. Mr. Wu studied online courses at Xidian University (西安電子科技大學) and obtained a degree of finance in March 2011. Mr. Wu became a qualified intermediate accountant in the PRC in December 2001 after he passed the national examination jointly organised by the Ministry of Finance and the Ministry of Personnel of the PRC.

Mr. Wu was a director of the companies below, which were struck off and dissolved as these companies ceased to carry on business. As confirmed by Mr. Wu, each of these companies was either inactive or dormant at the time when they were dissolved and so far as he was aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against him. Mr. Wu confirmed that there was no wrongful act on his part leading to the dissolutions of the following companies.

Name of company	Place of incorporation	Date of dissolution	Nature of business before dissolution
Shenzhen Senguang Trading Co., Ltd.* (深圳市森廣貿易有限公司)	PRC	9 December 2013	Deregistered
Shenzhen Senyue Technology Co., Ltd.* (深圳市森悅科技有限公司)	PRC	9 December 2013	Deregistered
Fujian Senbao Asset Management Co., Ltd.* (福建森寶資產管理有限公司)	PRC	28 December 2016	Deregistered
Guangzhou Senguang Trading Co., Ltd.* (廣州市森廣貿易有限公司)	PRC	13 February 2006	Deregistered



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chen Congming (陳聰明先生)**, aged 56, was appointed as our independent non-executive director on 18 February 2021. Mr. Chen serves on the audit, remuneration and nomination committees and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Chen started his own business in 1996 and set up Fujian Jinjiang Mingxing Motorcycle Trading Co. Ltd\* (福建省晉江市明星摩托車貿易有限公司), being the executive director and general manager and mainly being responsible for determining the business policy as well as in charge of the day-to-day management and operation. Mr. Chen has accumulated years of experience in managing and operating his trading company. Leveraging on his success in the industry, Mr. Chen has been the vice chairman of Jinjiang Motor Vehicle Association\* (晉江市機動車協會) since March 2009. Mr. Chen has been the vice chairman of Jinjiang Luoshan Chamber of Commerce\* (晉江市羅山商會) since January 2017 and he is mainly responsible for participating and overseeing the implementation of committee matters.

Mr. Chen graduated from Jinjiang Fupu Primary School\* (晉江福埔小學) in June 1978.

Mr. Chen was a sole proprietor of Jinjiang City Luoshan Great Yangtze River Motorcycle Accessories Department\* (晉江市羅山大長江摩托車配件部), an individual industrial and commercial household (個體工商戶) established in the PRC, which was dissolved on 14 June 2019 as such enterprise ceased to carry on business. As confirmed by Mr. Chen, such enterprise was inactive at the time when it was dissolved, and so far as he was aware, the dissolution of such enterprise has not resulted in any liability or obligation being imposed against him. Mr. Chen confirmed that there was no wrongful act on his part leading to the dissolution of such enterprise.

## SENIOR MANAGEMENT

**Mr. Wang Guojun (王國軍)**, aged 54, is the chief technical and quality officer of our Company. He is responsible for overseeing the research and development of new products and supervising the quality control of products of our Group. Mr. Wang joined our Group as research and development director in November 2012. Mr. Wang has over 32 years of experience in the food and confectionary industry in the PRC. Prior to joining our Group, Mr. Wang worked at Shanghai Tianshan Huimin Food Factory\* (上海天山回民食品廠) from September 1990 to April 2002, with his last position being plant manager, mainly being responsible for overall management. He then served as plant manager of Shanghai Big White Rabbit Candy Factory\* (上海大白兔糖果廠) from April 2002 to May 2004, mainly being responsible for overall management of products. Afterwards, he served as research and development manager and technical quality control manager at Shanghai Guan Sheng Yuan Food Co., Ltd.\* (上海冠生園食品有限公司) from May 2004 to November 2012, mainly being responsible for quality control and research and development. Mr. Wang graduated from Wuxi Institute of Light Industry\* (無錫輕工業學院) (now known as Jiangnan University (江南大學)) with a bachelor's degree in food science and engineer (food) in 1990. He joined our Group in November 2012. He was awarded the qualification of quality engineer and senior engineer by Shanghai Personnel Bureau in June 2005 and December 2005, respectively. Mr. Wang was then awarded the qualification of national confectionary appraiser by the confectionary committee of China National Food Industry Association (中國食品工業協會糖果專業委員會) in October 2009.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Tian Lan (田嵐)**, aged 44, is the chief human resources officer of our Company. She is responsible for overseeing human resource management and administrative management of our Group. She joined our Group as human resources manager in April 2013. Ms. Tian has over 22 years of experience in human resources and administrative management in the PRC. Prior to joining our Group, Ms. Tian worked as human resources specialist at Taoshan Hotel of Hubei Provincial People's Government\* (湖北省人民政府桃山迎賓館) from April 2000 to February 2002, mainly being responsible for staff recruitment related matters. From June 2002 to January 2006, she worked as human resources supervisor of Wuhan Xiongming Environmental Technology Development Co., Ltd.\* (武漢市雄銘環境科技發展有限公司), mainly being responsible for staff recruitment. Afterwards, she worked as human resources manager at the Wuhan Branch of Wuhan Strait Telecommunications Equipment Co., Ltd.\* (武漢海峽電訊器材有限公司) from March 2006 to September 2012, mainly being responsible for staff recruitment matters. Ms. Tian graduated from Central China Normal University (華中師範大學) in June 2000 with a diploma in finance and accounting. She was awarded the qualification of human resource administrator (class II) by Occupational Skill Testing Authority of the Ministry of Human Resources and Social Security\* (人力資源和社會保障部職業技能鑒定中心).

## COMPANY SECRETARY

**Mr. Ng Shing Kin (吳成堅)**, aged 41, was appointed as the company secretary of the Company on 1 June 2021.

Mr. Ng obtained an honours diploma in business administration from the Hong Kong Shue Yan College in July 2005 and a master's degree of business administration from The University of Louisiana at Monroe in Hong Kong in May 2007. Mr. Ng further obtained a postgraduate diploma in professional accounting from the Hong Kong Baptist University in November 2007. Mr. Ng was granted the designation of financial risk manager by the Global Association of Risk Professionals in July 2008, and was admitted as a member of the HKICPA in January 2012. Mr. Ng is currently a practising certified public accountant in Hong Kong.

Prior to joining the Group in November 2018, Mr. Ng worked at an international audit firm from August 2008 to December 2013. From December 2013 to October 2015, he worked in PricewaterhouseCoopers Limited as a senior associate. Since November 2015, he has been working as the financial controller and company secretary of Royal Catering Group Holdings Company Limited (stock code: 8300), a company listed on GEM of the Stock Exchange. Since 18 February 2019, he has been working as the company secretary of Ying Hai Group Holdings Company Limited (stock code: 8668), a company listed on GEM of the Stock Exchange. Since December 2019, he has been an independent non-executive director of WMCH Global Investment Limited (stock code: 8208), a company listed on GEM of the Stock Exchange. Since March 2021 to July 2021, he was the company secretary of WT Group Holdings Limited (stock code: 8422), a company listed on GEM of the Stock Exchange. Since July 2022, he has been an independent non-executive director of Miko International Holdings Limited (stock code: 1247).

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTIONS

The Shares have been successfully listed on the Stock Exchange on the Listing Date. The Board recognise that transparency and accountability are the cornerstones of the Company's corporate governance.

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards. In the opinion of the Board, the Company has complied with the CG Code during the year ended 31 December 2022, except for the deviation with respect to Code Provision C.2.1 of CG Code.

According to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zheng Zhenzhong is our chairman and also the chief executive officer of our Company and he has been managing our Group's business and supervising the overall operations of our Group since its establishment. Having considered (i) the nature and extent of our Group's operations; (ii) Mr. Zheng's in-depth knowledge and experience in the confectionary industry and familiarity with the operations of our Group which is beneficial to the management and business development of our Group; and (iii) that all major decisions are made in consultation with members of our Board and relevant Board committees, which consist of three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Zheng take up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiry of the Directors, all Directors have complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by the directors throughout the period under review. The Company was not aware of any non-compliance in this respect throughout the year ended 31 December 2022.

## BOARD OF DIRECTORS

During the year ended 31 December 2022, the Board comprised three executive Directors, namely Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Chen Kan and three independent non-executive Directors, namely, Mr. Wang Linan, Mr. Wu Shiming and Mr. Chen Congming.

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

# CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. During the year under review, the Board also assumes the responsibilities of maintaining a high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the codes of conduct and compliance manual (if any) applicable to Directors and employees and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Executive Directors and independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee (as defined under the paragraph headed "**Board Committees**").

The Board has three independent non-executive Directors which complies with Rule 3.10 of the Listing Rules. All the three independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10 of the Listing Rules. The independent non-executive Directors represent at least one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.12 of the Listing Rules and therefore considers each of them to be independent.

The biographical details of the Directors and senior management are set out in the section headed with "Biographical Details of Directors and Senior Management" from pages 13 to 17 of this annual report. Save as disclosed under the paragraph headed "Executive Directors" and in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2022, Mr. Zheng Zhenzhong held the positions of chairman of the Board and chief executive officer of the Company. He is responsible for formulating the overall strategic planning of the Group and monitoring the operational efficiency of the management system.

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Zheng Zhenzhong has been our chairman and chief executive officer and has been managing our Group's business and supervising the overall operations of our Group since its establishment. Having considered (i) the nature and extent of our Group's operations; (ii) Mr. Zheng's in-depth knowledge and experience in the confectionary industry and familiarity with the operations of our Group which is beneficial to the management and business development of our Group; and (iii) that all major decisions are made in consultation with members of our Board and relevant Board committees, which consist of three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Zheng take up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

# CORPORATE GOVERNANCE REPORT

## ATTENDANCE RECORDS OF MEETINGS

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of such meetings in compliance with the CG Code. The company secretary assists the Chairman to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director at least 3 days before each Board meeting or committee meeting to enable the directors to make informed decisions on the matters to be discussed, except where a Board meeting or committee meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes will normally be circulated to Directors for comment within a reasonable time after each meeting and all records of Board meeting and committee meetings are open for Directors' inspection.

Additional Board meetings will be convened, as and when required, to deal with ad hoc issues. Any Director who is not able to present physically may participate at any Board meeting through means of a telephone or tele-conferencing or any other telecommunications facility, in accordance with the articles of association of the Company (the "Articles").

During the year ended 31 December 2022, the Board convened a total of four meetings in person or by means of electronic communication and an annual general meeting was held on 31 May 2022 (the "2022 AGM"). Attendance of each Director at the Board meetings is set out below:

Name of Directors	Board Meeting Attended/Held	2022 AGM
<i>Executive Directors</i>		
Mr. Zheng Zhenzhong ( <i>Chairman</i> )	4/4	1/1
Mr. Zheng Guosi	4/4	1/1
Mr. Chen Kan	4/4	1/1
<i>Independent non-executive Directors</i>		
Mr. Wang Linan	4/4	1/1
Mr. Wu Shiming	4/4	1/1
Mr. Chen Congming	4/4	1/1

## BOARD COMMITTEES

The Board has established four Board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the risk management committee (the "Risk Management Committee"). The written terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee are available on the websites of the Stock Exchange and the Company.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of directors, reviewing the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules, pursuant to a resolution of our Directors passed on 18 February 2021. The primary duties of the Audit Committee are, among others, to make recommendation to our Board on the appointment, reappointment and removal of the external auditor, monitor integrity of the Group's financial statements, review significant financial reporting judgements contained in them, oversee the Group's financial reporting, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by the Board. The Audit Committee comprises of Mr. Wang Linan, Mr. Wu Shiming and Mr. Chen Congming, all being independent non-executive Directors. Mr. Wu Shiming is the chairman of the Audit Committee.

Pursuant to the terms of reference of the Audit Committee, meetings shall be held not less than twice a year and the external auditor may request a meeting if they consider that one is necessary. During the year ended 31 December 2022, the Audit Committee convened two committee meetings. The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2021 and interim results for the six-month period ended 30 June 2022 and discussed internal controls, risk management and financial reporting matters.

Attendance of each Audit Committee member is set out below:

<b>Name of Directors</b>	<b>Audit Committee Meeting Attended/Held</b>
<i>Independent non-executive Directors</i>	
Mr. Wu Shiming (Chairman)	2/2
Mr. Wang Linan	2/2
Mr. Chen Congming	2/2

There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the Company's auditors. The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), and recommended to the Board to re-appoint HLB as the Company's auditors in the year 2023, which is subject to the approval of shareholders at the forthcoming annual general meeting.

The Company's annual results and annual report for the year ended 31 December 2022 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 18 February 2021 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are, among others, to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration package of the Directors and senior management and ensure none of the Directors or their associates is involved in deciding their own remuneration. The Remuneration Committee comprises of two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Chen Congming, and one executive Director, namely, Mr. Zheng Zhenzhong. Mr. Wang Linan is the chairman of the Remuneration Committee.

<b>Name of Directors</b>	<b>Remuneration Committee Meeting Attended/Held <sup>(Note)</sup></b>
<i>Executive Director</i>	
Mr. Zheng Zhenzhong	1/1
<i>Independent non-executive Directors</i>	
Mr. Wang Linan (Chairman)	1/1
Mr. Chen Congming	1/1

During the year ended 31 December 2022, the Remuneration Committee convened one committee meeting. Remuneration Committee has assessed the performance of executive Directors and reviewed the remuneration and compensation package of the Directors and the Senior Management with reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group, and approved that the remuneration and compensation package remained unchanged.

Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

## REMUNERATION OF SENIOR MANAGEMENT BY BAND

The remuneration of the members of the senior management by band for the year ended 31 December 2022 is set out below:

<b>Annual remuneration by band</b>	<b>Number of Members of senior management</b>
Nil to HK\$1,000,000	4

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Company established the Nomination Committee on 18 February 2021 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships. The Nomination Committee consists of three members: two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Chen Congming, and one executive Director, Mr. Zheng Zhenzhong. The chairman of the nomination committee is Mr. Zheng Zhenzhong. During the year ended 31 December 2022, the Nomination Committee convened one committee meeting.

<b>Name of Directors</b>	<b>Nomination Committee Meeting Attended/Held <small>(Note)</small></b>
<i>Executive Director</i>	
Mr. Zheng Zhenzhong ( <i>Chairman</i> )	1/1
<i>Independent non-executive Directors</i>	
Mr. Wang Linan	1/1
Mr. Chen Congming	1/1

### Nomination policy

On 18 February 2021, the Nomination Committee held a meeting, considered and recommended the nomination policy to the Board. The Board thus approved and adopted the nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for the selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.



# CORPORATE GOVERNANCE REPORT

## Nomination Criteria

Pursuant to the mandatory disclosure requirements effective in 2020, the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report. In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

- (i) character and integrity;
- (ii) qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy (as defined below) that are relevant to the Company's business and corporate strategy;
- (iii) any measurable objectives adopted for achieving diversity on the Board;
- (iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- (v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (vi) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- (vii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

## Board diversity policy

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to our board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service with our Company. The policy focuses on ensuring a balance composition of skills and experience at our Board level in order to provide a range of perspectives, insights and challenge that enable our Board to execute its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of our Group, and support succession planning and development of our Board. The ultimate decision in selecting the members of the Board will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of accounting, financial management, and food production industries. They obtained academic diplomas and degrees in various majors, including geography information system, international economics, law and foreign economic enterprise financial accounting. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 34 to 67 years old.

# CORPORATE GOVERNANCE REPORT

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. While we recognise that the gender diversity at the Board level can be improved given its current composition of all male Directors, we will continue to apply the principle of appointments based on merits with reference to our Board diversity policy as a whole and are committed to provide career development opportunities for female staff. Our Nomination Committee is delegated by our Board to take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments so as to achieve an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to mixed gender. Our Nomination Committee will aim to recommend at least one female Director candidate to the Board for its consideration at least once per year, with the aim of adding at least one female Director to the Board within one year after Listing. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

## RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on 18 February 2021 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The primary duties of the Risk Management Committee are to enhance our Company's risk management ability and improve corporate governance of our Company, as well as assess the latest sanction-related risks our operations may be exposed to. The Risk Management Committee consists of three members: one executive Director, namely, Mr. Zheng Zhenzhong, and two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Wu Shiming. The chairman of the risk management committee is Mr. Wu Shiming. During the year ended 31 December 2022, the Risk Management Committee convened one committee meeting.

<b>Name of Directors</b>	<b>Risk Management Committee Meeting Attended/Held <sup>(Note)</sup></b>
<i>Executive Director</i>	
Mr. Zheng Zhenzhong	1/1
<i>Independent non-executive Directors</i>	
Mr. Wu Shiming (Chairman)	1/1
Mr. Wang Linan	1/1

# CORPORATE GOVERNANCE REPORT

## **TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS**

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date. All service contracts are terminable by giving at least three months' notice and subject to termination provisions therein and provisions on retirement by rotation and re-election in accordance with the Articles and the Listing Rules.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date. All letters of appointment are terminable by giving at least three months' notice and subject to termination provisions therein and provisions on retirement by rotation and re-election in accordance with the Articles and the Listing Rules.

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Further, the Articles provide that any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The Company has taken out Directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

## **DIVIDEND POLICY**

The declaration of future dividends will be subject to the recommendation of our Board and approval of our Shareholders in general meetings or, in the case of interim dividends, subject to the approval of our Board in accordance with the Articles. The amount of any dividends to be declared by our Company in any given year in the future will depend on, among others, our Group's results of operations, available cashflows and financial conditions, operating and capital and regulations and any other factors that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and agreements that our Group may enter into in the future. Our Company does not currently have a fixed dividend policy nor any predetermined dividend payout ratio.

# CORPORATE GOVERNANCE REPORT

## CONTINUOUS PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

The Directors are aware of the requirement under the code provision A.6.5 (*which has changed to C.1.4 since 1 January 2022*) of the CG Code regarding continuous professional development. During the year ended 31 December 2022, the Directors had reviewed the reading materials related to corporate governance and regulations that provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments.

<b>Name of Directors</b>	<b>Attended in director training of connected transaction</b>
<i>Executive Directors</i>	
Mr. Zheng Zhenzhong ( <i>Chairman</i> )	✓
Mr. Zheng Guosi	✓
Mr. Chen Kan	✓
<i>Independent non-executive Directors</i>	
Mr. Wang Linan	✓
Mr. Wu Shiming	✓
Mr. Chen Congming	✓

## DEED OF NON-COMPETITION

Since the Listing Date, each of the Controlling Shareholders has confirmed to the Company his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 21 February 2021. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders and duly complied with since the Listing Date.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 December 2022, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditors, HLB, about their reporting responsibility on the financial statements of the Group are set out in the independent auditors' report included in this annual report.

# CORPORATE GOVERNANCE REPORT

## FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

### Financial reporting

The Board acknowledges its responsibility, as set out in the section headed “Independent Auditors’ Report” in this annual report, to prepare the Company’s financial statements which give a true and fair view of the Group’s state of affairs, results and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of HLB Hodgson Impey Cheng Limited, the Company’s external auditor, with respect to financial reporting are set out in the section headed “Independent Auditors’ Report” in this annual report.

### Risk management and internal control

The Board acknowledges its responsibility for reviewing the effectiveness of the Group’s risk management and internal control systems. The risk management process includes risk identification, risk evaluation, risk management and risk control and review.

The management is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority.

Up to the date of this report, the Board has conducted an annual review of the adequacy and effectiveness of the implemented risk management and internal control system and procedures, including areas covering financial, operational, compliance and risk management functions. The systems are implemented to minimize the risk to which the Group is exposed and is used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses. The Board was satisfied with the adequacy and effectiveness of the risk management and internal control system.

The Group does not have an internal audit function as the Board has reviewed the effectiveness of the internal control system of the Company and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group’s business. The situation will be reviewed from time to time.

The Group has engaged an independent internal control consultant to conduct independent internal control review.

For the year ended 31 December 2022, the Board considered the Group’s internal control system as adequate and effective and that the Company has complied with the code provisions on internal control of the CG Code.

# CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

During the year under review, HLB (including its affiliates) provided audit and non-audit services to the Group. The remuneration for the audit service and non-audit services provided by HLB (including its affiliates) to the Group during the year ended 31 December 2022 was approximately as follows:

Type of Services	Amount RMB'000
Audit services	1,150
Non-audit services	—
	<hr/>
	1,150

## COMPANY SECRETARY

Mr. Ng Shing Kin (吳成堅) is the company secretary of the Company. The biographical details of Mr. Ng are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Mr. Ng confirmed that he had taken no less than 15 hours of relevant professional training during the year ended 31 December 2022 in accordance with Rule 3.29 of the Listing Rules.

## INVESTOR RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to the shareholders and the investing public.

The Company has established several ways to communicate with the shareholders, details as follows:

- (i) the annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the shareholders. The Board members, appropriate senior executives and external auditor will attend the general meetings to answer the shareholders' questions;
- (ii) all corporate communication materials, including announcements, financial reports, notices of meeting and circulars are published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website as soon as practicable after their release. The primary corporate contact information is published on the Company's website; and
- (iii) Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, serves the shareholders in respect of share registration, dividend payment and related matters;

Share registration matters shall be handled for the Shareholders by the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company is committed to maintain effective and timely dissemination of the Group's information to shareholders and potential investors. Any enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

# CORPORATE GOVERNANCE REPORT

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, the existing amended and restated memorandum of association and articles of association of the Company were amended (the “**Amendment**”) in order to bring them in line with the applicable laws of the Cayman Islands and the Listing Rules, and to incorporate certain housekeeping amendments. A special resolution in relation to the Amendment was passed on 31 May 2022. For further information, please refer to the announcement of the Company dated 14 April 2022 and the circular of the Company dated 28 April 2022.

## SHAREHOLDERS’ RIGHTS

### Convening an extraordinary general meeting

The following procedures for Shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

1. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.
2. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.
3. Such meeting shall be held within two Months after the deposit of such requisition.
4. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Enquiries to the Board

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to Suites 4404–10, 44/F, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong or via telephone at (852) 2862 8555.

### Putting forward proposals at a general meeting

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at Shareholders’ meetings. The proposals shall be sent to the company secretary of the Company at the contact details as set out in the paragraph headed “Enquiries to the Board” by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in “Convening an extraordinary general meeting” above.

# CORPORATE GOVERNANCE REPORT

## Procedures for nomination of Director by Shareholders

For any Shareholder who wishes to nominate a person to stand for election as a director at any general meeting of the Company, the following documents must be validly served on the company secretary at the Company's principal place of business in Hong Kong at Suites 4404–10, 44/F, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong, provided that the minimum length of the period, during which such documents are given, shall be at least seven days and that (if such documents are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such documents shall commence on the day after the despatch of the notice of the general meeting appointed for election of director and end no later than seven days prior to the date of such general meeting:

- (a) a written notice signed by the Shareholder(s), who is/are duly qualified to attend and vote at the meeting, of his/her intention to propose such person for election (the "**Nominated Candidate**");
- (b) letter of consent signed by the Nominated Candidate of his/her willingness to be elected; and
- (c) the full name and the biographical details of the Nominated Candidate as required under rule 13.51(2) of the Listing Rules for publication by the Company.

## LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the CG Code.



# REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements. The principal activities of the Group engages in manufacture and sell confectionary products, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products in the PRC.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## BUSINESS REVIEW

A fair review and an analysis of the business of the Group using financial key performance indicators, a discussion of the principal business risks and uncertainties facing the Group and the future development of the Group's business are provided in the section headed "Chairman's Statement" and paragraphs headed "Business Review", "Financial Review", "Principal Risks and Uncertainties" and "Prospects" in the "Management Discussion and Analysis" section, respectively of this annual report. Additionally, the financial risk management objectives and policies of the Company can be found in note 32(b) to the consolidated financial statements. These discussions form part of this Report of Directors.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has always encouraged environmental protection, strictly complied with environmental regulations and promoted environmental protection awareness among employees. The Group implements strict monitoring through the establishment of an ever-improving environmental management system. During the year ended 31 December 2021, the Group was in compliance, in all material respects, with the relevant environmental laws and regulations.

## RELATED PARTY TRANSACTIONS

Details of significant related party transactions undertaken in the normal course of business of the Group are set out in note 30 to the consolidated financial statements. None of these transactions with the related parties of the Group carried out during the year under review constituted connected transactions or continuing connected transactions under Chapter 20 of the Listing Rules.

## DONATIONS

Donations of amount approximately RMB145,000 had been made by the Group for the year ended 31 December 2022 (2021: approximately RMB255,000).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

## RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 49 and note 36 (b) to the consolidated financial statements respectively.

# REPORT OF DIRECTORS

## DISTRIBUTABLE RESERVES

There are no distributable reserves of the Company as at 31 December 2022, calculated under Part 6 of the Companies Ordinance (Cap.622) (2021: Nil).

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## EMPLOYEES AND REMUNERATION POLICIES

Details of employees and remuneration policies are set out on page 11 of this report.

## FINANCIAL SUMMARY

A summary of the Group's results and financial position is set out on page 102 of this report.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year under review.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report will be published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.jiujiuwang.com](http://www.jiujiuwang.com)) in accordance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") on 18 February 2021. From the date of adoption of the Scheme to 31 December 2022, no option was granted, exercised, cancelled or lapsed under the Scheme. There was no outstanding option under the Scheme as at the date of adoption of the Scheme and as at 31 December 2022.

### 1. Purpose

The purpose of the Scheme is to enable the Group to grant options to the Eligible Participants (as defined in below) as incentives or rewards for their contribution to the Group and to provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the Group's objectives.

# REPORT OF DIRECTORS

## 2. Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("**Eligible Participants**"):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
  - (aa) contribution to the development and performance of our Group;
  - (bb) quality of work performed for our Group;
  - (cc) initiative and commitment in performing his/her duties; and
  - (dd) length of service or contribution to our Group.

## 3. Maximum number of the Shares

The maximum number of Shares which may be issued upon exercise of all option to be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking no account of any Shares which may be issued under the exercise of the Over-allotment Option), being 79,200,000 Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

# REPORT OF DIRECTORS

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

As at the date of this report, no Share options have been granted by the Company and the outstanding number of Share options available for grant under the Scheme is 79,200,000 Share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

## 4. Limit for each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules.

## 5. Exercise of an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of our Company (the “**Adoption Date**”). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

## 6. Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer for the grant of an option to subscribe for Shares granted pursuant to the Share Option Scheme may be accepted by an Eligible Participant in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option by such Eligible Participant. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraph the paragraph headed “(z) Obtaining necessary consent” on page VI-31 of the Prospectus, an option shall be exercisable in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

# REPORT OF DIRECTORS

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate issued by the auditors to our Company or the independent financial adviser, our Company shall accordingly allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee share certificates in respect of the Shares so allotted. The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

## 7. Subscription price

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall, subject to any adjustments made in accordance with paragraph (r), be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2022, the Group has adopted the required standard of dealings, as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry with all the Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transaction by the Directors during the year ended 31 December 2022.

## DIRECTORS

The Directors during the year under review and up to the date of this report were:

### Executive Directors

Mr. Zheng Zhenzhong (*Chairman*)  
Mr. Zheng Guosi  
Mr. Chen Kan

### Independent non-executive Directors

Mr. Wang Linan  
Mr. Wu Shiming  
Mr. Chen Congming

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except for the transactions disclosed in note 30 to the consolidated financial statements, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or parent company was a party and in which a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year under review or 31 December 2022.

# REPORT OF DIRECTORS

## CONTRACTS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

No contract of significance, whether for provision of service or otherwise, between the Company or any of its subsidiaries and the controlling Shareholders or any of the controlling Shareholders' subsidiaries subsisted at any time during the year under review.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 13 to 17 of this annual report.

## THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Appendix 10 to the Listing Rules, were as follows:

### Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Approximate percentage of shareholding
Mr. Zheng Guosi	Interest in a controlled corporation ( <i>Note 1</i> ); interest held jointly with other persons ( <i>Note 3</i> );	576,179,90	72.75%
Mr. Zheng Zhenzhong	Interest in a controlled corporation ( <i>Note 2</i> ); interest held jointly with other persons ( <i>Note 3</i> )	576,179,90	72.75%

Notes:

1. Mr. Zheng Guosi beneficially owns 100% of the entire issued share capital of Xiejia Limited ("**Xiejia**") which in turn beneficially owns 201,662,968 Shares (representing approximately 25.46% of the total number of issued Shares). Therefore, Mr. Zheng Guosi is deemed, or taken to be, interested in all the Shares held by Xiejia for the purposes of the SFO.
2. Mr. Zheng Zhenzhong beneficially owns 100% of the entire issued share capital of Jianeng International Limited ("**Jianeng**") which in turn beneficially owns 172,853,972 Shares (representing approximately 21.82% of the total number of issued Shares). Therefore, Mr. Zheng Zhenzhong is deemed, or taken to be, interested in all the Shares held by Jianeng for the purposes of the SFO.
3. On 29 March 2019, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian executed a confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group since the relevant period, details of which are set out in the section headed "History, development and Reorganisation — Parties acting in concert" in the Prospectus. As such they are deemed to be interested in the Shares held by each others. Mr. Zheng Guodian beneficially owns 100% of the entire issued share capital of Haisen International Limited ("**Haisen**") which in turn beneficially owns 201,662,968 Shares (representing approximately 25.46% of the total number of issued Shares). Therefore, Mr. Zheng Guodian is deemed, or taken to be, interested in all the Shares held by Haisen for the purposes of the SFO.

# REPORT OF DIRECTORS

## Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Zheng Guodian	Haisen	Beneficial owner	One	100%
Mr. Zheng Guosi	Xiejia	Beneficial owner	One	100%
Mr. Zheng Zhenzhong	Jianeng	Beneficial owner	One	100%

Save as disclosed above and so far as is known to the Directors, as at the Listing Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 to the Listing Rules.

## THE INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2022, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

### Long positions in the shares

Name of shareholders	Capacity	Number of ordinary shares interested	Approximate percentage of shareholding
Xiejia	Beneficial owner	201,662,968	25.46%
Ms. Wu Zihong	Interest of spouse (Note 1)	576,179,908	72.75%
Haisen	Beneficial owner	201,662,968	25.46%
Mr. Zheng Guodian	Interest in a controlled corporation (Note 2); interest held jointly with other persons (Note 3)	576,179,908	72.75%
Ms. Hong Mali	Interest of spouse (Note 4)	576,179,908	72.75%
Jianeng	Beneficial owner	172,853,972	21.82%
Ms. Su Li	Interest of spouse (Note 5)	576,179,908	72.75%

# REPORT OF DIRECTORS

Notes:

1. Ms. Wu Zihong is the spouse of Mr. Zheng Guosi. Under the SFO, Ms. Wu Zihong is deemed to be interested in the Shares in which Mr. Zheng Guosi is interested.
2. Mr. Zheng Guodian beneficially owns 100% of the entire issued share capital of Haisen which in turn beneficially owns 201,662,968 Shares (representing approximately 25.46% of the total number of issued Shares). Therefore, Mr. Zheng Guodian is deemed, or taken to be, interested in all the Shares held by Haisen for the purposes of the SFO.
3. On 29 March 2019, Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian executed a confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group since the relevant period, details of which are set out in the section headed "History, development and Reorganisation — Parties acting in concert" in the Prospectus. As such they are deemed to be interested in the Shares held by each others.
4. Ms. Hong Mali is the spouse of Mr. Zheng Guodian. Under the SFO, Ms. Hong Mali is deemed to be interested in the Shares in which Mr. Zheng Guodian is interested.
5. Ms. Su Li is the spouse of Mr. Zheng Zhenzhong. Under the SFO, Ms. Su Li is deemed to be interested in all the Shares in which Mr. Zheng Zhenzhong is interested.

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

## EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors (including any Director resigned during the year under review) and the five highest paid individuals of the Group are set out in notes 10 and 11 to the consolidated financial statements.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change in the information of the Directors required to be disclosed pursuant to Rule 13.51 of the Listing Rules during the year under review.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force since the Listing Date. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors in the execution and discharge of his or her duties or in relation thereto.

## MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year under review.



# REPORT OF DIRECTORS

## MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers were mainly retail customers and the Group was not dependent on any single customer. As such, the Directors consider that it is not practicable to identify our five largest customers of our Group for the year ended 31 December 2022.

The Group's five largest suppliers together accounted for approximately 34.0% (2021: 37.9%) of the Group's total purchase for the year under review. The largest supplier accounted for approximately 10.0% (2021: 11.6%) of the total purchase of the Group for the year under review.

None of the Directors, their respective close associates, or any Shareholder (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued Shares) had any interest in the major suppliers of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules since the Listing Date and up to the date of this report. The Company maintained the minimum level of public float of 25% of its total issued share capital.

## COMPETING BUSINESS

Save as disclosed in the Prospectus and this report, the Directors are not aware of any business or interest of the Directors or the controlling shareholders or any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 December 2022.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year.

## RELATIONSHIP WITH MAJOR STAKEHOLDERS

The Directors are of view that customers and business partners are one of the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relations with its business partners and it endeavours to improving the quality of services to the customers.

The Group stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions. The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its short-term and long-term goals.

### Key Relationships with stakeholders

#### Employees

The Group respects its employees and endeavours to provide better working conditions for its employees. For the staff in PRC, they are members of state-managed retirement benefit schemes operated by the government of the PRC. The Company are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The Group has also established the policies for remuneration of employees so as to provide fair remuneration packages for the employees under the systemic remuneration management. The Group provides equal opportunity for employees in respect of promotion, appraisal, training, development and other aspects and to build up a sound career platform for employees.

# REPORT OF DIRECTORS

## Customers

The Group focuses on improving the quality of its travel services and car rental services to enhance customer satisfaction, details of which will be elaborated in Environmental, Social and Governance Report of the Company which will be released later.

## Suppliers

The Group used to work with the suppliers with the same objectives and develops mutually-successful working relationships with the key suppliers. The Group strictly follows its policy, which is constructed under the Group's corporate culture and professional standard in the selection of suppliers and purchasing process. Although the cost of purchase is a major consideration in selecting suppliers, the Group would also consider the suppliers' corporate social responsibility performances, which include the suppliers' performances on the aspects of legal and regulatory compliance and business ethics etc.

During the year ended 31 December 2022, there was no material or significant dispute between the Group and its suppliers, customers and/or other stakeholders.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or noncompliance with the applicable laws and regulations by the Group.

## CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 25 May 2023 to 31 May 2023, both days inclusive, during which period no transfer of the Shares will be registered. Shareholders are reminded to ensure that all completed Share transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 May 2023.

## EVENTS AFTER REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to the end of the Reporting Period and up to the date of this report.

## AUDITORS

The consolidated financial statements have been audited by HLB who will retire and, being eligible, offer themselves for reappointment at the 2023 annual general meeting. In the last three years preceding 31 December 2022, there has been no change in the auditors of the Company.

# REPORT OF DIRECTORS

## AUDIT COMMITTEE

The Audit Committee, together with the management and external auditor of the Company, have reviewed the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters and the audited consolidated financial statements for the year ended 31 December 2022. The audit committee is of the opinion that the audited consolidated financial statements of the Group for the year ended 31 December 2022 comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

On behalf of the Board

**Zheng Zhenzhong**

*Chairman*

Hong Kong, 31 March 2023

# INDEPENDENT AUDITORS' REPORT



31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## TO THE SHAREHOLDERS OF JIUJIUWANG FOOD INTERNATIONAL LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Jiujiuwang Food International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 101, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

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

# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

Impairment assessment of trade receivables

Refer to notes 18 and 32 to the consolidated financial statements

The Group had trade receivables with gross carrying amount of approximately RMB99,366,000 and allowance for expected credit losses of approximately RMB786,000.

In general, the credit terms granted by the Group to the customers ranged between 0 to 180 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of allowance for expected credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers.

Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment.

We focused on this area due to the allowance for expected credit losses assessment of trade receivables under the expected credit losses model involved the use of significant management judgments and estimates.

Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2022 included:

- Understanding and evaluating that the Group has implemented to manage and monitor its credit risk on a sample basis.
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2022 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding ongoing business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

# INDEPENDENT AUDITORS' REPORT

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Fong Ka Yiu.

### **HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

### **Fong Ka Yiu**

*Practising Certificate Number: P08080*

Hong Kong, 31 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6	376,411	409,825
Cost of sales		(264,564)	(279,632)
Gross profit		111,847	130,193
Other income, gain or (loss), net	7	(2,294)	4,965
Allowance for expected credit losses on trade receivables		(250)	(56)
Selling expenses		(37,335)	(37,584)
Administrative expenses		(33,448)	(28,550)
Listing expenses		–	(14,862)
Finance costs	8	(13,081)	(12,285)
Profit before taxation	9	25,439	41,821
Taxation	12	(9,373)	(14,532)
<b>Profit for the year</b>		<b>16,066</b>	27,289
<b>Profit for the year attributable to owners of the Company</b>		<b>16,066</b>	27,289
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(844)	(113)
Other comprehensive expense for the year, net of tax		(844)	(113)
Total comprehensive income for the year attributable to owners of the Company		15,222	27,176
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted (RMB cents)	14	2.0	3.6

The accompanying notes form an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	302,974	305,139
Right-of-use assets	16	55,693	22,828
Deferred tax assets	26	197	134
		<b>358,864</b>	328,101
<b>Current assets</b>			
Inventories	17	106,461	99,754
Trade receivables	18	98,580	114,339
Prepayments and other receivables	19	71,544	40,286
Cash and cash equivalents	20	27,496	36,197
		<b>304,081</b>	290,576
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	21	35,637	22,393
Contract liabilities	22	4,341	1,128
Bank borrowings	23	201,556	213,410
Tax payables		6	1,702
Lease liabilities	24	15,758	–
		<b>257,298</b>	238,633
<b>Net current assets</b>		<b>46,783</b>	51,943
<b>Total assets less current liabilities</b>		<b>405,647</b>	380,044
<b>Non-current liability</b>			
Lease liabilities	24	10,381	–
<b>Net assets</b>		<b>395,266</b>	380,044
<b>EQUITY</b>			
Share capital	25	532	532
Reserves		394,734	379,512
<b>Total equity</b>		<b>395,266</b>	380,044

The consolidated financial statements on pages 47 to 101 were approved and authorised for issue by the board of directors of the Company on 31 March 2023 and signed on its behalf by:

**Zheng Zhenzhong**  
Executive Director

**Zheng Guosi**  
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Company						Total RMB'000
	Share Capital RMB'000	Share Premium RMB'000	Capital Reserve RMB'000	Statutory Surplus Reserve RMB'000	Exchange Reserve RMB'000	Retained Earnings RMB'000	
At 1 January 2021	350	–	3,990	27,203	618	228,503	260,664
Profit for the year	–	–	–	–	–	27,289	27,289
Other comprehensive expense for the year	–	–	–	–	(113)	–	(113)
Total comprehensive (expense)/income for the year	–	–	–	–	(113)	27,289	27,176
Share issued pursuant to the Capitalisation	51	(51)	–	–	–	–	–
Share issued pursuant to the Listing	131	124,258	–	–	–	–	124,389
Listing expenses charged to share premium	–	(32,185)	–	–	–	–	(32,185)
Transfer to statutory surplus reserve	–	–	–	3,979	–	(3,979)	–
At 31 December 2021 and 1 January 2022	532	92,022	3,990	31,182	505	251,813	380,044
Profit for the year	–	–	–	–	–	16,066	16,066
Other comprehensive expense for the year	–	–	–	–	(844)	–	(844)
Total comprehensive (expense)/income for the year	–	–	–	–	(844)	16,066	15,222
Transfer to statutory surplus reserve	–	–	–	2,154	–	(2,154)	–
At 31 December 2022	<b>532</b>	<b>92,022</b>	<b>3,990</b>	<b>33,336</b>	<b>(339)</b>	<b>265,725</b>	<b>395,266</b>

Notes:

- (a) The capital reserve represents the difference between the nominal value of the share capital issued by the Company and the consideration received pursuant to the group reorganisation.
- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to makeup prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Operating activities</b>			
Profit before taxation		25,439	41,821
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	15	18,002	17,183
Depreciation of right-of-use assets	16	2,785	578
(Gain)/loss on disposal of property, plant and equipment	7	(18)	4
Loss arising from sale and leaseback transactions	7	6,116	–
Allowance for expected credit losses on trade receivables	18	250	56
Interest income	7	(98)	(199)
Interest expenses	8	13,081	12,285
<b>Operating cashflow before movements in working capital</b>		<b>65,557</b>	71,728
Increase in inventories		(6,707)	(18,555)
Decrease/(increase) in trade receivables		15,509	(17,025)
(Increase)/decrease in prepayments and other receivables		(31,258)	5,124
Increase in trade payables		5,287	584
Increase in contract liabilities		3,213	72
Increase/(decrease) in accruals and other payables		2,262	(1,922)
<b>Net cash generated from operations</b>		<b>53,863</b>	40,006
Income tax paid		(11,132)	(17,218)
<b>Net cash generated from operating activities</b>		<b>42,731</b>	22,788
<b>Investing activities</b>			
Interest received		98	199
Purchases of property, plant and equipment		(57,617)	(88,826)
Proceed from disposal of property, plant and equipment		32	–
<b>Net cash used in investing activities</b>		<b>(57,487)</b>	(88,627)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Financing activities</b>		
Proceeds from bank borrowings	<b>178,395</b>	213,410
Repayments of bank borrowings	<b>(190,249)</b>	(218,920)
Proceeds from sale and leaseback transactions	<b>35,650</b>	–
Repayment of lease liabilities	<b>(11,104)</b>	–
Proceeds from share issued pursuant to the listing, net of corresponding listing expenses	–	92,204
Advance from/(payment to) a director	<b>4,434</b>	(728)
Interest paid	<b>(11,488)</b>	(12,285)
	<b>5,638</b>	73,681
	<b>(9,118)</b>	7,842
	<b>36,197</b>	28,468
Effect of exchange rate changes	<b>417</b>	(113)
	<b>27,496</b>	36,197
<i>20</i>	<b>27,496</b>	36,197

The accompanying notes form an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1. GENERAL INFORMATION

Jiujiuwang Food International Limited was incorporated in the Cayman Islands on 21 February 2017 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Haisen International Limited, Jianeng International Limited and Xiejia Limited are the substantial shareholders of the Company. Its registered office is located at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands and its principal place of business is located in the PRC.

The Company acts as an investment holding company. The Group principally engages in manufacture and sell confectionary products, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products.

The Company’s functional currency is Hong Kong dollars (“**HK\$**”). However, the consolidated financial statements are presented in Renminbi (“**RMB**”), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the Group’s transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for their annual reporting period commencing 1 January 2022 for the preparation of consolidated financial statements:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS36.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power to over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss and other comprehensive income.

### Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

#### Revenue from contract with customers

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

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

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

Revenue from the sale of confectionary product, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products in relation to OEM sale and own brand sale are recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is up to 180 days upon delivery. Payment in advance is required for some contracts.

A contract liability is recognised when the consideration is received from customers before the goods are delivered. A receivable is recognised when the goods are delivered and accepted as this is a point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### Leasing

#### Definition of 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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leasing (continued)

#### As a lessee

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leasing (continued)

#### As a lessee (continued)

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leasing (continued)

#### As a lessee (continued)

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only. Right-of use asset and lease liability with fixed payments are subsequently measured in accordance with the Group's accounting policies above.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

- (a) any below-market terms is accounted for as a prepayment of lease payments; and
- (b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the consolidated financial statements in which they are incurred.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

### Property, plant and equipment

Property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or revalued amount of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated depreciation rate for the current and comparative periods are as follows:

Buildings	2.5% per annum
Plant and machinery	10%–20% per annum
Furniture and office equipment	10%–20% per annum
Motor vehicles	10% per annum

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” (upon application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighting average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

### Impairment losses of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to 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 the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the CGU on a pro rata basis.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Dividend

Dividend to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

### Financial assets

*Classification and measurement of financial assets at amortised cost*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Classification and measurement of financial assets at amortised cost (continued)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Measurement and recognition of ECL (continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

### Financial liabilities and equity instruments

#### *Financial liabilities and equity instruments Classification as financial liabilities or equity*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Financial liabilities and equity instruments (continued)

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### *Financial liabilities at amortised cost*

Financial liabilities (including bank borrowings, amount due to a director, trade payables, accruals and other payables) are subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

### Government Grants

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

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gain or (loss), net".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Retirement benefits costs

Payments to defined contribution retirement benefits plan are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

### Related parties transactions

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

- (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 of a parent of the Group.
- (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 (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (for an associate or joint venture of a member of a group 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. If the Group is itself such a plan, the sponsoring employees are also 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 member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) the entity, or any member of a group of which is a part, provides key management personnel services to the Group or the Group's parent.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties transactions (continued)

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

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the consolidated financial statements 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.

## 4. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Estimated allowance for expected credit losses on trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The information about the ECL and the Group's trade receivables are disclosed in note 32(b).

### Income taxation

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

## 5. OPERATING SEGMENT

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the year ended, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole report under HKFRSs.

The Group currently operates one operating segment which is revenue from sale of the confectionary products. Accordingly, the Group does not have separately reportable segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5. OPERATING SEGMENT (CONTINUED)

### Geographical information

The Group's operations and non-current assets are located in the PRC. Information about the revenue based on the geographical locations of the customers are detailed below:

	2022 RMB'000	2021 RMB'000
PRC	320,441	368,667
Asia (excluding PRC) (Note 1)	24,423	14,745
Europe (Note 2)	23,280	22,810
Others (Note 3)	8,267	3,603
	<b>376,411</b>	409,825

Notes:

- (1) Included Philippines, United Arab Emirates, Korea, Indonesia, Japan and Vietnam.
- (2) Included Germany, Poland, the United Kingdom, Lithuania, Czech Republic, Denmark, Spain, France and Belgium.
- (3) Included Australia, Argentina, Brazil, Colombia, Chile, Ecuador and the United States.

### Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the years ended 31 December 2022 and 2021 are as follow:

	2022 RMB'000	2021 RMB'000
Customer A	66,631	95,968

As at 31 December 2022 and 2021, 31.4% and 24.3% respectively of the Group's trade receivables were due from this customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 6. REVENUE

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount and other allowance for the year, and is analysed as follow:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Analysed by type of products		
OEM products	<b>137,846</b>	174,296
Own-branded products		
— Coolsa	<b>209,830</b>	206,102
— Lalabo	<b>23,555</b>	24,219
— Jiujiuwang	<b>5,180</b>	5,208
Sale of good, recognised at a point in time	<b>376,411</b>	409,825

Transaction prices are fixed in respective contracts. Unsatisfied performance obligations at 31 December 2022 and 2021 have expected duration of less than one year and are thus not disclosed as permitted under HKFRS 15.

## 7. OTHER INCOME, GAIN OR (LOSS), NET

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Bank interest income	<b>98</b>	199
Exchange gain	<b>1,584</b>	215
Rental income	<b>30</b>	26
Government grants ( <i>Note</i> )	<b>2,092</b>	4,529
Gain/(loss) on disposal of property, plant and equipment	<b>18</b>	(4)
Loss arising from sale and leaseback transactions	<b>(6,116)</b>	–
	<b>(2,294)</b>	4,965

*Note:* Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. There are no special condition or contingencies that are needed to be fulfilled and they were non-recurring in nature.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expenses on — bank borrowings wholly repayable within five years	11,488	12,285
Interest expenses on — lease liabilities	1,593	–
	<b>13,081</b>	12,285

## 9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2022 RMB'000	2021 RMB'000
Employee expenses, including directors' emoluments	35,841	36,712
Retirement benefit schemes contributions	6,817	9,498
	<b>42,658</b>	46,210
Auditors' remuneration	1,150	1,150
Cost of inventories recognised as expenses	202,322	220,425
Depreciation of property, plant and equipment	18,002	17,183
Depreciation of right-of-use assets	2,785	578
Allowance for expected credit losses on trade receivables	250	56
Research and development expenses	11,085	12,696
Listing expenses	–	14,862

## 10. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable (including emoluments for the services as employees of the group entities prior to becoming directors of the Company) to the directors of the Company during the year for their services rendered to the entities comprising the Group are as follows:

	2022 RMB'000	2021 RMB'000
Directors' fees	300	225
Salaries, allowances and benefits in kind	717	698
Retirement scheme contributions	84	84
	<b>1,101</b>	1,007

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 10. DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<b>2022</b>				
Executive directors:				
Mr. Zheng Zhenzhong ( <i>note (i)</i> )	–	360	–	360
Mr. Chen Kan	–	180	42	222
Mr. Zheng Guosi	–	177	42	219
	–	717	84	801
Independent non-executive directors:				
Mr. Wang Linan ( <i>note (ii)</i> )	100	–	–	100
Mr. Wu Shiming ( <i>note (ii)</i> )	100	–	–	100
Mr. Chen Congming ( <i>note (ii)</i> )	100	–	–	100
	300	–	–	300
	300	717	84	1,101
<b>2021</b>				
Executive directors:				
Mr. Zheng Zhenzhong ( <i>note (i)</i> )	–	357	–	357
Mr. Chen Kan	–	174	42	216
Mr. Zheng Guosi	–	167	42	209
	–	698	84	782
Independent non-executive directors:				
Mr. Wang Linan ( <i>note (ii)</i> )	75	–	–	75
Mr. Wu Shiming ( <i>note (ii)</i> )	75	–	–	75
Mr. Chen Congming ( <i>note (ii)</i> )	75	–	–	75
	225	–	–	225
	225	698	84	1,007

Notes:

- (i) Mr. Zheng Zhenzhong is the chairman of the Board and chief executive officer of the Company.
- (ii) Appointed as an Independent non-executive director on 18 February 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group for the year, one (2021: one) was director of the Company whose emoluments are included in the disclosure in note 10 above. The emoluments of the remaining individuals were as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,381	1,224
Retirement scheme contributions	176	170
	<b>1,557</b>	1,394

The emoluments of the employees were within the following band:

	2022	2021
Nil to HK\$1,000,000	4	4

During the year, no emoluments were paid by the Group to the director and non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the director, non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

## 12. TAXATION

	2022 RMB'000	2021 RMB'000
The taxation charge comprises:		
Current tax		
— PRC Enterprise Income Tax	9,436	14,546
Deferred taxation ( <i>note 26</i> )	(63)	(14)
Total tax expenses for the year	<b>9,373</b>	14,532

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 12. TAXATION (CONTINUED)

### Hong Kong

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the year (2021: Nil).

### The PRC

The PRC Enterprise Income Tax ("PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% for both years.

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

The income tax expense for the years ended 31 December 2022 and 2021 can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before taxation	25,439	41,821
Tax at the PRC enterprise income tax rate of 25%	6,360	10,455
Effect of difference tax rate in other countries	419	1,320
Tax effect of expenses not deductible for tax purpose	2,657	2,771
Tax of unrecognised temporary difference	(63)	(14)
	9,373	14,532

## 13. DIVIDENDS

The board of directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2022 RMB'000	2021 RMB'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>16,066</b>	27,289

  

	2022 '000	2021 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>792,000</b>	751,858

For the year ended 31 December 2022 and 2021, the weighted average number of ordinary shares are on the basis of 594,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of the capitalisation issue and the addition of 198,000,000 shares in issue pursuant to the global offering on 16 March 2021.

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the years ended 31 December 2022 and 2021.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction In progress RMB'000	Total RMB'000
<b>Cost</b>						
As at 1 January 2021	159,905	164,435	2,294	2,126	36,488	365,248
Additions	–	32,487	105	–	56,234	88,826
Disposals	–	–	(74)	–	–	(74)
As at 31 December 2021 and 1 January 2022	<b>159,905</b>	<b>196,922</b>	<b>2,325</b>	<b>2,126</b>	<b>92,722</b>	<b>454,000</b>
Additions	–	<b>28,202</b>	–	–	<b>29,415</b>	<b>57,617</b>
Disposals related to sale and leaseback transactions	–	<b>(48,344)</b>	–	–	–	<b>(48,344)</b>
Disposals	–	–	–	<b>(264)</b>	–	<b>(264)</b>
As at 31 December 2022	<b>159,905</b>	<b>176,780</b>	<b>2,325</b>	<b>1,862</b>	<b>122,137</b>	<b>463,009</b>
<b>Accumulated depreciation</b>						
As at 1 January 2021	41,365	86,581	1,863	1,939	–	131,748
Charge for the year	4,070	13,006	83	24	–	17,183
Disposals	–	–	(70)	–	–	(70)
As at 31 December 2021 and 1 January 2022	<b>45,435</b>	<b>99,587</b>	<b>1,876</b>	<b>1,963</b>	–	<b>148,861</b>
Charge for the year	<b>4,070</b>	<b>13,827</b>	<b>94</b>	<b>11</b>	–	<b>18,002</b>
Disposals related to sale and leaseback transactions	–	<b>(6,578)</b>	–	–	–	<b>(6,578)</b>
Disposals	–	–	–	<b>(250)</b>	–	<b>(250)</b>
As at 31 December 2022	<b>49,505</b>	<b>106,836</b>	<b>1,970</b>	<b>1,724</b>	–	<b>160,035</b>
Carrying amount						
As at 31 December 2022	<b>110,400</b>	<b>69,944</b>	<b>355</b>	<b>138</b>	<b>122,137</b>	<b>302,974</b>
As at 31 December 2021	114,470	97,335	449	163	92,722	305,139

As at 31 December 2022 and 2021, the Group's buildings and plant and machinery with carrying amounts of approximately RMB150,911,000 and RMB162,961,000 respectively have been pledged as securing credit facilities granted to the bank.

During the year ended 31 December 2022, the additions of construction in progress of approximately RMB29,415,000 (2021: RMB56,234,000) represented the buildings and plant and machinery in the course of construction for production of its own use in the PRC.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 16. RIGHT-OF-USE ASSETS

	Plant and machinery RMB'000	Land use rights in the PRC under long-term leases RMB'000	Total RMB'000
<b>Carrying amounts</b>			
<b>At 31 December 2022</b>	<b>33,443</b>	<b>22,250</b>	<b>55,693</b>
At 31 December 2021	–	22,828	22,828
<b>For the year ended 31 December 2022</b>			
Depreciation charge	<b>(2,207)</b>	<b>(578)</b>	<b>(2,785)</b>
Additions due to sale and leaseback transactions	<b>35,650</b>	–	<b>35,650</b>
	<b>33,443</b>	<b>(578)</b>	<b>32,865</b>
<b>For the year ended 31 December 2021</b>			
Depreciation charge	–	(578)	(578)

The right-of-use assets are charged to profit or loss over the respective term of the lease on a straight-line basis.

The leasehold lands have lease term of 50 years and the Group has processed the land use rights of the leasehold during the lease term.

As at 31 December 2022, the Group has pledged the land use rights of carrying amount of RMB22,250,000 (2021: RMB22,828,000) to secure credit facilities granted to the Group.

### Sale and leaseback transactions — seller-lessee

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases. During the year ended 31 December 2022, the Group has raised RMB35,650,000 (2021: RMB Nil) borrowings in respect of such sale and leaseback arrangements.

## 17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	55,318	51,405
Work in progress	13,092	15,829
Finished goods	38,051	32,520
	<b>106,461</b>	99,754

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 18. TRADE RECEIVABLES

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>99,366</b>	114,875
Less: allowance for expected credit losses	<b>(786)</b>	(536)
	<b>98,580</b>	114,339

As at 1 January 2021, trade receivables from contracts with customers (net of allowance for expected credit losses) amounted to RMB97,370,000.

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 to 180 days to its customers.

Ageing analysis of trade receivables (net of allowance for expected credit losses) presented, based on invoice date, as at the end of each of the reporting periods is as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Within 30 days	<b>15,420</b>	31,964
31–60 days	<b>15,984</b>	26,466
61–90 days	<b>21,218</b>	22,012
91–180 days	<b>42,813</b>	33,228
181–365 days	<b>3,145</b>	669
	<b>98,580</b>	114,339

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 18. TRADE RECEIVABLES (CONTINUED)

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Credit limited attributed to customers are reviewed when necessary. As at 31 December 2022 and 2021, the Group does not charge interest nor hold any collateral over the balances.

### Movement in the allowance for expected credit losses on trade receivables

	Life ECL (not credit-impaired) RMB'000
Balance as at 1 January 2021	480
Net allowance for expected credit losses	56
Balance as at 31 December 2021 and 1 January 2022	536
Net allowance for expected credit losses	250
<b>Balance as at 31 December 2022</b>	<b>786</b>

Details of assessment of expected credit losses are set out in note 32.

## 19. PREPAYMENTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments ( <i>Note</i> )	65,751	39,603
Deposits and other receivables	5,793	683
	<b>71,544</b>	40,286

*Note:* Include in prepayments approximately RMB63,526,000 (2021: RMB34,103,000) represented the prepayments for purchase of raw material as at 31 December 2022.

Details of assessment of expected credit losses are set out in note 32(b).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents carry interest at prevailing market saving rates approximately ranged from 0.1% to 0.2% per annum as at 31 December 2022 (2021: 0.1% to 0.2%).

Included in the cash and cash equivalents as at 31 December 2022 were amounts in approximately RMB27,475,000 (2021: RMB35,782,000) which were placed with the banks in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restriction imposed by the PRC government. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulation, the Group is permitted to exchange for foreign currencies through the banks that are authorised to conduct foreign exchange business.

Details of impairment assessment of cash at bank are set out in note 32(b).

## 21. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented on the invoice date at the end of the reporting period.

	2022 RMB'000	2021 RMB'000
Within 30 days	10,297	4,152
31–60 days	282	1,499
61–90 days	296	–
91–180 days	63	–
Total trade payables	10,938	5,651
Accruals and other payables	11,860	9,161
Amount due to a director	12,839	7,581
	35,637	22,393

Credit periods of trade payables normally granted by its suppliers were up to 60 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 22. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Advance from customers	4,341	1,128
		RMB'000
Balance as at 1 January 2021		1,056
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year		(1,056)
Increase in contract liabilities excluding amounts recognised as revenue during the year		1,128
Balance as at 31 December 2021 and 1 January 2022		<b>1,128</b>
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year		<b>(1,128)</b>
Increase in contract liabilities excluding amounts recognised as revenue during the year		<b>4,341</b>
Balance as at 31 December 2022		<b>4,341</b>

When the Group receives advance payment before delivery of confectionary products, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the advance payment.

## 23. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured bank borrowings ( <i>notes a to e</i> )	201,556	213,410
Carrying amount repayable within the period of one year	51,856	132,990
Carrying amount not repayable within one year but contain a repayment on demand clause	149,700	80,420
Less: Amount classified as current liabilities	201,556 <b>(201,556)</b>	213,410 <b>(213,410)</b>
Amount shown under non-current liabilities	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 23. BANK BORROWINGS (CONTINUED)

Notes:

- (a) As at 31 December 2022, the secured fixed-rate bank loans of approximately RMB21,000,000 (2021: RMB31,000,000) was secured by corporate guarantee by independent third parties.
- (b) As at 31 December 2022, the secured fixed-rate bank loans of approximately RMB118,100,000 (2021: RMB119,000,000) was secured by right-of-use assets and property, plant and equipment of the Company.
- (c) As at 31 December 2022, the secured fixed-rate bank loans of approximately RMB26,000,000 (2021: RMB26,500,000) was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company and corporate guarantee by independent third parties.
- (d) As at 31 December 2022, the secured fixed-rate bank loans of approximately RMB31,600,000 (2021: RMB32,000,000) was secured by a subsidiary of the Company.
- (e) As at 31 December 2022, the secured fixed-rate bank loans of approximately RMB4,856,000 (2021: RMB4,910,000) was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company.

Details of personal guarantee by directors of the Company are set out in note 30(b).

The above bank borrowings are all denominated in RMB.

The ranges of interest rates on the Group's bank borrowings are as follows:

	<b>2022</b>	2021
	<b>%</b>	%
Effective interest rates:		
Secured bank borrowings	<b>5.00–6.09</b>	3.35–6.09

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24. LEASE LIABILITIES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Lease liabilities payable:		
Within one year	15,758	–
Within a period of more than one year but not exceeding two years	10,381	–
	26,139	–
Less: Amount due for settlement within 12 months shown under current liabilities	(15,758)	–
Amount due for settlement after 12 months shown under non-current liabilities	10,381	–

The Group entered into sale and leaseback arrangements with independent third parties in relation to certain plant and machinery. The lease terms ranged from 2–3 years. Interest rates of underlying lease liabilities at the date of inception is 5.3% to 15.0% per annum as at 31 December 2022.

The leases liabilities amount to approximately RMB26,139,000 are secured by the lessor's charge over the leased assets with net carrying amount of RMB33,443,000 as at 31 December 2022.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 25. SHARE CAPITAL

	2022 Number '000	2021 Number '000	2022 US\$'000	2021 US\$'000
Authorised:				
As at 1 January	2,000,000	515	200	52
Share subdivision ( <i>Note i</i> )	–	1,999,485	–	148
As at 31 December	2,000,000	2,000,000	200	200
Issued and fully paid:				
As at 1 January	792,000	515	80	52
Share subdivision ( <i>Note i</i> )	–	514,949	–	–
Shares issued under the capitalisation issue ( <i>Note ii</i> )	–	78,536	–	8
Shares issued pursuant to the global offering ( <i>Note iii</i> )	–	198,000	–	20
As at 31 December	792,000	792,000	80	80
Show in the consolidated statement of financial position (in RMB'000)			532	532

### Notes:

- (i) On 10 February 2021, the Company resolved that, among others, (i) the authorised share capital of our Company be increased from US\$51,546.4 to US\$200,000 by the creation of an additional 1,484,536 Shares of US\$0.1 each ranking pari passu in all aspects with the existing issued shares and (ii) immediately thereafter all the issued and unissued shares at a par value of US\$0.1 each be subdivided into 1,000 shares at a par value of US\$0.0001 each such that the authorised share capital of our Company shall be US\$200,000 divided into 2,000,000,000 shares at a par value of US\$0.0001 each and the issued share capital of our Company shall be US\$51,546.4 divided into 515,464,000 shares at a par value of US\$0.0001 each.
- (ii) Pursuant to a written resolution of the shareholders of the Company (the "Shareholders") passed on 18 February 2021, subject to the share premium account of the Company being credited as a result of the global offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 78,536,000 shares credited as fully paid at par to the then Shareholders by way of capitalisation of an amount of approximately HK\$61,000 (equivalent to RMB51,000) standing to the credit of the share premium account of the Company.
- (iii) On 16 March 2021, the Company issued 198,000,000 ordinary shares of US\$0.0001 each at a price of HK\$0.75 each pursuant to the global offering. Gross proceeds amounting to HK\$148,500,000 (equivalent to approximately RMB124,389,000) was raised from the global offering, of which approximately HK\$156,000 (equivalent to approximately RMB131,000) and HK\$148,344,000 (equivalent to approximately RMB124,258,000) was credited to the share capital and share premium account respectively. Listing expenses of approximately RMB32,185,000 was deducted from the share premium account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26. DEFERRED TAX ASSETS

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

	<b>Allowance for expected credit losses on trade receivables</b>
	RMB'000
Balance as at 1 January 2021	120
Credited to consolidated statement of profit or loss and other comprehensive income ( <i>note 12</i> )	14
At 31 December 2021 and 1 January 2022	<b>134</b>
Charged to consolidated statement of profit or loss and other comprehensive income ( <i>note 12</i> )	<b>63</b>
At 31 December 2022	<b>197</b>

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	<b>Lease liabilities</b>	<b>Bank borrowing</b>	<b>Amount due to a director</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	–	218,920	8,309	227,229
Interest accrued	–	12,285	–	12,285
Interest paid	–	(12,285)	–	(12,285)
Financing cash outflows	–	(218,920)	(728)	(219,648)
Financing cash inflows	–	213,410	–	213,410
At 31 December 2021 and 1 January 2022	–	<b>213,410</b>	<b>7,581</b>	<b>220,991</b>
Interest accrued	<b>1,593</b>	<b>11,488</b>	–	<b>13,081</b>
Interest paid	–	<b>(11,488)</b>	–	<b>(11,488)</b>
Financing cash outflows	<b>(11,104)</b>	<b>(190,249)</b>	–	<b>(201,353)</b>
Financing cash inflows	<b>35,650</b>	<b>178,395</b>	<b>4,434</b>	<b>218,479</b>
Exchange realignment	–	–	<b>824</b>	<b>824</b>
At 31 December 2022	<b>26,139</b>	<b>201,556</b>	<b>12,839</b>	<b>240,534</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 28. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK\$1,500 per month. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company’s subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The total expense recognised in profit or loss of RMB6,817,000 (2021: RMB9,498,000) represents contributions payable to these plans by the Group at rates specified in the rule of the plans.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the MPF and the retirement benefits scheme utilised to reduce the existing levels of contributions. As at 31 December 2022 and 2021, there was no forfeited contribution under the MPF and Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years.

## 29. PLEDGE OF ASSETS

As at 31 December 2022 and 2021, the following assets of the Group were pledged to banks to secure the bank borrowings granted to the Group.

	<b>2022</b>	2021
	<b>RMB’000</b>	RMB’000
Building	<b>110,400</b>	114,470
Plant and machinery	<b>40,511</b>	48,491
Right-of-use assets	<b>22,250</b>	22,828
	<b>173,161</b>	185,789

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 30. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this annual report, the Group entered the following material related party transactions:

### (a) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the years ended 31 December 2022 and 2021 are set out in note 10.

### (b) Financial guarantee

As at 31 December 2022 and 2021, Mr. Zheng Zhenzhong (director of the Company), Mr. Zheng Guosi (director of the Company), Mr. Zheng Guodian (beneficial interest in the Company) and their spouses provided unlimited personal guarantee to the banking facilities of the Group's bank borrowing amounted to approximately RMB30.9 million (2021: RMB31.4 million).

### (c) Amount due to a director

	2022 RMB'000	2021 RMB'000
Mr. Zheng Zhenzhong	12,839	7,581

The amount due to a director is unsecured, interest free and repayable on demand.

## 31. CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitment of approximately RMB19,286,000 (2021: RMB30,765,000) in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL INSTRUMENTS

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

### (a) Categories of Financial Instruments

	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>		
Amortised cost (including cash and cash equivalents):		
Trade receivables	98,580	114,339
Prepayments and other receivables	5,793	683
Cash and cash equivalents	27,496	36,197
	<b>131,869</b>	151,219
<b>Financial liabilities</b>		
Amortised cost:		
Trade and other payables	35,637	22,393
Bank borrowings	201,556	213,410
Lease liabilities	26,139	–
	<b>263,332</b>	235,803

The carrying amounts of the above balances approximate to their fair values.

### (b) Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade receivables, prepayments and other receivables, cash and cash equivalents, trade and other payables, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk and liquidity risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial Risk Management Objectives and Policies (continued)

#### Market risk

##### *Interest rate risk*

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk in relation to cash and cash equivalents and fixed-rate bank borrowings and lease liabilities. The Group does not have a formulated policy to manage the interest rate risk but will closely monitor the interest rate risk exposure in the future.

##### Sensitivity analysis

No sensitivity analysis on interest rate risk is presented as the Directors consider the sensitivity on interest rate risk of the Group is insignificant.

#### Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, cash and cash equivalents.

#### Trade receivables

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 79.0% and 89.9% of the trade receivables as at 31 December 2022 and 2021 respectively.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivables balances accounted for 51.7% and 50.0%, respectively of the trade receivables and the largest trade receivable was 31.4% and 24.3%, respectively of the Group's total trade receivables for the year ended 31 December 2022 and 2021 respectively.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial Risk Management Objectives and Policies (continued)

#### Trade receivables (continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

At 31 December 2021	Trade receivables — day past due							Total
	Not past due	Within 30 days	31–60 days	61–90 days	91–180 days	181–365 days	Over 365 days	
ECL rate	0.21%	2.08%	3.32%	5.07%	8.91%	N/A	N/A	0.47%
Gross carrying amount (RMB'000)	106,857	3,797	1,687	1,164	1,370	–	–	114,875
Life time ECL (RMB'000)	(220)	(79)	(56)	(59)	(122)	–	–	(536)
	106,637	3,718	1,631	1,105	1,248	–	–	114,339

At 31 December 2022	Trade receivables — day past due							Total
	Not past due	Within 30 days	31–60 days	61–90 days	91–180 days	181–365 days	Over 365 days	
ECL rate	0.07%	0.23%	0.31%	0.66%	50.67%	N/A	100%	0.79%
Gross carrying amount (RMB'000)	95,504	854	982	1,212	223	–	591	99,366
Life time ECL (RMB'000)	(69)	(2)	(3)	(8)	(113)	–	(591)	(786)
	95,435	852	979	1,204	110	–	–	98,580

#### Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experiences, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-months ECL. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for other receivables and considered that the amounts are insignificant, and thus no loss allowance is recognised.

#### Cash at bank

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, ECL rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial Risk Management Objectives and Policies (continued)

#### Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2021</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	–	22,393	–	–	22,393	22,393
Bank borrowings	5.49%	225,126	–	–	225,126	213,410
		247,519	–	–	247,519	235,803
<b>As at 31 December 2022</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	–	35,637	–	–	35,637	35,637
Bank borrowings	5.55%	212,742	–	–	212,742	201,556
Lease liabilities	10.13%	17,506	11,011	–	28,517	26,139
		265,885	11,011	–	276,896	263,332



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial Risk Management Objectives and Policies (continued)

#### Liquidity risk (continued)

Bank borrowings with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 31 December 2022, the aggregate carrying amounts of these bank borrowings amounted to RMB149,700,000 (2021: RMB80,420,000). Taking into account the Group’s financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid within two to three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the respective loan agreements, details of which are set out in the table below:

*Maturity Analysis — Bank borrowings with a repayment on demand clause based on scheduled repayments*

	Less than 1 year RMB'000	1–2 years RMB'000	2–3 years RMB'000	Over 3 years RMB'000	Total undiscounted cash outflow RMB'000	Carrying amount RMB'000
31 December 2022	7,986	85,613	71,685	–	165,284	149,700
31 December 2021	–	–	94,432	–	94,432	80,420

#### Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial Risk Management Objectives and Policies (continued)

#### Fair value measurements (continued)

The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

No analysis on fair value hierarchy is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the each reporting period.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statements of financial position approximate of their fair values.

## 33. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as bank borrowings and lease liabilities less cash and cash equivalents. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 33. CAPITAL MANAGEMENT (CONTINUED)

The Group's net debt to equity ratio at the reporting period was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Bank borrowings	201,556	213,410
Lease liabilities	26,139	–
Less: cash and cash equivalents	(27,496)	(36,197)
Net debt	200,199	177,213
Total equity	395,266	380,044
Net debt to equity ratio	0.51	0.47

## 34. INTERESTS IN SUBSIDIARIES

The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2022 and 2021 or formed a substantial portion of the net assets of the Group.

Name of Companies	Place of establishment and principal place of operation	Paid up registered capital	Equity interest attributable to the Group As at December 31		Principal activity
			2022	2021	
Junwo Limited	Hong Kong	HK\$10,000	100%	100%	Investment Holding
Coolsa Food* (Note)	PRC	RMB5,000,000	100%	100%	Marketing and sales
Jiujiuwang Food* (Note)	PRC	RMB80,000,000	100%	100%	Manufacturing confectionary products

\* English name for identification only

Note: Registered as a wholly-owned foreign enterprise under the PRC law.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 35. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 18 February 2021. The purpose of the scheme is to motivating the Eligible Participants (as defined below) to optimise their performance efficiency for the benefit of our Group and attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group. Under the Scheme, the directors of the Company may grant options to eligible participant ("Eligible Participants") including directors, full-time employees of and advisers and consultants to the Company or its subsidiaries, to subscribe for shares in Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and maybe granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares in issue of the Company or having an aggregate value in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time.

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme by the shareholders of our Company (the "Adoption Date"). Subject to earlier termination by our Company in general meeting or by the board of directors, the Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

The subscription price of a share in respect of any option granted under the Share Option Scheme shall be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

During the year ended 31 December 2022 and 2021, the Company did not grant any share option under the Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### (a) Statement of financial position of the Company

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-current asset		
Investment in a subsidiary	84,156	81,156
	<b>84,156</b>	81,156
Current assets		
Amounts due from subsidiaries	7,518	–
Cash and cash equivalents	–	282
	<b>7,518</b>	282
Current liabilities		
Other payables	5,930	5,761
Amount due to a director (Note)	12,839	–
Amounts due to subsidiaries	–	2,762
	<b>18,769</b>	8,523
Net current liabilities	<b>(11,251)</b>	(8,241)
Net assets	<b>72,905</b>	72,915
Equity		
Share capital	532	532
Reserves	72,373	72,383
Total equity	<b>72,905</b>	72,915

Note: Amount due to a director is unsecured, interest free and repayable on demand.

The financial statements were approved and authorised for issue by the Board of Director on 31 March 2023 and are signed on its behalf by:

**Zheng Zhenzhong**  
Executive Director

**Zheng Guosi**  
Executive Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

### (b) Reserves of the Company

#### The Company

Details of the movements of the reserves of the Company during the years ended 31 December 2022 and 2021 are set out as below:

	Share Premium RMB'000	Capital Reserve RMB'000	Exchange Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000
At 1 January 2021	–	3,990	365	(9,724)	(5,369)
Loss for the year	–	–	–	(15,537)	(15,537)
Other comprehensive income for the year	–	–	1,267	–	1,267
Total comprehensive expense for the year	–	–	1,267	(15,537)	(14,270)
Share issued pursuant to the capitalisation	(51)	–	–	–	(51)
Share issued pursuant to the listing	124,258	–	–	–	124,258
Listing expenses charged to share premium	(32,185)	–	–	–	(32,185)
At 31 December 2021	92,022	3,990	1,632	(25,261)	72,383
Loss for the year	–	–	–	(480)	(480)
Other comprehensive income for the year	–	–	470	–	470
At 31 December 2022	<b>92,022</b>	<b>3,990</b>	<b>2,102</b>	<b>(25,741)</b>	<b>72,373</b>

## 37. COMPARATIVES

Certain comparative figures have been reclassified to be consistent with the current year's presentation.

## 38. AUTHORISATION OF ISSUE OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement were approved and authorised for issue by the Board of Directors on 31 March 2023.

# FINANCIAL SUMMARY

	<b>2022</b> <b>RMB'000</b>	<b>For the year ended 31 December</b>			
		2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
<b>CONSOLIDATED RESULTS</b>					
Revenue	<b>376,411</b>	409,825	401,232	414,082	380,815
Profit before taxation	<b>25,439</b>	41,821	60,177	59,201	53,422
Taxation	<b>(9,373)</b>	(14,532)	(16,099)	(16,005)	(14,736)
Profit for the year	<b>16,066</b>	27,289	44,078	43,196	38,686
Total comprehensive income for the year attributable to owners of the Company	<b>15,222</b>	27,176	44,596	43,515	38,481
<b>CONSOLIDATED ASSETS AND LIABILITIES</b>					
Total assets	<b>662,945</b>	618,677	509,473	491,003	447,373
Total liabilities	<b>(267,679)</b>	(238,633)	(248,809)	(274,935)	(274,820)
Net assets	<b>395,266</b>	380,044	260,664	216,068	172,553