The following is the text of a report set out on pages I–1 to I–56, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 廈門燕之屋生物工程股份有限公司 XIAMEN YAN PALACE BIOENGINEERING CO., LTD. *, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND GF CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 廈門燕之屋生物工程股份有限公司 Xiamen Yan Palace Bioengineering Co., Ltd.* (the "Company") and its subsidiaries (together, the "Group") set out on pages I–3 to I–56, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2020, 2021 and 2022 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I–3 to I–56 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the [**REDACTED**] of [**REDACTED**] of the Company on the [**REDACTED**].

Directors' responsibility for Historical Financial Information

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

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the

* *For identification purposes only*

Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

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

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

Adjustments

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

Dividends

We refer to Note 30(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

KPMG

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

HISTORICAL FINANCIAL INFORMATION

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	Year ended 31 December		
		2020	**2021**	**2022**
		RMB'000	**RMB'000**	**RMB'000**
Revenue	*4*	1,301,157	1,506,997	1,729,945
Cost of sales		(745,448)	(780,214)	(851,693)
Gross profit		555,709	726,783	878,252
Other net income	*5*	20,714	32,680	27,692
Selling and distribution expenses		(317,762)	(398,951)	(503,879)
Administrative expenses		(76,060)	(108,020)	(111,543)
Research and development expenses		(17,679)	(18,982)	(24,320)
Profit from operations		164,922	233,510	266,202
Finance costs	*6(a)*	(4,882)	(3,337)	(1,636)
Share of loss of an associate		(214)	–	–
Profit before taxation	*6*	159,826	230,173	264,566
Income tax	*7(a)*	(36,401)	(57,814)	(58,688)
Profit and total comprehensive income for the year		123,425	172,359	205,878
Attributable to:				
Equity shareholders of the Company		122,017	167,353	191,840
Non-controlling interests		1,408	5,006	14,038
Profit and total comprehensive income for the year		123,425	172,359	205,878
Earnings per share				
Basic and diluted (RMB)	*10*	1.46	1.95	2.21

The Notes on pages I-11 to I-56 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		As at 31 December		
	Note	2020	2021	2022
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	*11*	62,462	91,934	87,782
Intangible assets	*12*	704	873	1,275
Goodwill	*13*	–	75,165	75,165
Interest in an associate	*16*	2,067	–	–
Deferred tax assets	*29(b)*	4,342	16,313	36,130
Other non-current assets	*17*	1,264	6,862	4,679
		70,839	191,147	205,031
Current assets				
Financial assets measured at fair value through profit or loss	*18*	46,225	–	4,996
Inventories	*19*	277,045	279,742	271,795
Trade and other receivables	*20*	70,537	87,583	89,459
Prepayments	*20*	33,353	66,759	54,655
Restricted bank deposits	*21(b)*	1,202	2,000	1,600
Cash and cash equivalents	*21(a)*	150,573	169,495	350,818
		578,935	605,579	773,323
Current liabilities				
Trade and other payables	*23*	213,699	204,794	239,673
Contract liabilities	*24*	102,084	138,789	176,450
Bank loans	*25*	66,097	–	–
Lease liabilities	*26*	7,697	15,644	15,657
Other current liabilities	*24*	12,849	17,897	23,274
Current taxation	*29(a)*	16,391	47,133	38,091
		418,817	424,257	493,145
Net current assets		160,118	181,322	280,178
Total assets less current liabilities		230,957	372,469	485,209
Non-current liabilities				
Bank loans	*25*	8,597	–	–
Lease liabilities	*26*	7,793	17,047	11,264
Deferred tax liabilities	*29(b)*	2,802	2,285	1,935
		19,192	19,332	13,199
NET ASSETS		211,765	353,137	472,010
CAPITAL AND RESERVES				
Share capital	*30(c)*	83,333	86,700	86,700
Reserves		124,054	250,253	367,696
Total equity attributable to equity shareholders of the Company		207,387	336,953	454,396
Non-controlling interests		4,378	16,184	17,614
TOTAL EQUITY		211,765	353,137	472,010

The Notes on pages I-11 to I-56 form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	*11*	10,717	13,671	15,053
Intangible assets		163	284	502
Investments in subsidiaries	*15*	96,461	188,060	188,694
Interest in an associate	*16*	2,067	–	–
Deferred tax assets		218	287	7,314
Other non-current assets		110	3,165	774
		109,736	205,467	212,337
Current assets				
Financial assets measured at fair value through profit or loss	*18*	10,068	–	4,996
Inventories	*19*	5,894	711	4,381
Trade and other receivables	*20*	15,049	29,062	9,689
Amounts due from subsidiaries	*22*	50,620	61,841	181,236
Prepayments	*20*	83,303	85,662	64,424
Cash and cash equivalents	*21(a)*	46,061	62,126	162,177
		210,995	239,402	426,903
Current liabilities				
Trade and other payables	*23*	117,197	84,773	99,286
Amounts due to subsidiaries	*22*	1	29,467	4,064
Contract liabilities	*24*	31,325	48,983	53,782
Lease liabilities	*26*	563	2,004	1,387
Other current liabilities	*24*	4,023	6,225	6,861
Current taxation		62	7,680	9,174
		153,171	179,132	174,554
Net current assets		57,824	60,270	252,349
Total assets less current liabilities		167,560	265,737	464,686
Non-current liability				
Lease liabilities	*26*	514	2,645	684
		514	2,645	684
NET ASSETS		167,046	263,092	464,002
CAPITAL AND RESERVES	*30(a)*			
Paid-in capital/share capital	*30(c)*	83,333	86,700	86,700
Reserves		83,713	176,392	377,302
TOTAL EQUITY		167,046	263,092	464,002

The Notes on pages I-11 to I-56 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Paid-in capital	Share capital	Capital reserve	Share premium	Share-based payment reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000 (Note 30(c))	RMB'000 (Note 30(c))	RMB'000 (Note 30(d)(i))	RMB'000 (Note 30(d)(i))	RMB'000 (Note 30(d)(ii))	RMB'000 (Note 30(d)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		83,333	–	64,327	–	–	21,215	33,459	202,334	2,970	205,304
Changes in equity for 2020:											
Profit and total comprehensive income for the year		–	–	–	–	–	–	122,017	122,017	1,408	123,425
Capital injection from equity shareholders		–	–	2,598	–	–	–	–	2,598	–	2,598
Equity settled share-based transactions	*28(a)*	–	–	–	–	438	–	–	438	–	438
Appropriation to statutory reserve	*30(d)(iii)*	–	–	–	–	–	3,525	(3,525)	–	–	–
Conversion to a joint stock limited liability company	*30(c)*	(83,333)	83,333	(66,925)	100,845	–	(10,441)	(23,479)	–	–	–
Dividends approved and paid to the shareholders	*30(b)*	–	–	–	–	–	–	(120,000)	(120,000)	–	(120,000)
Balance at 31 December 2020		–	83,333	–	100,845	438	14,299	8,472	207,387	4,378	211,765

The Notes on pages I-11 to I-56 form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company								
		Share capital	Share premium	Shares held for employee incentive scheme	Share-based payment reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000 (Note 30(c))	RMB'000 (Note 30(d)(i))	RMB'000 (Note 28)	RMB'000 (Note 30(d)(ii))	RMB'000 (Note 30(d)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		83,333	100,845	–	438	14,299	8,472	207,387	4,378	211,765
Changes in equity for 2021:										
Profit and total comprehensive income for the year		–	–	–	–	–	167,353	167,353	5,006	172,359
Issuance of new shares	*30(c)*	3,367	38,675	(1,642)	–	–	–	40,400	–	40,400
Equity settled share-based transactions	*28(a)*	–	16,560	–	5,253	–	–	21,813	–	21,813
Appropriation to statutory reserve	*30(d)(iii)*	–	–	–	–	19,811	(19,811)	–	–	–
Dividends approved and paid to the shareholders	*30(b)*	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
Dividends to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	(560)	(560)
Acquisition of subsidiaries with non-controlling interests	*14*	–	–	–	–	–	–	–	3,760	3,760
Capital contribution from non-controlling interests of subsidiaries		–	–	–	–	–	–	–	3,600	3,600
Balance at 31 December 2021		86,700	156,080	(1,642)	5,691	34,110	56,014	336,953	16,184	353,137

The Notes on pages I-11 to I-56 form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company								
	Note	Share capital	Share premium	Shares held for employee incentive scheme	Share-based payment reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000 (Note 30(c))	RMB'000 (Note 30(d)(i))	RMB'000 (Note 28)	RMB'000 (Note 30(d)(ii))	RMB'000 (Note 30(d)(iii))	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022 . . .		86,700	156,080	(1,642)	5,691	34,110	56,014	336,953	16,184	353,137
Changes in equity for 2022:										
Profit and total comprehensive income for the year		–	–	–	–	–	191,840	191,840	14,038	205,878
Equity settled share-based transactions .	*28(a)*	–	–	–	5,253	–	–	5,253	–	5,253
Appropriation to statutory reserve . .	*30(d)(iii)*	–	–	–	–	31,137	(31,137)	–	–	–
Dividends approved and paid to the shareholders.	*30(b)*	–	–	–	–	–	(80,000)	(80,000)	–	(80,000)
Dividends to non-controlling interests of subsidiaries . . .		–	–	–	–	–	–	–	(11,258)	(11,258)
Acquisition of non-controlling interests of subsidiaries . . .		–	350	–	–	–	–	350	(1,350)	(1,000)
Balance at 31 December 2022 . .		86,700	156,430	(1,642)	10,944	65,247	136,717	454,396	17,614	472,010

The Notes on pages I-11 to I-56 form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Operating activities				
Cash generated from operations	*21(c)*	69,044	253,414	393,951
Income tax paid		(20,031)	(39,642)	(88,072)
Net cash generated from operating activities		49,013	213,772	305,879
Investing activities				
Payment for purchase of property, plant and equipment and intangible assets		(11,742)	(24,806)	(22,478)
Proceeds from disposal of property, plant and equipment		330	27	–
Payment for acquisition of financial assets measured at fair value through profit or loss		(496,100)	(527,340)	(555,000)
Proceeds from disposal of financial assets measured at fair value through profit or loss		508,003	575,894	551,459
Acquisition of subsidiaries, net of cash acquired	*21*	–	(73,817)	–
Cash received from repayment of entrusted loans		54,000	–	–
Interest received		3,994	1,492	–
Proceeds from disposal of investment in an associate		–	2,100	–
Proceeds from disposal of subsidiaries		1,600	–	4,995
Net cash generated from/(used in) investing activities		60,085	(46,450)	(21,024)
Financing activities				
Capital element of lease rentals paid	*21(d)*	(6,484)	(13,809)	(16,838)
Interest element of lease rentals paid	*21(d)*	(784)	(1,411)	(1,621)
Proceeds from new bank loans	*21(d)*	161,275	55,371	12,183
Repayment of bank loans	*21(d)*	(87,141)	(129,597)	(12,183)
Interest and other borrowing costs paid	*21(d)*	(3,630)	(2,394)	(15)
Issuance of new shares		–	40,400	–
Capital injection from equity shareholders		2,598	–	–
Acquisition of non-controlling interests of subsidiaries		–	–	(1,000)
Dividends paid to the shareholders	*21(d)*	(120,000)	(100,000)	(80,000)
Dividends to non-controlling interests of subsidiaries	*21(d)*	–	(560)	(4,058)
Contribution from non-controlling interests		–	3,600	–
Net cash used in financing activities		(54,166)	(148,400)	(103,532)
Net change in cash and cash equivalents		54,932	18,922	181,323
Cash and cash equivalents at the beginning of the year		95,641	150,573	169,495
Cash and cash equivalents at the end of the year	*21(a)*	150,573	169,495	350,818

The Notes on pages I-11 to I-56 form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Xiamen Yan Palace Bioengineering Co., Ltd. (廈門燕之屋生物工程股份有限公司), ("the Company") was established in the People's Republic of China (the "PRC") on 31 October 2014 as a limited liability company under the Companies laws of the PRC. The Company was converted into a joint stock limited liability company on 23 December 2020.

The Company and its subsidiaries (together, the "Group") are principally engaged in the development, production and marketing of edible bird's nest products.

The audited financial statements of the Company for the year ended 31 December 2021 and 2022 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Da Hua CPAs LLP (大華會計師事務所(特殊普通合夥)) and Xiamen Zhongyou CPA Co., Ltd (廈門中友會計師事務所有限公司) respectively.

During the Relevant Periods and as at the date of this report, the Company has direct interests in the following principal subsidiaries, all of which are private companies:

Company Name	Place and date of establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Xiamen Yan Palace Si Nong Food Co., Ltd. (廈門市燕之屋絲濃食品有限公司) (note (a) and (b))	PRC/ 23 November 2007	RMB21,260,000	100%	–	Research, development and production of bird's nest products
Xiamen Yan Palace Electronic Commerce Technology Co., Ltd. (廈門燕之屋電子商務科技有限公司) (note (a) and (b))	PRC/ 6 May 2020	RMB10,000,000	100%	–	Online retail business of bird's nest products

Notes:

(a) The official names of this entity is in Chinese. The English name is for identification purpose only. The company was registered as a limited liability company under the PRC Law.

(b) No audited financial statements has been prepared for these entities for the year ended 31 December 2020. The audited financial statements of this company for the year ended 31 December 2021 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Da Hua CPAs LLP. The audited financial statements of this company for the year ended 31 December 2022 are not yet available as of the date of this report.

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

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2022. The revised and new accounting standards and interpretations issued but not yet effective for year ended 31 December 2022 are set out in note 35.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for certain financial assets measured at their fair value (see note 2(g)).

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. All of the companies comprising the Group are operating in PRC and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

(b) Use of estimates and judgements

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with note 2(n).

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(k)(i))

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(k)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note 2(c)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 2(k)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investment in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(u)(ii)(a)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL), if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)):

– interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 2(j)).

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(j)).

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

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

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

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

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

– Motor vehicles	4 – 5 years
– Machinery	5 – 10 years
– Office and other equipment	3 – 5 years
– Leasehold improvements	The shorter of the lease terms or the estimated useful life of the assets

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

(i) Intangible assets (other than goodwill)

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patent rights	6.5 to 17 years
– Software	2 to 3 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

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

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

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

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(g)(i), 2(u)(ii)(a) and 2(k)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

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

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

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits, trade receivables and other receivables).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on either of the following bases:

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

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 30 to 90 days past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

(ii) Impairment of other non-current assets

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

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– interest in an associate;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(l) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

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

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 2(u)(i).

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(l)(i)).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(u)(i).

(m) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(u)(i)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(n)).

(n) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(k)(i).

(p) Trade and other payables (other than refund liabilities)

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Refund liabilities arising from rights of returns and volume rebates are recognised in accordance with the policy set out in note 2(u)(i).

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

(r) Employee benefits

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

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

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(s) Income tax

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

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

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

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

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

  – the same taxable entity; or

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

(t) Provisions and contingent liabilities

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

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

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of bird's nest products in the ordinary course of the Group's business.

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

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

(i) Revenue from contracts with customers

(a) Sales of edible bird's nest products

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Sales of the Group's edible bird's nest products are recognised as follows:

(i) Direct sales to customers

The Group sells edible bird's nest products to retail customers through self-operated online and offline stores.

- For retail customers that purchase from the Group's offline stores, sales revenue is recognised when customers take possession of the products and make payment.

- For retail customers that purchase from the Group's online stores, payment is collected when customers place purchase orders and sales revenue is recognised when customers accept the products upon delivery.

The Group typically offers retail customers a right of return for a period of 7 days upon customer acceptance. The Group estimates the constrained transaction price with all reasonably available information and updates the variable consideration at each reporting date.

The Group operates membership programs for retail customers and members can earn loyalty points on their purchases. Points are redeemable against any future purchases of the Group's products or other offerings provided by the Group. The Group allocates a portion of the consideration to loyalty points based on the relative stand-alone selling prices. The amount allocated to the membership programs is deferred and recognised as revenue when loyalty points are redeemed or expire. Unused loyalty points generally expire in 12 to 15 months after they are granted.

(ii) Sales to distributors

The Group sells edible bird's nest products to distributors through offline and online channels.

Offline channel distributors make payments for their purchase orders before product shipment. Sales revenue is recognised when the products are delivered to and accepted by distributors at the locations specified in the purchase orders.

The Group generally does not accept return of products from offline channel distributors, except for quality defects or transportation damages in rare cases.

Group provides sales rebates to distributors who satisfy relevant requirements specified in the distribution agreements and the Group's distributor incentivising policies.

The above cash rewards and the rights of return (where applicable) to distributors give rise to variable consideration. The Group uses the most likely amount approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products to distributors, the Group recognises revenue after taking into account adjustment to transaction price arising from cash rewards and returns which are estimated and updated at each reporting date.

(iii) Sales to e-commerce platform

The Group sells edible bird's nest products to e-commerce platforms. Sales of products sold to e-commerce platforms are recognised when the products are accepted by the platforms upon delivery to their designated premises.

Certain e-commerce platform can return unsold products to the Group. The Group also provides a profit protection to certain e-commence platform such that the monthly overall gross margin generated by the e-commerce platform from selling the products is not less than a floor.

The above rights of return and profit protection give rise to variable consideration. The Group uses the most likely amount approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products to e-commerce platforms, the Group recognises revenue after taking into account adjustment to transaction price arising from returns and profit protection which are estimated and updated at each reporting date.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)(i)).

(b) Government grants

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

(v) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(x) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13, 28 and 31 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) Variable consideration for volume rebates

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

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Value in use is determined using the discounted cash flow method. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of the assets may be different from its actual recoverable amount and the Group's profit or loss could be affected by the accuracy of the estimations. Changes in facts and circumstances may result in revisions to the estimates of recoverable amount, which would affect profit or loss in future years.

(c) Expected credit losses for receivables

The credit losses for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 31(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may be necessary to make additional loss allowances in future periods.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of businesses, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the development, production and marketing of edible bird's nest products. Further details regarding the Group's principal activities are disclosed in note 4(b).

Disaggregation of revenue from contracts with customers by sales channel is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15			
Offline channels			
– Sales to offline distributors	409,777	509,917	477,525
– Direct sales to offline customers	168,729	228,794	314,466
Online channels			
– Direct sales to online customers	575,220	564,587	695,265
– Direct sales to E-commerce platform	137,545	189,196	227,071
– Sales to online distributors	9,886	14,503	15,618
	1,301,157	1,506,997	1,729,945

The revenue of the Group is mainly generated from sales of bird's nest products, which is recognised at a point in time.

The Group's customer base is diversified and includes nil, nil and 1 customer with whom transactions have exceeded 10% of the Group's revenues for the years ended 31 December 2020, 2021 and 2022, respectively. In 2022 revenues from sales of edible bird's nest products to the customer, including sales to entities which are known to the Group to be under common control with the customer, amounted to approximately RMB189,036,000.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for bird's nest products that had an original expected duration of one year or less and does not disclose the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations.

(b) Segment reporting

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

– Direct sales to online customers: this segment engaged in sales of bird's nest products to retail customers through online platform.

– Direct sales to offline customers: this segment engaged in sales of bird's nest products to retail customers in brick-and-mortar stores.

– Sales to offline distributors: this segment engaged in sales of bird's nest products to offline distributors.

– Direct sales to E-commerce platform: this segment engaged in sales of bird's nest products to online platform.

– Sales to online distributors: this segment engaged in sales of bird's nest products to online distributors.

(i) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and direct expenses incurred by those segments respectively. The measure used for reporting segment result is gross profit which is calculated based on revenue less cost of sales for the relevant segment. No inter-segment sales have occurred during the Relevant Periods. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other net income, selling and distribution expenses, administrative expenses, research and development expenses, finance costs, share of loss of an associate, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, other operating income and expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Periods is set out below.

	Year ended 31 December 2020					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platform	Sales to online distributors	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	575,220	168,729	409,777	137,545	9,886	1,301,157
Gross profit	191,720	100,951	191,395	67,357	4,286	555,709

	Year ended 31 December 2021					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platform	Sales to online distributors	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	564,587	228,794	509,917	189,196	14,503	1,506,997
Gross profit	223,238	151,204	246,767	99,778	5,796	726,783

	Year ended 31 December 2022					
	Direct sales to online customers	Direct sales to offline customers	Sales to offline distributors	Direct sales to E-commerce platform	Sales to online distributors	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	695,265	314,466	477,525	227,071	15,618	1,729,945
Gross profit	305,495	212,193	236,975	116,920	6,669	878,252

(ii) ***Reconciliation of reportable segment profit or loss***

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Total reportable segment gross profit	555,709	726,783	878,252
Other net income	20,714	32,680	27,692
Selling and distribution expenses	(317,762)	(398,951)	(503,879)
Administrative expenses	(76,060)	(108,020)	(111,543)
Research and development expenses	(17,679)	(18,982)	(24,320)
Finance costs	(4,882)	(3,337)	(1,636)
Share of loss of an associate	(214)	–	–
Consolidated profit before taxation	159,826	230,173	264,566

(iii) ***Geographic information***

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

5 OTHER NET INCOME

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Net fair value changes on financial assets measured at fair value through profit or loss	1,128	2,329	1,455
Gain on disposal of investments in a subsidiary	–	–	380
Gain on disposal of interest in an associate	–	33	–
Interest income	4,276	1,884	1,950
Government grants (note (i))	17,156	36,507	24,553
Net (loss)/gain on disposal of property, plant and equipment	(29)	159	(60)
Other expense	(1,817)	(8,232)	(586)
	20,714	32,680	27,692

(i) Government grants were received or receivable from several local government authorities as a recognition of the Group's contribution towards the local economic development.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Interest on bank loans (note 21(d))	4,098	1,926	15
Interest on lease liabilities (note 21(d))	784	1,411	1,621
	4,882	3,337	1,636

(b) Staff costs#

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	178,022	224,826	255,528
Contributions to defined contribution retirement plan	331	6,784	12,160
Equity-settled share-based payment expenses (note 28)	438	21,813	5,253
	178,791	253,423	272,941

(c) Other items

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Amortisation of intangible assets (note 12)	458	272	540
Depreciation charge# (note 11)			
– owned property, plant and equipment	10,429	12,771	17,889
– right-of-use assets	7,868	15,371	18,413
Impairment loss of trade and other receivables	852	2,098	2,040
Auditors' remuneration	1,226	967	2,675
Cost of inventories# (note 19(a))	671,495	711,816	771,235

Cost of inventories includes RMB85,594,000, RMB82,531,000 and RMB97,666,000 relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or note 6(b) for each of these types of expenses for the years ended 31 December 2020, 2021 and 2022, respectively.

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

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

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current tax – PRC Corporate Income Tax ("PRC CIT")			
Provision for the year	34,627	69,675	78,411
Under-provision in respect of prior years	–	450	444
	34,627	70,125	78,855
Deferred tax			
Origination and reversal of temporary differences (note 29(b))	1,774	(12,311)	(20,167)
	36,401	57,814	58,688

In accordance with relevant rules and regulations of CIT in the PRC, a subsidiary of the Group, Guanghe Yan Palace Biotechnology Development Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the years ended 31 December 2020, 2021 and 2022. In addition, Xiamen Jinyan Tengfei Equity Investment Partnership (Limited Partnership) ("Jinyan Tengfei LP"), the special purpose vehicles to hold the ordinary shares for the Company's employees under the employee incentive scheme as disclosed in note 28, are not subject to corporate income tax of the PRC. All the other PRC subsidiaries of the Group and the Company are subject to income tax at 25% for the years ended 31 December 2020, 2021 and 2022 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for income tax purpose, as a result, an additional 75%, 100% and 100% of the qualified research and development costs could be deemed as deductible expenses for the years ended 31 December 2020, 2021 and 2022 respectively.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Profit before taxation	159,826	230,173	264,566
Notional tax on profit before taxation, calculated at the applicable rates in the jurisdictions concerned	39,957	57,543	66,142
Tax effect of non-deductible expenses	2,656	6,901	3,010
Tax effect of additional deduction for qualified research and development expenses	(2,430)	(3,136)	(4,750)
Utilisation of previously unrecognised tax losses	(204)	–	(130)
Tax effect of unused tax losses not recognised	17	163	61
Statutory tax concession	(3,595)	(4,107)	(6,089)
Under-provision in prior years	–	450	444
Actual tax expense	36,401	57,814	58,688

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments during the years ended 31 December 2020, 2021 and 2022 are as follows:

	Year ended 31 December 2020						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and executive director							
Mr. Huang Jian	–	1,577	1,243	2	2,822	–*	2,822
Executive directors							
Mr. Zheng Wenbin	–	485	29	–	514	–	514
Mr. Li Youquan	–	1,738	1,712	–	3,450	–	3,450
Ms. Huang Danyan	–	401	1,100	–	1,501	23	1,524
Non-executive directors							
Mr. Liu Zhen	–	250	–	–	250	–	250
Mr. Wang Yalong	–	250	–	–	250	–	250
Mr. Zhao Chaoming (resigned on 10 December 2020)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Xiao Wei (appointed on 10 December 2020)	–	–	–	–	–	–	–
Mr. Chen Aihua (appointed on 10 December 2020)	–	–	–	–	–	–	–
Mr. Zeng Hongliang (appointed on 10 December 2020)	–	–	–	–	–	–	–
Supervisors							
Mr. Fu Yu	–	617	–	–	617	–	617
Mr. Zheng Feng	–	50	–	–	50	–	50
Ms. Wei Wei	–	177	407	12	596	16	612
	–	5,545	4,491	14	10,050	39	10,089

* The amount represents amount less than RMB1,000.

	Year ended 31 December 2021						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and executive director							
Mr. Huang Jian	–	1,561	1,152	27	2,740	2	2,742
Executive directors							
Mr. Zheng Wenbin	–	510	–	16	526	–	526
Mr. Li Youquan	–	2,328	1,152	16	3,496	–	3,496
Ms. Huang Danyan	–	482	808	–	1,290	272	1,562
Non-executive directors							
Mr. Liu Zhen	–	250	–	–	250	–	250
Mr. Wang Yalong	–	250	–	–	250	–	250
Independent non-executive directors							
Mr. Xiao Wei	120	–	–	–	120	–	120
Mr. Chen Aihua	120	–	–	–	120	–	120
Mr. Zeng Hongliang	120	–	–	–	120	–	120
Supervisors							
Mr. Fu Yu	–	590	–	16	606	–	606
Mr. Zheng Feng	–	50	–	–	50	–	50
Ms. Wei Wei	–	249	426	14	689	192	881
	360	6,270	3,538	89	10,257	466	10,723

	Year ended 31 December 2022						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and executive director							
Mr. Huang Jian	–	1,621	1,143	37	2,801	2	2,803
Executive directors							
Mr. Zheng Wenbin	–	659	257	37	953	–	953
Mr. Li Youquan	–	2,386	1,143	37	3,566	–	3,566
Ms. Huang Danyan	–	462	717	–	1,179	272	1,451
Non-executive directors							
Mr. Liu Zhen	–	300	–	–	300	–	300
Mr. Wang Yalong	–	300	–	–	300	–	300
Independent non-executive directors							
Mr. Xiao Wei	120	–	–	–	120	–	120
Mr. Chen Aihua	120	–	–	–	120	–	120
Mr. Zeng Hongliang(i)	120	–	–	–	120	–	120
Supervisors							
Mr. Fu Yu (resigned on 22 September 2022)	–	440	–	27	467	–	467
Mr. Zheng Feng	–	100	–	–	100	–	100
Ms. Wei Wei	–	274	381	18	673	192	865
Ms. Zhang Ning (appointed on 26 September 2022)	–	202	276	16	494	112	606
	360	6,744	3,917	172	11,193	578	11,771

(i) On [●] 2023, Mr. Zeng Hongliang resigned as the independent non-executive directors of the Company. Pursuant to resolutions of shareholders on 25 May 2023, Mr. Lam Yiu Por will be appointed as independent non-executive directors of the Company upon [**REDACTED**] of the Company

Note:

These represent the estimated value of restricted shares granted to the directors and supervisors under the Group's share award scheme. The value of these share awards is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(r)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of shares granted, are disclosed in note 28.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 3, 2 and 2 are directors whose emoluments are disclosed in note 8 for the years ended 31 December 2020, 2021 and 2022 respectively. The aggregate of the emoluments in respect of the other 2, 3 and 3 individuals for the years ended 31 December 2020, 2021 and 2022 are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	1,050	1,505	1,512
Discretionary bonuses	2,520	3,759	3,487
Equity-settled share-based payment	46	816	816
Retirement scheme contributions	2	70	109
	3,618	6,150	5,924

The emoluments of the 2, 3 and 3 individuals with the highest emoluments for the years ended 31 December 2020, 2021 and 2022 are within the following bands:

	Year ended 31 December		
	2020	2021	2022
	Number of individuals	Number of individuals	Number of individuals
HK$1,500,001 – HK$2,000,000	1	–	1
HK$2,000,001 – HK$2,500,000	1	1	2
HK$2,500,001 – HK$3,000,000	–	2	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders (excluding restricted shares issued under employee incentive scheme (note 28) of the Company during the respective year, calculated as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders	122,017	167,353	191,840
Profit attributable to shares held for employee incentive scheme	–	(2,865)	(3,633)
Profit attributable to ordinary equity shareholders (excluding restricted shares issued under employee incentive scheme)	122,017	164,488	188,207

The weighted average number of ordinary shares in issue during the respective year, calculated as follows:

The weighted average number of ordinary shares

	Year ended 31 December		
	2020	2021	2022
	'000	'000	'000
Issued ordinary shares at 1 January	83,333	83,333	86,700
Effect of issuance of new shares	–	2,346	–
Effect of employee incentive scheme	–	(1,467)	(1,642)
Weighted average number of ordinary shares at 31 December	83,333	84,212	85,058

(b) Diluted earnings per share

To the extent that shares held for employee incentive scheme are anti-dilutive, their impact is not considered in diluted EPS, which results in the same amount as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Ownership interests in leasehold buildings held for own use	Other properties leased for own use	Motor vehicles	Machinery	Office and other equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 January 2020	16,815	21,440	4,513	25,189	3,375	10,922	–	82,254
Additions	–	7,421	1,127	5,385	1,221	1,885	770	17,809
Transfer from construction in progress	–	–	–	493	–	277	(770)	–
Disposals	–	(3,876)	(840)	(591)	–	(1,510)	–	(6,817)
At 31 December 2020 and 1 January 2021	16,815	24,985	4,800	30,476	4,596	11,574	–	93,246
Additions	–	29,127	248	5,378	2,045	12,433	2,671	51,902
Business combination (note 14)	–	5,553	232	–	–	437	–	6,222
Transfer from construction in progress	–	–	–	1,379	–	–	(1,379)	–
Disposals	–	(7,288)	–	(27)	(198)	(5,744)	–	(13,257)
At 31 December 2021 and 1 January 2022	16,815	52,377	5,280	37,206	6,443	18,700	1,292	138,113
Additions	–	17,717	282	5,308	2,990	9,718	1,040	37,055
Transfer from construction in progress	–	–	–	1,402	–	–	(1,402)	–
Disposals	–	(17,658)	(80)	(887)	(376)	(5,367)	–	(24,368)
At 31 December 2022	16,815	52,436	5,482	43,029	9,057	23,051	930	150,800
Accumulated depreciation:								
At 1 January 2020	(1,292)	(5,781)	(1,424)	(5,042)	(1,785)	(3,433)	–	(18,757)
Charge for the year	(799)	(7,868)	(928)	(4,055)	(696)	(3,951)	–	(18,297)
Written back on disposals	–	3,876	518	366	–	1,510	–	6,270
At 31 December 2020 and 1 January 2021	(2,091)	(9,773)	(1,834)	(8,731)	(2,481)	(5,874)	–	(30,784)
Charge for the year	(799)	(15,371)	(1,078)	(4,556)	(925)	(5,413)	–	(28,142)
Written back on disposals	–	6,804	–	22	177	5,744	–	12,747
At 31 December 2021 and 1 January 2022	(2,890)	(18,340)	(2,912)	(13,265)	(3,229)	(5,543)	–	(46,179)
Charge for the year	(799)	(18,413)	(1,142)	(5,508)	(1,543)	(8,897)	–	(36,302)
Written back on disposals	–	12,906	16	817	357	5,367	–	19,463
At 31 December 2022	(3,689)	(23,847)	(4,038)	(17,956)	(4,415)	(9,073)	–	(63,018)
Net book value:								
At 31 December 2020	14,724	15,212	2,966	21,745	2,115	5,700	–	62,462
At 31 December 2021	13,925	34,037	2,368	23,941	3,214	13,157	1,292	91,934
At 31 December 2022	13,126	28,589	1,444	25,073	4,642	13,978	930	87,782

The Company

	Ownership interests in leasehold buildings held for own use	Other properties leased for own use	Motor vehicles	Office and other equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2020	8,901	1,217	108	703	252	11,181
Additions	–	645	379	794	556	2,374
At 31 December 2020 and 1 January 2021	8,901	1,862	487	1,497	808	13,555
Additions	–	4,715	–	786	187	5,688
Disposals	–	(391)	–	–	–	(391)
At 31 December 2021 and 1 January 2022	8,901	6,186	487	2,283	995	18,852
Additions	–	229	–	1,989	4,837	7,055
Disposals	–	(2,420)	–	(194)	(654)	(3,268)
At 31 December 2022	8,901	3,995	487	4,078	5,178	22,639
Accumulated depreciation:						
At 1 January 2020	(916)	(282)	(26)	(140)	(55)	(1,419)
Charge for the year	(423)	(486)	(25)	(308)	(177)	(1,419)
At 31 December 2020 and 1 January 2021	(1,339)	(768)	(51)	(448)	(232)	(2,838)
Charge for the year	(423)	(1,312)	(116)	(508)	(298)	(2,657)
Written back on disposals	–	314	–	–	–	314
At 31 December 2021 and 1 January 2022	(1,762)	(1,766)	(167)	(956)	(530)	(5,181)
Charge for the year	(423)	(1,470)	(115)	(844)	(1,766)	(4,618)
Written back on disposals	–	1,375	–	184	654	2,213
At 31 December 2022	(2,185)	(1,861)	(282)	(1,616)	(1,642)	(7,586)
Net book value:						
At 31 December 2020	7,562	1,094	436	1,049	576	10,717
At 31 December 2021	7,139	4,420	320	1,327	465	13,671
At 31 December 2022	6,716	2,134	205	2,462	3,536	15,053

As at 31 December 2020, 2021 and 2022, the Group's buildings with carrying amount of RMB14,724,000, nil and nil were pledged as collateral for the Group's short-term bank loans (note 25).

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Included in "Property, plant and equipment":			
Ownership interests in leasehold buildings held for own use, carried at depreciated cost in the PRC, with remaining lease term of:			
– between 20 to 38 years	14,724	13,925	13,126
Other properties leased for own use, carried at depreciated cost	15,212	34,037	28,589

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:			
Properties leased for own use	7,868	15,371	18,413
Interest on lease liabilities (note 6(a))	784	1,411	1,621
Expense relating to short-term leases	4,329	6,196	7,783
Variable lease payments not included in the measurement of lease liabilities	135	380	45
COVID-19-related rent concessions received	(535)	(334)	(473)

During the years ended 31 December 2020, 2021 and 2022, additions to right-of-use assets were RMB7,421,000, RMB29,127,000 and RMB17,717,000, respectively. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(e) and 26 respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several commercial buildings as administrative offices. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its retail stores, manufacturing facilities and administrative offices through tenancy agreements. The leases typically run for an initial period of 1 to 10 years. Lease payments are usually increased every 1 year to reflect market rentals. None of properties leased for own used include an option to renew the lease for an additional period after the end of the contract term.

The Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in PRC where the Group operates. During the years ended 31 December 2020, 2021 and 2022, the Group received rent concessions in the form of a discount on fixed payments as a result of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the years is summarised below:

	2020			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Retail stores	5,077	135	(513)	4,699
Manufacturing facilities and administrative offices	3,618	–	(22)	3,596
	8,695	135	(535)	8,295

	2021			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Retail stores	9,859	380	(334)	9,905
Manufacturing facilities and administrative offices	8,263	–	–	8,263
	18,122	380	(334)	18,168

	2022			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Retail stores	9,615	45	(473)	9,187
Manufacturing facilities and administrative offices	10,853	–	–	10,853
	20,468	45	(473)	20,040

At 31 December 2020, 2021 and 2022, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by RMB36,000, RMB42,000 and RMB14,000, respectively.

12 INTANGIBLE ASSETS

	Patent rights	Software	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2020, 31 December 2020 and 1 January 2021	519	1,091	1,610
Additions	100	341	441
At 31 December 2021 and 1 January 2022	619	1,432	2,051
Additions	100	842	942
At 31 December 2022	719	2,274	2,993
Accumulated amortisation:			
At 1 January 2020	(205)	(243)	(448)
Charge for the year	(26)	(432)	(458)
At 31 December 2020 and 1 January 2021	(231)	(675)	(906)
Charge for the year	(23)	(249)	(272)
At 31 December 2021 and 1 January 2022	(254)	(924)	(1,178)
Charge for the year	(30)	(510)	(540)
At 31 December 2022	(284)	(1,434)	(1,718)
Net book value:			
At 31 December 2020	288	416	704
At 31 December 2021	365	508	873
At 31 December 2022	435	840	1,275

The amortization charge for the years ended 31 December 2020, 2021 and 2022 is included in administrative expenses, selling and distribution expenses and research and development expenses in the consolidated statements of profit or loss and other comprehensive income.

13 GOODWILL

	RMB'000
Cost:	
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Arising from business combination (note 14)	75,165
At 31 December 2021 and 2022	75,165
Accumulated impairment losses:	
At 31 December 2020, 2021 and 2022	–
Carrying amount:	
At 31 December 2020	–
At 31 December 2021 and 2022	75,165

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to city of operation and operating segment as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Beijing Tianfeiyan Trading Co., Ltd. ("Beijing Tianfeiyan") – offline retail	–	31,609	31,609
Harbin Jinyanhui Trading Co., Ltd. ("Harbin Jinyanhui") – offline retail	–	17,301	17,301
Changchun Jinyanhui Trading Co., Ltd. ("Changchun Jinyanhui") – offline retail	–	15,245	15,245
Taiyuan Jixiangyan Trading Co., Ltd. ("Taiyuan Jixiangyan") – offline retail	–	11,010	11,010
	–	75,165	75,165

The recoverable amount of the CGU- Beijing Tianfeiyan is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	Year ended 31 December	
	2021	2022
Annual growth rate of revenue during five-year forecast period	2%	3%
Estimated weighted average growth rate beyond the five-year period	2%	2%
Pre-tax discount rate	16.20%	14.58%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU- Beijing Tianfeiyan as at 31 December 2021 and 2022 is RMB2,622,000 and RMB3,749,000 respectively.

The recoverable amount of the CGU- Harbin Jinyanhui is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	Year ended 31 December	
	2021	2022
Annual growth rate of revenue during five-year forecast period	2%-3%	4%-5%
Estimated weighted average growth rate beyond the five-year period	2%	2%
Pre-tax discount rate	16.20%	14.58%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU- Harbin Jinyanhui as at 31 December 2021 and 2022 is RMB1,895,000 and RMB4,265,000 respectively.

The recoverable amount of the CGU- Changchun Jinyanhui is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	Year ended 31 December	
	2021	2022
Annual growth rate of revenue during five-year forecast period	2%-3%	3%-4%
Estimated weighted average growth rate beyond the five-year period	2%	2%
Pre-tax discount rate	16.20%	14.58%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU- Changchun Jinyanhui as at 31 December 2021 and 2022 is RMB1,092,000 and RMB3,902,000 respectively.

The recoverable amount of the CGU- Taiyuan Jixiangyan is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

	Year ended 31 December	
	2021	2022
Annual growth rate of revenue during five-year forecast period	2%	2%
Estimated weighted average growth rate beyond the five-year period	2%	2%
Pre-tax discount rate	16.20%	14.58%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU- Taiyuan Jixiangyan as at 31 December 2021 and 2022 is RMB2,905,000 and RMB7,464,000 respectively.

No impairment loss of goodwill was recognised during the years ended 31 December 2021 and 2022. Any adverse change in the assumptions used in the calculation of recoverable amount would result in impairment losses.

14 ACQUISITIONS OF SUBSIDIARIES

On 21 June 2021, the Group entered into agreements in relation to acquisition of 55% equity interest in each of Beijing Tianfeiyan Trading Co., Ltd. ("Beijing Tianfeiyan"), Harbin Jinyanhui Trading Co., Ltd. ("Harbin Jinyanhui") and Changchun Jinyanhui Trading Co., Ltd. ("Changchun Jinyanhui") with Mr. Zheng Wenbin (a controlling shareholder and executive director of the Company) at consideration of RMB32,670,000, RMB18,370,000 and RMB16,060,000, respectively. Beijing Tianfeiyan, Harbin Jinyanhui and Changchun Jinyanhui principally engage in offline sales of bird's nest products. In light of the good historical performance of such companies and to reduce the related party transactions and consolidating selling channels, the Group acquired them as subsidiaries. The transaction was approved by the shareholder of the Company on 21 June 2021 and completed on 29 June 2021.

From the post acquisition date to 31 December 2021, Beijing Tianfeiyan contributed revenue of RMB42,801,000 and profit of RMB899,000 to the Group's results.

From the post acquisition date to 31 December 2021, Harbin Jinyanhui contributed revenue of RMB10,643,000 and profit of RMB1,549,000 to the Group's results.

From the post acquisition date to 31 December 2021, Changchun Jinyanhui contributed revenue of RMB10,083,000 and profit of RMB1,299,000 to the Group's results.

On 9 August 2021, the Group entered into an agreement in relation to acquisition of 55% equity interest in Taiyuan Jixiangyan Trading Co., Ltd. ("Taiyuan Jixiangyan") with Mr. Li Youquan (a controlling shareholder and executive director of the Company) at consideration of RMB12,540,000. Taiyuan Jixiangyan principally engages in offline sales of bird's nest products. The transaction was approved by the board of directors of the Company on 9 August 2021 and completed on 10 September 2021.

From the post acquisition date to 31 December 2021, Taiyuan Jixiangyan contributed revenue of RMB11,240,000 and profit of RMB1,797,000 to the Group's results.

If the above mentioned four acquisitions had occurred on 1 January 2021, management estimates the consolidated revenue for year ended 21 December 2021 would have been RMB1,536,220,000 and consolidated profit for the year ended 31 December 2021 would have been RMB179,804,000.

The following tables summarise the recognised amounts of assets and liabilities acquired at the date of acquisition. The management considered the fair value of these assets and liabilities are not materially different from the book value.

Beijing Tianfeiyan:

	RMB'000
Property, plant and equipment	3,496
Deferred tax assets	157
Inventories	5,158
Trade and other receivables	3,977
Prepayments	2,927
Cash and cash equivalents	1,745
Trade and other payables	(7,422)
Contract liabilities	(4,854)
Lease liabilities	(861)
Other current liabilities	(2,393)
Total identifiable net assets acquired	1,930
Non-controlling interests (45%)	869
Consideration in cash paid	32,670
Goodwill arising on acquisition	31,609

Harbin Jinyanhui:

	RMB'000
Property, plant and equipment	1,736
Deferred tax assets	10
Inventories	1,154
Trade and other receivables	735
Prepayments	1,000
Cash and cash equivalents	1,800
Trade and other payables	(2,279)
Contract liabilities	(1,234)
Lease liabilities	(372)
Other current liabilities	(607)
Total identifiable net assets acquired	1,943
Non-controlling interests (45%)	874
Consideration in cash paid	18,370
Goodwill arising on acquisition	17,301

Changchun Jinyanhui:

	RMB'000
Property, plant and equipment	990
Deferred tax assets	10
Other non-current assets	3
Inventories	1,964
Trade and other receivables	945
Prepayments	1,354
Cash and cash equivalents	419
Trade and other payables	(2,457)
Contract liabilities	(1,316)
Other current liabilities	(332)
Non-controlling interests	(98)
Total identifiable net assets acquired	1,482
Non-controlling interests (45%)	667
Consideration in cash paid	16,060
Goodwill arising on acquisition	15,245

Taiyuan Jixiangyan:

	RMB'000
Inventories	2,000
Trade and other receivables	798
Prepayments	1,317
Cash and cash equivalents	1,859
Trade and other payables	(3,149)
Contract liabilities	(43)
Total identifiable net assets acquired	2,782
Non-controlling interests (45%)	1,252
Consideration in cash paid	12,540
Goodwill arising on acquisition	11,010

Goodwill is mainly attributable to the sales talent of Beijing Tianfeiyan, Harbin Jinyanhui, Changchun Jinyanhui and Taiyuan Jixiangyan's work force and the synergies expected to be achieved from integrating Tianfeiyan, Harbin Jinyanhui, Changchun Jinyanhui and Taiyuan Jixiangyan into the Group's existing sales channel. Non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

15 INVESTMENTS IN SUBSIDIARIES

The carrying amounts of investments in subsidiaries of the Company is listed below:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	96,461	188,060	188,694

Further details of the principal subsidiaries of the Group are set out in note 1.

The subsidiaries of the Group do not have material non-controlling interest.

16 INTEREST IN AN ASSOCIATE

Directors of the Company are of the view that the associate is not a material associate for the Group and it was disposed on 28 June 2021.

17 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent prepayments for purchases of property, plant and equipment.

18 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Wealth management products	46,225	–	4,996

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Wealth management products	10,068	–	4,996

The amount represents investments in wealth management products issued by reputable financial institutions in the PRC. There are no fixed or determinable returns of these wealth management products.

19 INVENTORIES

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Inventories			
Raw materials	174,103	163,851	125,926
Work in progress	41,092	33,360	36,467
Finished goods	42,071	65,189	81,504
Goods in transit	6,739	4,743	13,295
Packaging	12,981	12,498	14,370
Right to recover returned goods	59	101	233
	277,045	279,742	271,795

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Goods in transit	5,894	711	4,381

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	658,791	701,766	761,495
Carrying amount of inventories recognised as research and development expenses	10,165	8,207	7,860
Write-down of inventories	2,539	1,843	1,880
	671,495	711,816	771,235

20 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables, other receivables

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade receivables, net of loss allowance			
– third parties	23,340	38,442	62,834
– related parties	135	–	–
Deposits	6,157	9,416	9,282
Amounts due from related parties (note 33)	1,827	1,015	1,900
VAT recoverable	27,905	14,769	13,956
Government grants receivables	10,067	22,242	–
Other receivables	1,106	1,699	1,487
	70,537	87,583	89,459

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade receivables, net of loss allowance			
– third parties	–	186	685
– related parties	135	–	–
Deposits	400	1,571	1,638
Amounts due from related parties	–	–	1,900
VAT recoverable	4,320	4,822	5,174
Government grants receivables	9,922	22,225	–
Other receivables	272	258	292
	15,049	29,062	9,689

As at 31 December 2020, 2021 and 2022, deposits of RMB4,031,000, RMB5,234,000 and RMB5,769,000 of the Group were expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As at 31 December 2020, 2021 and 2022, the ageing analysis of trade receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current (not past due)	21,275	38,038	62,643
Less than 3 months past due	2,200	404	191
	23,475	38,442	62,834

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current (not past due)	135	186	685

Trade debtors are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 31(a).

(b) Prepayments

Prepayments mainly represent prepayments for purchase of raw materials and prepayments for selling and distribution expenses.

As at 31 December 2020, 2021 and 2022, the prepayments of the Company include prepayments for purchase of raw materials from subsidiaries amounted to RMB73,725,000, RMB48,353,000 and RMB47,144,000.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	143,239	163,503	338,398
Cash balances with payment platforms	7,334	5,992	12,420
Cash and cash equivalents	150,573	169,495	350,818

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	45,475	62,024	162,122
Cash balances with payment platforms	586	102	55
Cash and cash equivalents	46,061	62,126	162,177

Cash balances with payment platforms represents cash balances kept with third party payment platforms, which can be withdrawn on demand.

As at 31 December 2020, 2021 and 2022, all cash and cash equivalents were situated in Mainland China. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

(b) Restricted bank deposits

As at 31 December 2020, 2021 and 2022, RMB1,202,000, RMB2,000,000 and RMB1,600,000 have been placed with a bank in a designated account in relation to guarantee for the customs duties.

(c) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Profit before taxation		159,826	230,173	264,566
Adjustments for:				
Depreciation	*6(c)*	18,297	28,142	36,302
Amortisation of intangible assets	*6(c)*	458	272	540
Finance costs	*6(a)*	4,882	3,337	1,636
Interest income		(3,994)	(1,492)	–
Share of profits less losses of an associate		214	–	–
Loss/(gain) on disposal of property, plant and equipment	*5*	29	(159)	60
Gain on financial assets measured at fair value through profit or loss	*5*	(1,128)	(2,329)	(1,455)
Gain on disposal of investment in a subsidiary	*5*	–	–	(380)
Gain on disposal of interests in an associate	*5*	–	(33)	–
Equity-settled share-based payment expenses	*6(b)*	438	21,813	5,253
Impairment loss on trade and other receivables	*6(c)*	852	2,098	2,040
COVID-19-related rent concessions received	*11(b)*	(535)	(334)	(473)
Changes in working capital:				
(Increase)/decrease in inventories		(181,665)	7,579	7,947
(Increase)/decrease in trade receivables, other receivables and prepayments		(26,655)	(37,669)	3,693
(Increase)/decrease in restricted bank deposits		(1,202)	(798)	400
Increase/(decrease) in trade and other payables		45,997	(28,160)	32,191
Increase in contract liabilities		47,479	29,258	36,254
Increase in other current liabilities		5,751	1,716	5,377
Cash generated from operations		69,044	253,414	393,951

(d) Reconciliation of liabilities arising from financing activities

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

	Bank loans	Lease liabilities	Total
	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000
At 1 January 2020	92	15,989	16,081
Changes from financing cash flows:			
Proceeds from new bank loans	161,275	–	161,275
Repayment of bank loans	(87,141)	–	(87,141)
Capital element of lease rentals paid	–	(6,484)	(6,484)
Interest element of lease rentals paid	–	(784)	(784)
Interest and other borrowing costs paid	(3,630)	–	(3,630)
Total changes from financing cash flows	70,504	(7,268)	63,236
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	6,520	6,520
COVID-19-related rent concessions received (note 11(b))	–	(535)	(535)
Interest expenses (note 6(a))	4,098	784	4,882
Total other changes	4,098	6,769	10,867
At 31 December 2020	74,694	15,490	90,184

	Bank loans	Lease liabilities	Amount due to non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25)	(Note 26)	(Note 23)	
At 1 January 2021	74,694	15,490	–	90,184
Changes from financing cash flows:				
Proceeds from new bank loans	55,371	–	–	55,371
Repayment of bank loans	(129,597)	–	–	(129,597)
Capital element of lease rentals paid	–	(13,809)	–	(13,809)
Interest element of lease rentals paid	–	(1,411)	–	(1,411)
Interest and other borrowing costs paid	(2,394)	–	–	(2,394)
Dividends to non-controlling interests of subsidiaries	–	–	(560)	(560)
Total changes from financing cash flows	(76,620)	(15,220)	(560)	(92,400)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	30,696	–	30,696
Early termination of lease liabilities	–	(585)	–	(585)
COVID-19-related rent concessions received (note 11(b))	–	(334)	–	(334)
Interest expenses (note 6(a))	1,926	1,411	–	3,337
Acquisition of subsidiaries	–	1,233	–	1,233
Dividends to non-controlling interests of subsidiaries	–	–	560	560
Total other changes	1,926	32,421	560	34,907
At 31 December 2021	–	32,691	–	32,691

	Bank loans	Lease liabilities	Amount due to non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25)	(Note 26)	(Note 23)	
At 1 January 2022	–	32,691	–	32,691
Changes from financing cash flows:				
Proceeds from new bank loans	12,183	–	–	12,183
Repayment of bank loans	(12,183)	–	–	(12,183)
Capital element of lease rentals paid	–	(16,838)	–	(16,838)
Interest element of lease rentals paid	–	(1,621)	–	(1,621)
Interest and other borrowing costs paid	(15)	–	–	(15)
Dividends to non-controlling interests of subsidiaries	–	–	(4,058)	(4,058)
Total changes from financing cash flows	(15)	(18,459)	(4,058)	(22,532)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	16,255	–	16,255
Early termination of lease liabilities	–	(4,714)	–	(4,714)
COVID-19-related rent concessions received (note 11(b))	–	(473)	–	(473)
Interest expenses (note 6(a))	15	1,621	–	1,636
Dividends to non-controlling interests of subsidiaries	–	–	11,258	11,258
Total other changes	15	12,689	11,258	23,962
At 31 December 2022	–	26,921	7,200	34,121

(e) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following, which are related to lease rentals paid:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within operating cash flows	4,464	6,576	7,828
Within financing cash flows	7,268	15,220	18,459
	11,732	21,796	26,287

(f) Net cash outflow arising from the acquisitions of subsidiaries

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	RMB'000
Property, plant and equipment (note 11)	6,222
Goodwill (note 13)	75,165
Deferred tax assets (note 29(b))	177
Other non-current assets	3
Inventories and other contract costs	10,276
Trade and other receivables	6,455
Prepayments	6,598
Cash and cash equivalents	5,823
Trade and other payables	(15,307)
Contract liabilities	(7,447)
Lease liabilities (note 21(d))	(1,233)
Other current liabilities	(3,332)
Non-controlling interests	(3,760)
Total consideration paid in cash	79,640
Less: cash of subsidiaries acquired	(5,823)
	73,817

22 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

23 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade payables	44,240	62,467	64,087
Receipts in advance	51,989	24,929	22,035
Salary and welfare payables	39,872	43,900	53,210
Amount due to non-controlling interests	–	–	7,200
Other payables and accruals	17,984	23,050	25,442
Financial liabilities measured at amortised cost	154,085	154,346	171,974
Other tax payables	22,174	11,766	18,222
Refund liabilities:			
– arising from right of return	113	192	478
– arising from sales rebates	37,327	38,490	48,999
	213,699	204,794	239,673

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade payables	579	1,204	1,790
Receipts in advance	51,989	24,929	22,035
Salary and welfare payables	15,716	10,996	12,422
Other payables and accruals	15,666	19,705	21,995
Financial liabilities measured at amortised cost	83,950	56,834	58,242
Other tax payables	3,360	2,142	5,061
Refund liabilities arising from sales rebates	29,887	25,797	35,983
	117,197	84,773	99,286

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

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 3 months	42,968	59,969	63,301
Over 3 months but within 6 months	26	132	204
Over 6 months but within 9 months	–	9	13
Over 9 months but within 1year	785	–	–
Over 1 year but within 2 years	461	2,357	569
	44,240	62,467	64,087

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 3 months	579	1,204	1,790

24 CONTRACT LIABILITIES

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Receipts in advance	101,750	137,684	175,291
Unredeemed credits	334	1,105	1,159
	102,084	138,789	176,450

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Receipts in advance	30,991	47,885	52,779
Unredeemed credits	334	1,098	1,003
	31,325	48,983	53,782

Contract liabilities mainly represents the advance payments (exclude output VAT) from customers, for which the underlying goods are yet to be provided. The output VAT contained in the advance payments has been classified under other current liability.

Movement in contract liabilities

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Balance at 1 January	54,605	102,084	138,789
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	(50,175)	(100,060)	(134,255)
Increase in contract liabilities as a result of receiving advances from customers during the year	97,654	136,765	171,916
Balance at 31 December	102,084	138,789	176,450

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Balance at 1 January	27,140	31,325	48,983
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	(17,872)	(27,314)	(39,344)
Increase in contract liabilities as a result of receiving advances from customers during the year	22,057	44,972	44,143
Balance at 31 December	31,325	48,983	53,782

Most of the contract liabilities are expected to be recognised as income within one year.

25 BANK LOANS

(a) The analysis of the repayment schedule of bank loans is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	66,097	–	–
After 1 year but within 2 years	1,011	–	–
After 2 years but within 5 years	7,586	–	–
	8,597	–	–
	74,694	–	–

(b) Assets pledged as security for bank loans

At 31 December 2020, the bank loans were secured as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Short-term bank loans			
– guaranteed	35,870	–	–
– secured and guaranteed	30,227	–	–
Long-term bank loans			
– guaranteed	8,597	–	–
	74,694	–	–

As at 31 December 2020, bank loans of RMB29,990,000 were secured by property, plant and equipment of the Group with an aggregate value of RMB14,724,000. All of the bank loans as at 31 December 2020 were guaranteed by related parties (note 33).

26 LEASE LIABILITIES

At 31 December 2020, 2021 and 2022, the lease liabilities were repayable as follows:

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 1 year	7,697	15,644	15,657
After 1 year but within 2 years	3,006	10,106	7,970
After 2 years but within 5 years	3,328	6,428	3,294
After 5 years	1,459	513	–
	7,793	17,047	11,264
	15,490	32,691	26,921

The Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 1 year	563	2,004	1,387
After 1 year but within 2 years	283	1,720	642
After 2 years but within 5 years	231	925	42
	514	2,645	684
	1,077	4,649	2,071

27 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 12% – 19% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Employee Incentive Scheme

The Group has adopted an employee incentive scheme on 26 December 2020 (the "Employee Incentive Scheme"). The purpose is to provide incentives and rewards to eligible participants for their contribution or potential contribution to continue leading the future success of the Group. In connection with the Employee Incentive Scheme, Xiamen Jinyan Tengfei Equity Investment Partnership (Limited Partnership) ("Jinyan Tengfei LP") has been established in the PRC as employee incentive platform. Eligible participants as approved by the Company may subscribe for the limited partnership interests in Jinyan Tengfei LP ("Restricted Shares"). The Restricted Shares shall be entitled to all the economic interests relating to their respective Restricted Shares, except that the Restricted Shares shall be subject to certain transfer and disposal restrictions.

The Company has power to govern the relevant activities of Jinyan Tengfei LP and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the Employee Incentive Scheme, the directors of the Company consider that it is appropriate to consolidate Jinyan Tengfei LP.

Fair value of Restricted Shares is measured with reference to the price of a transaction of the Company's share capital completed in a short period of time before the Restricted Shares granted. Service conditions attached to the arrangements were not taken into account in measuring fair value.

On 26 December 2020, 43 employees were granted 1,642,000 restricted shares pursuant to the Employee Incentive Scheme at a subscription price of RMB12 per share. All Restricted Shares granted were subscribed and will be vested at the date of 36 months from the date of grant or the date of completion of a qualified [**REDACTED**], whichever is later.

Movements in the number of Restricted Shares granted to employees are as follows:

	2020		2021		2022	
	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value
		RMB		RMB		RMB
Outstanding at January 1	–	NA	1,642,000	18	1,642,000	18
Subscribed during the year	1,642,000	18	–	NA	–	NA
Outstanding at December 31	1,642,000	18	1,642,000	18	1,642,000	18

(b) In order to provide incentives and rewards to Ms. Xue Fengying for her contribution to continue leading the future success of the Group, the Company entered into a capital increase agreement with Ms. Xue Fengying on 21 June 2021, pursuant to which Ms. Xue Fengying agreed to subscribe for 1,725,000 shares of the Company at a price of RMB12 per share and all of these shares will be vested immediately at the date of insurance. Fair value of each share was RMB18, measured using the Recent Transaction Method.

29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
PRC corporate income tax payable	16,391	47,133	38,091

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

	Credit loss allowance	Unrealized inter-group profit	Promotion and advertising expenses	Accumulated tax losses	Depreciation charge of right-of-use asset and interest on lease liabilities	Accruals	Depreciation allowances in excess of the related depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:								
At 1 January 2020	(371)	(1,058)	(1,931)	(1,434)	(124)	(503)	2,107	(3,314)
(Credited)/charged to profit or loss	(398)	(1,116)	1,931	1,227	(90)	(475)	695	1,774
At 31 December 2020 and 1 January 2021	(769)	(2,174)	–	(207)	(214)	(978)	2,802	(1,540)
Acquisition of a subsidiary (note 14)	–	–	–	–	(177)	–	–	(177)
(Credited)/charged to profit or loss	(430)	(1,786)	(8,509)	(894)	243	(418)	(517)	(12,311)
At 31 December 2021 and 1 January 2022	(1,199)	(3,960)	(8,509)	(1,101)	(148)	(1,396)	2,285	(14,028)
(Credited)/charged to profit or loss	(197)	(613)	(18,044)	(224)	(156)	(583)	(350)	(20,167)
At 31 December 2022	(1,396)	(4,573)	(26,553)	(1,325)	(304)	(1,979)	1,935	(34,195)

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statements of financial position	(4,342)	(16,313)	(36,130)
Net deferred tax liability recognised in the consolidated statements of financial position	2,802	2,285	1,935
	(1,540)	(14,028)	(34,195)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB66,000, RMB574,000 and RMB242,000 as at 31 December 2020, 2021 and 2022 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire within 5 years under current tax legislation.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

Company

	Note	Paid-in capital	Share capital	Capital reserve	Share premium	Share-based payment reserve	Statutory reserve	Retained profits/ (Accumulated losses)	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		83,333	–	64,327	–	–	9,977	50,142	207,779
Changes in equity for 2020:									
Profit and total comprehensive income for the year		–	–	–	–	–	–	76,231	76,231
Appropriation to statutory reserve	*30(d)(iii)*	–	–	–	–	–	464	(464)	–
Conversion to a joint stock limited liability company	*30(c)*	(83,333)	83,333	(66,925)	100,845	–	(10,441)	(23,479)	–
Equity settled share-based transactions	*28(a)*	–	–	–	–	438	–	–	438
Capital injection from equity shareholders	*30(d)(i)*	–	–	2,598	–	–	–	–	2,598
Dividends declared	*30(b)*	–	–	–	–	–	–	(120,000)	(120,000)
Balance at 31 December 2020		–	83,333	–	100,845	438	–	(17,570)	167,046

	Note	Share capital	Share premium	Share-based payment reserve	Statutory reserve	(Accumulated losses)/ Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		83,333	100,845	438	–	(17,570)	167,046
Changes in equity for 2021:							
Profit and total comprehensive income for the year		–	–	–	–	133,833	133,833
Issuance of new shares	*30(c)*	3,367	37,033	–	–	–	40,400
Equity settled share-based transactions	*28(a)*	–	16,560	5,253	–	–	21,813
Appropriation to statutory reserve	*30(d)(iii)*	–	–	–	13,136	(13,136)	–
Dividends declared	*30(b)*	–	–	–	–	(100,000)	(100,000)
Balance at 31 December 2021		86,700	154,438	5,691	13,136	3,127	263,092

	Note	Share capital	Share premium	Share-based payment reserve	Statutory reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		86,700	154,438	5,691	13,136	3,127	263,092
Changes in equity for 2022:							
Profit and total comprehensive income for the year		–	–	–	–	275,657	275,657
Equity settled share-based transactions	*28(a)*	–	–	5,253	–	–	5,253
Appropriation to statutory reserve	*30(d)(iii)*	–	–	–	27,615	(27,615)	–
Dividends declared	*30(b)*	–	–	–	–	(80,000)	(80,000)
Balance at 31 December 2022		86,700	154,438	10,944	40,751	171,169	464,002

(b) Dividends

During the year ended 31 December 2020, 2021 and 2022, the Company declared dividends of RMB120,000,000, RMB100,000,000 and RMB80,000,000 respectively to its shareholders.

(c) Paid-in capital and share capital

	Note	No. of ordinary shares issued and fully paid	Paid-in capital	Share capital
		'000	RMB'000	RMB'000
At 1 January 2020		–	83,333	–
Issue of ordinary shares upon conversion into a joint stock limited liability company	*i*	83,333	(83,333)	83,333
At 31 December 2020		83,333	–	83,333
Issuance of new shares	*ii*	3,367	–	3,367
At 31 December 2021 and 2022		86,700	–	86,700

Notes:

(i) Pursuant to the shareholders' resolutions and the promoters' agreement dated 10 December 2020, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as of the conversion base date, which is 31 October 2020, including paid-in capital, capital reserve, statutory reserve and retained profits were converted into 83,333,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium. Upon the completion of registration with the Xiamen Administration for Industry and Commerce on 23 December 2020, the Company was converted into a joint stock limited liability company under PRC Company Law, and renamed from Xiamen Yanzhiwu Biological Engineering Co., Ltd. to Xiamen Yan Palace Bioengineering Co., Ltd..

(ii) On 26 December 2020, pursuant to a resolution of shareholders' meeting, the Company and Jinyan Tengfei LP entered into a capital injection agreement. Jinyan Tengfei LP injected cash of RMB19,700,000 into the Company, and share capital and share premium increased by RMB1,642,000 and RMB18,058,000, respectively. The consideration was fully paid in cash on 8 February 2021.

On 21 June 2021, pursuant to a resolution of shareholders' meeting, the Company and Xue Fengying entered into a capital injection agreement, Xue Fengying injected cash of RMB20,700,000 into the Company, and share capital and share premium increased by RMB1,725,000 and RMB18,975,000, respectively. The consideration was fully paid in cash on 28 June 2021.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve and share premium

The capital reserve of the Group represents the share premium contributed by the shareholders of the Company before its conversion into a joint stock limited liability company in December 2020.

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock limited liability company in December 2020.

(ii) Share-based payment reserve

The share-based payment reserve comprises the portion of difference between the fair value of shares granted and the consideration paid by the employees of the Group that has been recognised in accordance with the accounting policy adopted for equity settled share-based payments in note 2(r)(ii).

(iii) Statutory reserve

Pursuant to the Articles of Association of the Group's PRC companies and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC companies provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(e) Capital management

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

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

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity interest rate arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and financial assets measured at fair value through profit or loss is limited because the counterparties are banks and financial institutions for which the Group considers to represent low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2020, 2021 and 2022, 17.9%, 51.6% and 81.7% of the total trade receivables was due from the Group's largest customer respectively, and 64.7%, 59.0% and 85.5% of the total trade receivables, respectively, was due from the Group's five largest customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different type of customer, the loss allowance based on past due status is not distinguished among the Group's different customer types.

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

	As at 31 December 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Current (not past due)	2.4%	21,799	524
Less than 3 months past due	5.1%	2,319	119
Past due over 3 months	100.0%	319	319
		24,437	962

	As at 31 December 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Current (not past due)	2.6%	39,054	1,016
Less than 3 months past due	17.6%	490	86
Past due over 3 months	100.0%	199	199
		39,743	1,301

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Current (not past due)	3.8%	65,124	2,482
Less than 3 months past due	17.6%	233	41
Past due over 3 months	100.0%	1,597	1,597
Subtotal		66,954	4,120

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

Movement in the loss allowance account in respect of trade receivables during Relevant Periods is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Balance at 1 January	740	962	1,301
Impairment losses recognised	222	339	2,819
Balance at 31 December	962	1,301	4,120

(b) Liquidity risk

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

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

	As at 31 December 2020					
	Contractual undiscounted cash out flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount on consolidated statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	66,421	1,067	7,585	–	75,073	74,694
Trade and other payables	154,085	–	–	–	154,085	154,085
Lease liabilities	8,305	3,325	3,778	1,510	16,918	15,490
	228,811	4,392	11,363	1,510	246,076	244,269

	As at 31 December 2021					
	Contractual undiscounted cash out flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount on consolidated statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	154,346	–	–	–	154,346	154,346
Lease liabilities	17,018	10,729	6,808	516	35,071	32,691
	171,364	10,729	6,808	516	189,417	187,037

	As at 31 December 2022				
	Contractual undiscounted cash out flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount on consolidated statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	171,974	–	–	171,974	171,974
Lease liabilities	16,898	8,312	3,474	28,684	26,921
	188,872	8,312	3,474	200,658	198,895

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from restricted bank deposits, cash at banks, bank loans and lease liabilities. Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group's interest rate risk profile as monitored by management is set out in (i) below. The Group's interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's bank loans and lease liabilities at the end of each reporting period:

		As at 31 December		
	Note	2020	2021	2022
		RMB'000	RMB'000	RMB'000
Fixed rate instruments:				
Restricted bank deposits	*21(b)*	1,202	2,000	1,600
Lease liabilities	*26*	15,490	32,691	26,921
Bank loans	*25*	74,694	–	–
		91,386	34,691	28,521
Variable rate instruments:				
Cash at bank and on hand	*21(a)*	143,239	163,503	338,398
Cash balances with payment platforms	*21(a)*	7,334	5,992	12,420
		150,573	169,495	350,818

(ii) Sensitivity analysis

At 31 December 2020, 2021 and 2022, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB278,000, RMB324,000 and RMB655,000, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Asset:				
Wealth management products . . .	46,225	–	46,225	–

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Assets:				
Wealth management products . . .	–	–	–	–

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Assets:				
Wealth management products . . .	4,996	–	4,996	–

During the years ended 31 December 2020, 2021 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products in Level 2 is determined by discounting the estimated future cash flows at risky rate, which is the benchmark interest rate plus the risk premium as at the end of the reporting period.

(ii) Fair value of financial assets and liabilities carried at other than fair value

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

32 COMMITMENTS

Commitments outstanding at 31 December 2020, 2021 and 2022 not provided for in the financial statements were as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Contracted for new short-term leases	1,749	3,809	3,327

33 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in this Historical Financial Information, the Group entered into the following material related party transactions during the Relevant Periods.

Name of related parties	Relationship
Beijing Zhongshi Hongyun Advertising Co., Ltd. (北京中視鴻韻廣告有限公司)*	Entity controlled by a director of the Group
Beijing Guangyao Tianrun Advertising Co., Ltd. (北京光耀天潤廣告有限公司)*	Entity controlled by a director of the Group
Beijing Zhongda Baichengtang Biotechnology Co., Ltd. (北京中大百誠堂生物科技有限公司)*	Entity controlled by one of the Controlling Shareholders
Shanxi Yanbaolai Trading Co., Ltd. (山西燕寶來商貿有限公司)* (note (a))	Entity controlled by one of the Controlling Shareholders
Harbin Yanzhiwu Trading Co., Ltd. (哈爾濱市燕之屋商貿有限公司)* (note (b))	Entity controlled by one of the Controlling Shareholders
Changchun Changshengrong Trade Co., Ltd. (長春市昌盛榮商貿有限公司)* (note (c))	Entity controlled by one of the Controlling Shareholders
Tianjin Union Yutai Trading Co., Ltd. (天津市合聯裕泰商貿有限公司)*	Entity significantly influenced by one of the Controlling Shareholders
Shanghai Yanbao Food Co., Ltd. (上海嬿寶食品有限公司)*	Associate of the Company before 28 June 2021
Xiamen Suntama Industrial Development Co., Ltd. (廈門市雙丹馬實業發展有限公司)*	One of the Controlling Shareholders

* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese. The English translations are for reference only.

(a) This entity was deregistered on 4 July 2022.

(b) This entity was deregistered on 15 February 2022.

(c) This entity was deregistered on 15 November 2022.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	16,586	17,276	17,920
Contributions to defined contribution retirement plan	43	210	354
Equity-settled share-based payment expenses	140	1,666	1,778
	16,769	19,152	20,052

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Other transactions with related parties

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade in nature:			
Advertising services received			
– Entities controlled by a director of the Group	61,475	53,514	60,298
Sales of bird's nest products			
– Entities controlled by one of the Controlling Shareholders	74,520	50,249	–
– Entity significantly influenced by one of the Controlling Shareholders	15,547	19,989	20,447
– Associate of the Company	8,476	11,862	–
Non-trade in nature:			
Interest income from entrusted loans			
– One of the Controlling Shareholders	3,994	1,492	–
Bank loans guaranteed by			
– certain Controlling Shareholders	74,694	–	–

(c) Balances with related parties

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade in nature:			
Prepayments			
– Entities controlled by a director of the Group	2,926	13,456	6,336
Other receivables included in trade and other receivables			
– Entities controlled by a director of the Group	1,827	1,015	1,900
Other payables included in trade and other payables			
– Entities controlled by a director of the Group	900	–	–
Contract liabilities			
– Entities controlled by one of the Controlling Shareholders	13,931	6	–

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate holding party of the Company as at 31 December 2020, 2021 and 2022 were Xiamen Suntama Industrial Development Co., Ltd., Zheng wenbin and Li Youquan, and the ultimate controlling party of the Company as at 31 December 2020, 2021 and 2022 were Huang Jian, Zheng Wenbin and Li Youquan.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2022

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

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance Contracts*	1 January 2023
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be decided

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

36 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 31 March 2023, the Company declared dividends of RMB160,000,000. The dividends had been paid in April 2023.

Except for the subsequent event mentioned above, there was no material non-adjusting event after reporting period up to the date of this report.

SUBSEQUENT FINANCIAL STATEMENTS

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