



Labixiaoxin Snacks Group Limited 蠟筆小新休閒食品集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1262



Annual Report 2023



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Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wuli Industrial Area
Jinjiang, Fujian
PRC

PLACE OF BUSINESS IN HONG KONG

Unit 2108, 21/F
Island Place Tower
510 King's Road
North Point, Hong Kong

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock code: 1262

COMPANY WEBSITE

<http://www.lbxxgroup.com>

(information contained in this website does not form part of this annual report)

BOARD OF DIRECTORS

Executive Directors

Zheng Yu Huan (*Chairman*)
Zheng Yu Shuang (*Chief Executive Officer*)
Zheng Yu Long

Non-Executive Director

Li Hung Kong (*Vice-Chairman*)

Independent Non-Executive Directors

Li Biao
Guo Li
Chung Yau Tong

COMPANY SECRETARY

Chan Yee Lok

AUTHORIZED REPRESENTATIVES

Zheng Yu Shuang
Chan Yee Lok

AUDIT COMMITTEE

Chung Yau Tong (*Chairman*)
Li Biao
Guo Li

REMUNERATION COMMITTEE

Guo Li (*Chairman*)
Zheng Yu Long
Chung Yau Tong



NOMINATION COMMITTEE

Li Biao (*Chairman*)
Zheng Yu Shuang
Chung Yau Tong

AUDITORS

HLB Hodgson Impey Cheng Limited
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

LEGAL ADVISOR

Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Construction Bank of China, Jinjiang Branch
Construction Bank Building
Zeng Jin Area, Qing Yang
Jinjiang, Fujian
PRC

Ping An Bank Co., Ltd., Quanzhou Branch
1/F, Jun Yi Building, 311 Fengze Street
Quanzhou, Fujian
PRC

China CITIC Bank, Quanzhou Branch
1-2/F, Renmin Yinhang Building
Quanzhou, Fujian
PRC

Financial Highlights

Revenue
RMB'M



GP Margin
Gross Profit
RMB'M



EBITDA Margin



Net Profit/(Loss) Margin



2023



2022



Revenue by Products

- Jelly Products
- Confectionary Products
- Beverage Products
- Other Snacks Products

2023



2022



Revenue by Distribution Channels

- Wholesale Distributors
- Overseas

Note: EBITDA refers to profit/(loss) before interest, income tax, depreciation, amortisation, allowance for expected credit losses, gain/(loss) on disposal of asset classified as held for sale and written-off of property, plant and equipment.

Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	764,377	684,263	648,066	508,838	466,570
Gross profit	218,940	244,192	224,281	166,544	139,005
(Loss)/profit before taxation	(104,754)	(67,671)	16,996	15,976	(153,264)
Taxation	–	(7,657)	(82,200)	(45,379)	(16,846)
Loss and total comprehensive loss for the year	(104,754)	(75,328)	(65,204)	(29,403)	(170,110)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Assets					
Non-current assets	332,773	352,661	421,612	523,845	787,137
Current assets	478,134	624,650	868,442	1,005,395	698,719
Total assets	810,907	977,311	1,290,054	1,529,240	1,485,856
Equity					
Total equity	222,558	327,312	402,640	467,844	497,247
Liabilities					
Non-current liabilities	15,846	15,846	15,846	15,846	15,864
Current liabilities	572,503	634,153	871,568	1,045,550	972,745
Total liabilities	588,349	649,999	887,414	1,061,396	988,609
Total equity and liabilities	810,907	977,311	1,290,054	1,529,240	1,485,856

Chairman's Statement

Dear shareholders,

I am pleased to present the annual report of Labixiaoxin Snacks Group Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**our**") for the year ended 31 December 2023 and extend my gratitude to all the shareholders on behalf of the board (the "**Board**") of directors (the "**Director(s)**") of the Company.

During the year ended 31 December 2023, the consumer sentiment in the People's Republic of China (the "**PRC**") had gradually recovered from the hit by the Coronavirus Disease 2019 ("**COVID-19**") outbreak. The Group's sales was positively affected by the gradual recovery of the consumer sentiment in the PRC. In addition, in the past few years, the Group had put immense efforts in expanding its new retail, e-commerce, social media and society distribution channels (collectively the "**New Sales Channels**") e.g. sales through major snacks convenience stores chains in the PRC ("**Snacks Convenience Stores Chains**"). The expansion of these New Sales Channels had paid off during the year ended 31 December 2023 and boosted the sales of our jelly products and confectionary products.

Although the sales performance of the Group had gradually recovered from the COVID-19 pandemic, much of our distributors were bruised by COVID-19 control measures in 2022. Some of these distributors suffered from great financial difficulties, hence our Group encountered slow settlements from or default by these distributors during the years ended 31 December 2022 and 2023. As a result, an allowance for expected credit losses of the Group of approximately RMB78.9 million was recorded in the year ended 31 December 2023. To mitigate the soaring credit risk from our distributors, the Group had gone through a rigorous assessment of the sales performance and financial health of our distributors during the year under review to eliminate those distributors that under-performed. As a consequence, the number of our distributors decreased from 1,095 as at 31 December 2022 to 729 as at 31 December 2023.

During the year ended 31 December 2023, the Group has reported a revenue of RMB764.4 million, representing an increase of approximately 11.7% as compared with the year ended 31 December 2022 mainly due to the reasons and measures mentioned above. The gross profit margin of the Group decreased from 35.7% in the year ended 31 December 2022 to 28.6% in the year ended 31 December 2023 as the profit margin from the sales through the New Sales Channels are in general lower than sales through distributors. The Group's advertising and promotion expenses decreased by approximately 34.5% to RMB60.3 million during the year ended 31 December 2023 as less advertising and promotion activities are required for sales to Snacks Convenience Stores Chains.

For the year ended 31 December 2023, the Group recorded a net loss of RMB104.8 million, as compared with RMB75.3 million in the last year. The increase in the Group's net loss during the year ended 31 December 2023 was mainly due to the increase in allowance for expected credit losses by approximately RMB31.4 million due to slow settlements from or default by the distributors.

During the year ended 31 December 2023, the Group had spent RMB40.4 million on capital expenditures mainly for the upgrade of production lines in various production plants. For the year ended 31 December 2023, the Group had generated RMB88.6 million net operating cash inflow, representing an increase of RMB73.1 million from that for the year ended 31 December 2022. As at 31 December 2023, the gearing ratio of the Group was 202.8%. The Group is committed to maintaining sufficient cash and available banking facilities for its working capital requirements and for capitalising on any potential investment opportunities in the future.

The Directors expected that a steady and healthy recovery of the PRC's economy and our business after the COVID-19 pandemic may happen in the short to medium term. To build a solid foundation for mid-to-long term growth, the Group will continue to (i) take proactive steps in marketing its brand image and products in 2024 and onwards, (ii) launch new snacks products from time to time to offer better choices to the consumers and (iii) expand the New Sales Channels coverage in the PRC. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the long run.

While the near-term outlook for the snacks products sector of the PRC remains challenging, the country's ongoing economic reforms and the continuous expansion of the middle and upper class population will propel growth in retail consumption in the long run. Therefore, the Directors are cautiously optimistic to the long term development of the Group's business.

The Group cannot overcome the difficulties without a strong and committed management team. Therefore I would like to take this opportunity to thank the Board and my best team of colleagues for providing me with unceasing support during this challenging year. I greatly appreciate your efforts, commitment and unstinting enthusiasm. I look forward to seeing your continuous involvement in our road ahead.

Yours sincerely

ZHENG YU HUAN

Chairman





Management Discussion and Analysis



BUSINESS REVIEW

During the year ended 31 December 2023, the Group has reported a revenue of RMB764.4 million, representing an increase of approximately 11.7% as compared with the year ended 31 December 2022 mainly due to the increase in the sales of jelly products by 12.4% and confectionary products by 17.2%. During the year ended 31 December 2023, the consumer sentiment in the People's Republic of China (the "PRC") had gradually recovered from the hit by the Coronavirus Disease 2019 ("COVID-19") outbreak. The Group's sales was positively affected by the gradual recovery of the consumer sentiment in the PRC. In addition, in the past few years, the Group had put immense efforts in expanding its new sales channels ("New Sales Channels") e.g. sales through major snacks convenience stores chains in the PRC ("Snacks Convenience Stores Chains"). The expansion of these New Sales Channels had paid off during the year ended 31 December 2023 and boosted the sales of our jelly products and confectionary products.

Although the sales performance of the Group had gradually recovered from the COVID-19 pandemic, much of our distributors were bruised by COVID-19 control measures in the year ended 31 December 2022. Some of these distributors suffered from great financial difficulties, hence the Group encountered slow settlements from or default by these distributors during the years ended 31 December 2022 and 2023. As a result, an allowance for expected credit losses of the Group of approximately RMB78.9 million was recorded in the year ended 31 December 2023. To mitigate the soaring credit risk from our distributors, the Group had gone through a rigorous assessment of the sales performance and financial health of our distributors during the year under review to eliminate those distributors that under-performed. As a consequence, the number of our distributors decreased from 1,095 as at 31 December 2022 to 729 as at 31 December 2023.

The gross profit margin of the Group decreased from 35.7% in the year ended 31 December 2022 to 28.6% in the year ended 31 December 2023 as the profit margin from the sales through the New Sales Channels are in general lower than the sales through distributors. The Group's advertising and promotion expenses decreased by approximately 34.5% to RMB60.3 million during the year ended 31 December 2023 as less advertising and promotion activities are required for sales to Snacks Convenience Stores Chains.

For the year ended 31 December 2023, the Group recorded a net loss of RMB104.8 million, as compared with RMB75.3 million in the last year. The increase in the Group's net loss during the year ended 31 December 2023 was mainly due to the increase in allowance for expected credit losses by approximately RMB31.4 million due to slow settlements from or default by the distributors.

REVENUE

Revenue increased by approximately 11.7% to RMB764.4 million during the year ended 31 December 2023 when compared with the same period in the year ended 31 December 2022. During the year ended 31 December 2023, the Group's sales performance has been positively impacted by the recovery of consumer sentiments in the PRC. In addition, the Group had put immense efforts in expanding its New Sales Channels which boosted the sales of the Group during the year ended 31 December 2023. As at 31 December 2023, the Group had a total number of 729 distributors (31 December 2022: 1,095). The number of distributors decreased by 33.4% during the year ended 31 December 2023 as the Group had gone through a rigorous assessment of the sales performance and financial health of our distributors during the year under review to eliminate those distributors that under-performed.

Jelly products

Revenue of jelly products increased by approximately 12.4% from RMB592.2 million in the year ended 31 December 2022 to RMB665.6 million in the year ended 31 December 2023 mainly due to the expansion of the New Sales Channels as explained above.

During the year ended 31 December 2023, revenue attributable to jelly snacks increased by approximately 5.7% to RMB352.8 million while sales attributable to jelly beverages increased by approximately 21.0% to RMB312.8 million.

Confectionary products

Confectionary products recorded an increase in revenue during the year ended 31 December 2023. Sales of confectionary products increased by approximately 17.2% from RMB73.0 million in the year ended 31 December 2022 to RMB85.6 million in the year ended 31 December 2023. The increase was mainly due to the expansion of the New Sales Channels as explained above.

Beverage products

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue of beverage products of the Group increased by approximately 1.5% to RMB5.2 million in the year ended 31 December 2023. The Group will continue to shift its focus from beverage products to its core and more profitable jelly products in the coming year.

Other snacks products

Revenue of other snacks products decreased by approximately 42.2% to RMB8.1 million during the year ended 31 December 2023. The decrease was mainly due to the Group's shift of focus from other snacks products to its core and more profitable jelly products during the year under review. Other snacks products include cakes, breads, bean curd products, egg rolls etc. The Group will continue to develop new healthy snacks products to meet the different tastes of the customers.

COST OF SALES AND GROSS PROFIT

Cost of sales increased by approximately 23.9% to RMB545.4 million in the year ended 31 December 2023, mainly attributable to the corresponding increase in sales. The gross profit decreased by approximately 10.4% to RMB218.9 million in the year ended 31 December 2023. The gross profit margin decreased from 35.7% in the year ended 31 December 2022 to 28.6% in the year ended 31 December 2023 mainly due to an increase in the proportion of sales through the New Sales Channels which in general have a lower profit margin than sales through distributors.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 5.5% to RMB109.8 million in the year ended 31 December 2023 primarily due to a decrease in advertising and promotion expenses by approximately 34.5% to RMB60.3 million during the year under review as less advertising and promotion activities are required for sales to Snacks Convenience Stores Chains.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 5.5% to RMB99.2 million in the year ended 31 December 2023 as compared with the same period in 2022, mainly due to tight cost control by the management.

INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Bermuda and British Virgin Islands ("BVI"), members of the Group in Bermuda and the BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong for the year ended 31 December 2023 and 2022. The subsidiaries in the PRC are subject to an income tax rate of 25% on their taxable profit during the year.

No provision of PRC enterprise income tax, Hong Kong profits tax, Bermuda and BVI income tax has been made, as the Group did not generate any assessable profits in these jurisdictions during the year ended 31 December 2023.



NET LOSS FOR THE YEAR

For the year ended 31 December 2023, the Group recorded a net loss of RMB104.8 million, an increase of approximately 39.2% from the net loss of RMB75.3 million for the year ended 31 December 2022. The increase in the Group's net loss during the year ended 31 December 2023 was mainly due to an increase in allowance for expected credit losses by approximately RMB31.4 million as a result of slow settlements from or default by the distributors.

FINANCIAL REVIEW

Financial resources and liquidity

The Group mainly finances its operations and capital expenditures by cash and bank balances, operating cash flows, bank borrowings and loan from a Director.

As at 31 December 2023, the cash and bank balances amounted to RMB44.3 million (As at 31 December 2022: RMB71.9 million). The decrease in cash and bank balances was mainly due to repayment of bank borrowings and payment of interests. The bank borrowings of the Group decreased by RMB65.5 million during the year ended 31 December 2023.

As at 31 December 2023, the Group's gearing ratio (total borrowings, lease liabilities and loan from a director divided by total equity) was 202.8% (As at 31 December 2022: 156.6%). The Group maintained sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group record a net cash inflow from operating activities of RMB88.6 million for the year ended 31 December 2023 (2022: RMB15.5 million). The Group has spent RMB32.9 million in investing activities for the year ended 31 December 2023 mainly for the upgrade of production lines of the production plants. The Group has a net cash outflow from financing activities of RMB83.3 million for the year ended 31 December 2023 which was mainly due to repayment of matured bank borrowings and payment of interest expenses.

Capital expenditure

During the year ended 31 December 2023, the Group incurred RMB40.4 million in capital expenditure mainly for the upgrade of production lines of the production plants.

Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, beverage products and other snacks products, as well as raw materials and packaging materials. As at 31 December 2023, the balance decreased by RMB14.8 million as compared with the beginning of the year. The decrease in inventory level was mainly due to the fact that the Group has not yet stocked up on inventories for the 2024 Lunar New Year sales as at 31 December 2023.

The inventory turnover days for the years ended 31 December 2023 and 2022 were 50 days and 53 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors and New Sales Channels customers. The Group typically sells its products on credit and grant 180 days credit to most of the wholesale distributors and New Sales Channels customers. The balance decreased by RMB83.1 million or 25.8% as compared with the beginning of the year mainly because an allowance for expected credit losses of approximately RMB78.9 million was made during the year ended 31 December 2023 as a result of slow settlements from or default by certain wholesale distributors. The trade receivable turnover days for the years ended 31 December 2023 and 2022 were 147 days and 200 days, respectively. Subsequent to the year ended 31 December 2023 and up to the date of approval of this annual report, approximately RMB210.6 million of the trade receivables were settled by the wholesale distributors and New Sales Channels customers.

Asset classified as held for sale

On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the “Vendor”) and an independent third party (the “Purchaser”) entered into the transfer agreement (the “Transfer Agreement”), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the land use right located in Jinjiang Food Industrial Park in Jinjiang City, Fujian Province, the PRC (the “FJ Land Right”) for a consideration of RMB180,000,000. Pursuant to the Transfer Agreement, both the Vendor and the Purchaser will liaise with Fujian Jinjiang Industrial Park Construction and Development Company Limited (the “Jinjiang Construction”), a company controlled by Jinjiang City People’s Government, regarding the transfer of the FJ Land Right. The Vendor will arrange for the termination of the FJ Land Right with Jinjiang Construction and the Purchaser will enter into an agreement with Jinjiang Construction regarding the new pre-registration contractual right to acquire the FJ Land Right. For more details, please refer to the announcement dated 15 May 2019.

The Purchaser had fully settled the consideration of RMB180,000,000 in accordance with the Transfer Agreement and Jinjiang Construction had fully refunded the RMB40,000,000 land deposit to the Vendor. All the conditions precedent to the Transfer Agreement had been fulfilled, and the completion took place on 6 May 2022. Upon completion, the Vendor ceased to have any interest in the FJ Land Right.

After taking into account the estimated transaction costs directly attributable to the completion of disposal, a loss on disposal of asset classified as held for sale of RMB20,923,000 was recorded during the year ended 31 December 2022.

Trade payables

Trade payables mainly represent the balances due to the Group’s suppliers who generally grant credit terms ranging from 30 days to 60 days to the Group.

Trade payable turnover days for the years ended 31 December 2023 and 2022 were 37 days and 29 days respectively.

Foreign exchange fluctuations

The Group earns revenue and incurs costs and expenses mainly in Renminbi. The Group is exposed to certain foreign exchange fluctuations arising mainly from the exposure of Renminbi against the Hong Kong dollar and United States dollar. During the year ended 31 December 2023, the Group did not enter into any forward contracts to hedge the foreign exchange exposures as the Directors considered the financial benefits of such forward contracts may not outweigh their costs. The Company will continue to monitor foreign exchange exposures of the Group to best preserve the Group’s cash value.

Charges on assets

As at 31 December 2023, land use rights and buildings of the Group with carrying values of RMB86,798,000 (31 December 2022: RMB89,280,000) and RMB90,690,000 (31 December 2022: RMB107,195,000) respectively, were pledged to banks as securities for banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

Capital commitments

As at 31 December 2023, the Group had no capital commitments (31 December 2022: Nil).



EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2023, the Group had approximately 1,200 employees (including part-time employees) (2022: approximately 1,300 employees) and the total remuneration expenses for the year ended 31 December 2023 amounted to RMB122.0 million. The employees' salaries are reviewed and adjusted annually based on employees' performance and experience. The Group's employee benefits include performance bonus, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.

The emoluments of the Directors and senior management of the Company are decided by the Board with the recommendation of the remuneration committee of the Company, having regard to the Group's operating results, individual performance and comparable market statistics.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2023. Further, there was no plan authorised by the Board for other material investments or additional capital assets as at the date of this annual report.

PROSPECTS

After the COVID-19 pandemic, the consumer sentiment in the PRC and the market demand for the Group's snack products rebounded during the year ended 31 December 2023. The Directors expected that a steady and healthy recovery of the PRC's economy and our business after the COVID-19 pandemic will continue in the short to medium term. To build a solid foundation for mid-to-long term growth, the Group will continue to (i) take proactive steps in marketing its brand image and products in 2024 and onwards, (ii) launch new snacks products from time to time to offer better choices to the consumers and (iii) expand the New Sales Channels coverage in the PRC. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the long run.

While the near-term outlook for the snacks products sector of the PRC remains challenging, the country's ongoing economic reforms and the continuous expansion of the middle and upper class population will propel growth in retail consumption in the long run. Therefore, the Directors are cautiously optimistic to the long term development of the Group's business.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

The snack food industry is subject to changes in consumer perception, preferences and tastes. The Group's business and financial performance depends on factors which may affect the level and pattern of consumer spending in the PRC. Such factors include consumer preferences and tastes, consumer confidence, consumer income and consumer perceptions of the safety and quality of the Group's products.

Industrial Risk

The snack food industry is subject to potential food safety and health issues with the raw materials and finished products. If the Group's raw materials or finished products are alleged or found to be spoiled, contaminated, tampered with, incorrectly labeled, unsafe or otherwise associated with food safety incidents, the Group could be subject to product liability claims, adverse publicity, regulatory investigation, intervention or penalties, and/or product returns, any of which may result in increased costs as well as damage to the Group's brands and reputation. Food safety and health issues may arise with respect to the Group's products as a result of numerous factors, many of which may be outside of the Group's control, including actions by the suppliers, subcontracting manufacturers and distributors of the Group, as well as their sub-distributors.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at the divisional and departmental levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Key functions in the Group are guided by their operating procedures, limits of authority and reporting framework. The Group will identify and assess key operational exposures from time to time and report such risk issues to Senior Management as early as possible so that appropriate risk response can be taken.

Financial Risk

The financial risk management of the Group is set out in Note 4 to the consolidated financial statements.

Disaster Events

The Group's business will be materially and adversely affected by natural disaster events such as outbreak of contagious diseases or other catastrophic events. Depending on the severity, duration and locality, such events could severely disrupt the Group's business operations and cause adverse impacts to our business. Such events, or a general apprehension of such events, may also significantly and adversely affect consumer sentiments and reduce demand for our snacks products. The Group regularly conducts risk assessment, and has taken out appropriate insurance covering our properties, business operations and third-party liabilities.



Biographical Details of Directors and Senior Management

DIRECTORS

ZHENG YU HUAN

Chairman and Executive Director

Mr. Zheng Yu Huan, aged 53, is an executive Director and the chairman of the Board. He was appointed as a Director on 15 June 2004 and was re-designated as an executive Director on 23 September 2011, and was appointed as the chairman of the Board on 17 March 2015. Mr. Zheng is primarily responsible for the Group's overall management in particular on sales and marketing operations, including formulating the advertising and promotional programs. Mr. Zheng is one of the founders of the Group's jelly products business and is also a director of the Group's subsidiary, Timeluck International Limited ("**Timeluck**"). Mr. Zheng has over 25 years of experience in the sales and marketing of snack food products. He joined the Group in 2000 as a deputy general manager of Labixiaoxin (Fujian) Food Stuff Industry Co., Ltd. (蠟筆小新(福建)食品工業有限公司) "**LBXX Fujian**".

From 1996 to 2000, Mr. Zheng was a general manager of the sales and marketing department of Jinjiang Weili Foods Co., Ltd. (晉江市味力食品有限公司). Mr. Zheng received his master's degree in business administration from the Renmin University of China (中國人民大學) in 2006. Mr. Zheng graduated from an executive development program for senior management from Xiamen University (廈門大學) in December 2010. Mr. Zheng has also assumed several social appointments, such as serving as being the vice president of the Sixth Fujian Provincial Youth Federation (第六屆福建省青年聯合會) and a member of the Tenth Fujian Provincial Youth Federation (第十屆福建省青年聯合會). He was recognized as one of the China Industrial Economy Top 10 Outstanding Youth (中國工業經濟十大傑出青年) in December 2009 by the China Industrial Forum (中國工業論壇). Mr. Zheng is the brother of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and the brother-in-law of Mr. Li Hung Kong.

Mr. Zheng is a director and shareholder of Alliance Food and Beverages (Holding) Company Limited ("**Alliance Holding**"), which is the controlling shareholder of the Company. Please refer to the section headed "Directors' report – Directors' interests in Shares, underlying Shares and debentures" in this annual report for the details on his interests in the shares of the Company (the "**Shares**").

ZHENG YU SHUANG

Chief Executive Officer and Executive Director

Mr. Zheng Yu Shuang, aged 55, is the chief executive officer of the Group (the "**Chief Executive Officer**") and an executive Director. He was appointed as a Director on 1 June 2004 and was re-designated as an executive Director on 23 September 2011. Mr. Zheng is primarily responsible for the overall operations of the Company. He is the head of the Group's production department and oversees the quality control department. Mr. Zheng is one of the founders of the Group's jelly products business and is also a director of the Group's subsidiaries, including Labixiaoxin Investments Company Limited ("**LBXX Investments**"), Labixiaoxin Holdings Company Limited ("**LBXX Holdings**"), LBXX International Company Limited, Labixiaoxin (Sichuan) Co., Ltd. (蠟筆小新(四川)有限公司), Labixiaoxin (Anhui) Co., Ltd. (蠟筆小新(安徽)有限公司), LBXX Fujian and Timeluck.

Mr. Zheng has over 27 years of experience in the manufacturing of snack food products. He joined the Group in 2000 as the general manager of LBXX Fujian. From 1994 to 2000, Mr. Zheng was a general manager of the production and quality control department of Jinjiang Weili Foods Co., Ltd. (晉江市味力食品有限公司). Mr. Zheng received his master's degree in business administration from the Renmin University of China (中國人民大學) in May 2006. He received a certificate qualifying him as a senior quality control inspector (高級質量(品質)管理師) from the China Professional Talent Pool Management Center (中國專業人才庫管理中心) in July 2009. Mr. Zheng has also assumed several social appointments, such as having served as the honorary chairman of Jinjiang Food Industry Association (晉江市食品行業協會) from 2007 to 2010, a member of the Tianjin Chinese People's Political Consultative Conference (天津市人民政治協商會議) from 2008 to 2012, and the vice-chairman of the Confectionery Committee of China National Food Industry Association (中國食協糖果專業委員會) from May 2010 to May 2013. Mr. Zheng is the brother of Mr. Zheng Yu Long and Mr. Zheng Yu Huan and the brother-in-law of Mr. Li Hung Kong.

Mr. Zheng is a director and shareholder of Alliance Holding, which is the controlling shareholder of the Company. Please refer to the section headed "Directors' report – Directors' interests in Shares, underlying Shares and debentures" in this annual report for the details on his interests in Shares.

Biographical Details of Directors and Senior Management

ZHENG YU LONG

Executive Director

Mr. Zheng Yu Long, aged 58, is an executive Director. He was appointed as a Director on 1 June 2004 and was re-designated as an executive Director on 23 September 2011. Mr. Zheng is primarily responsible for the overall operations, strategic planning and business development of the Group. He is also actively involved in the marketing of the products and branding of the Group, and the procurement of raw materials from suppliers. Mr. Zheng is a key contact person between the Group and its business partners. He is one of the founders of the Group's jelly products business and is also a director of the Group's subsidiary, Timeluck. Mr. Zheng joined the Group in 2000 as a managing director of LBXX Fujian. Mr. Zheng has over 29 years of experience in the marketing and manufacturing of snack food products. Since joining the Group in 2000, Mr. Zheng has dedicated the past 23 years to expand and promote the Group's business from a manufacturer of jelly products to a recognized snack food brand in China. From 1991 to 2000, Mr. Zheng was the general manager of Jinjiang Weili Foods Co., Ltd. (晉江市味力食品有限公司), where he was responsible for the daily operations, sales, production, procurement and business development of the company. Through such experiences, Mr. Zheng has developed extensive relationships with the industry partners and is able to keep abreast of the latest developments of the snack food industry. Mr. Zheng Yu Long was brought up in the PRC. Mr. Zheng has never been a full time government official of any country, or a full time employee of any state or government-owned/operated entity for a substantial period of time. Mr. Zheng is the brother of Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan and the brother-in-law of Mr. Li Hung Kong.

Mr. Zheng is a director and shareholder of Alliance Holding, which is the controlling shareholder of the Company. He also has personal interest in certain Shares. Please refer to the section headed "Directors' report – Directors' interests in Shares, underlying Shares and debentures" in this annual report for the details on his interests in Shares.

LI HUNG KONG

Vice Chairman and Non-Executive Director

Mr. Li Hung Kong, aged 55, is the vice-chairman of the Board and a non-executive Director. He was appointed as a Director on 1 June 2004 and was re-designated as a non-executive Director on 23 September 2011. He is an experienced entrepreneur who has over 27 years of experience in investing in and managing the manufacturing business. He is also a director of the Group's subsidiaries, including LBXX Investments, LBXX Holdings, and Timeluck. Mr. Li joined the Group in 2000 as a director of LBXX Fujian. Prior to joining the Group, Mr. Li founded various companies in the 1990s, including Jinjiang Xingtai Packing Wear Co., Ltd. (晉江市興泰包裝用品有限公司), Fujian Huatai Packing Co., Ltd. (福建華泰包裝用品有限公司), companies engaged in the paper packaging business, and Jen Yuon Trading Co. (晉融貿易公司), a company engaged in commercial trading, and has been as a director of each of these companies since their establishment. Mr. Li is a brother-in-law of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan.

Mr. Li is a director and shareholder of Alliance Holding, which is the controlling shareholder of the Company. Please refer to the section headed "Directors' report – Directors' interests in Shares, underlying Shares and debentures" in this annual report for the details on his interests in Shares.

LI BIAO

Independent Non-Executive Director

Mr. Li Biao, aged 57, is an independent non-executive Director. He was appointed as an independent non-executive Director on 7 August 2020. Mr. Li has over 23 years of experience in the food industry.

Mr. Li graduated from the department of business administration of Beihang University (北京航空航天大學) and has previously worked at state-owned enterprises and government offices in the PRC. Mr. Li is currently the deputy chief editor of China Food Safety Post (中國食品安全報社), a supervisor of the State Administration for Market Regulation (國家市場監督管理局) and an officer of the quality and marketing committee of the China Association for Quality Promotion (中國質量萬里行促進會). Mr. Li is also the deputy executive officer and secretary general of the brand promotion committee of the China Academy of Management Science (中國管理科學研究院), the secretary general of the National Nutrition and Safety Industry Committee (全國營養健康產業委員會), and the secretary general of the China Food Safety Annual Conference (中國食品安全年會).

Biographical Details of Directors and Senior Management

GUO LI

Independent Non-Executive Director

Ms. Guo Li, aged 35, is an independent non-executive Director. She was appointed as an independent non-executive Director on 2 September 2022. Ms. Guo has over 11 years of experience in the operation and management of large-scale hotel chains. Ms. Guo is currently an operations director of a health care company in the PRC, responsible for the management and operation of hotels and restaurants. Ms. Guo obtained her bachelor's degree in business administration from Henan University Minsheng College (河南大學民生學院) (now known as Henan Kaifeng College of Science Technology and Media (河南開封科技傳媒學院)) in July 2013.

CHUNG YAU TONG

Independent Non-Executive Director

Mr. Chung Yau Tong, aged 52, is an independent non-executive Director. He was appointed as an independent non-executive Director on 23 September 2011. Mr. Chung has 28 years of experience in audit practice, financial management and compliance assurance of listed companies in Hong Kong. From 1994 to 2000, Mr. Chung was with PricewaterhouseCoopers, where he last held the position of manager. Mr. Chung was with CITIC 21CN Company Limited (stock code: 00241) (a company listed on the Main Board of the Stock Exchange) from 2000 to 2005, where he last held the position as the group financial controller. He was a qualified accountant of Gome Electrical Appliances Holding Company Limited (stock code: 00493) from 2005 to March 2007. Mr. Chung was the financial controller and company secretary of Vongroup Limited (stock code: 00318) from March 2007 to December 2007. He served as the financial controller and company secretary of International Business Settlement Holdings Limited (stock code: 00147) (a company listed on the Main Board of the Stock Exchange and previously known as Chaoyue Group Limited from January 2008 to December 2023). Since May 2018, Mr. Chung has been serving as the company secretary of KangLi International Holdings Limited (stock code: 6890), a company listed on the Main Board of the Stock Exchange. Mr. Chung received a bachelor's degree in business administration from The University of Hong Kong in 1994. He is a fellow of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Chan Yee Lok, aged 49, is our chief financial officer (the "Chief Financial Officer") and company secretary (the "Company Secretary") since November 2014. He is responsible for our accounting, finance and company secretarial matters. Prior to joining us in August 2014, Mr. Chan had worked in international accounting firms and companies listed on the Main Board of the Stock Exchange and possessed over 25 years of accounting, financing, auditing and company secretarial experience. Mr. Chan graduated from the City University of Hong Kong with a bachelor's degree with honours in accountancy in 1997. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. Chen Jian Ming, aged 59, is the head of our procurement department. He is primarily responsible for the sourcing and procurement of raw materials for the Group. He has over 24 years of commercial and banking experience. Mr. Chen joined us in 2010. Prior to joining us, Mr. Chen served in various positions at the China Construction Bank, Quanzhou branch (中國建設銀行泉州分行) between January 1990 and October 2010, including deputy branch manager, deputy manager and manager of the credit department. Mr. Chen received a bachelor's degree in finance from the Hunan University (湖南大學) through online courses in July 2005. He is also recognized as a qualified professional in economics (經濟師) by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部).

Save as otherwise disclosed, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting stringent corporate governance practices and procedures with a view to safeguarding the interests of shareholders as well as enhancing investor confidence and the Company's accountability and transparency. The Company sets out its corporate governance practices with reference to Part 2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 (which has been renumbered as Appendix C1 with effect from 31 December 2023) to the Listing Rules. During the year ended 31 December 2023, the Company has complied with all the code provisions set forth under Part 2 of the CG Code and there has been no deviation from the code provisions throughout the year ended 31 December 2023.

The Company continues to review its corporate governance practices regularly to ensure compliance with the CG Code.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objectives of enhancing shareholders' value including setting and approving the Company's strategy implementation, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policy and practices on corporate governance. The Board has delegated to the Chief Executive Officer, of which the Directors also undertake, and through him, to the Senior Management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board directly, and indirectly through its Board committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and Senior Management arising out of corporate activities.

Board Composition

As at the date of this Annual Report, the Board comprises seven members in total, with three executive Directors, one non-executive Director and three independent non-executive Directors.



The composition of the Board during the year ended 31 December 2023 and up to the date of this Annual Report is set out below:

Executive Directors

Mr. Zheng Yu Huan (*Chairman*)

Mr. Zheng Yu Shuang (*Chief Executive Officer*)

Mr. Zheng Yu Long

Non-Executive Director

Mr. Li Hung Kong (*Vice-Chairman*)

Independent Non-Executive Directors

Mr. Li Biao

Ms. Guo Li

Mr. Chung Yau Tong

The biographical details of the current Board members are set out under the section headed “Biographical Details of Directors and Senior Management” on pages 16 to 18 of this Annual Report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive Directors represented over one-third of the Board.

The Company has received written annual confirmations from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the audit committee (the “**Audit Committee**”), remuneration committee (the “**Remuneration Committee**”) and nomination committee (the “**Nomination Committee**”) of the Company.

Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan are brothers and Mr. Li Hung Kong is a brother-in-law of Mr. Zheng Yu Long, Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan. Save as disclosed, there is no other relationship among the members of the Board.

Chairman and Chief Executive Officer

During the year ended 31 December 2023, the roles and duties of the chairman of the Board (the “**Chairman**”) and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Zheng Yu Huan, and the Chief Executive Officer is Mr. Zheng Yu Shuang. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and to maintain a balance of views and judgement. With the support of the Senior Management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policy and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

Appointment and Re-election of Directors

Each of the executive and non-executive Directors has entered into a service agreement for a term of three years, and the appointment may be terminated by not less than three months' written notice; while each of the independent non-executive Directors has entered into a letter of appointment for a term of one year. The appointment may be terminated by not less than three months' written notice.

In accordance with the Company's bye-laws, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first annual general meeting after his/her appointment.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and the draft agenda of each meeting are normally made available to Directors in advance. Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the Senior Management where necessary.

The Senior Management, including the Chief Executive Officer, Chief Financial Officer and Company Secretary, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Company's bye-laws contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.



Directors' Attendance Records

During the year ended 31 December 2023, 4 Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policy of the Company.

The attendance records of each Director at the Board meetings and the 2023 annual general meeting (the "2023 AGM") during the year ended 31 December 2023 are set out below:

Name of Director	Attendance/Number of Meetings	
	Board Meetings	2023 AGM
Mr. Zheng Yu Huan	4/4	1/1
Mr. Zheng Yu Shuang	4/4	1/1
Mr. Zheng Yu Long	4/4	1/1
Mr. Li Hung Kong	4/4	1/1
Mr. Li Biao	4/4	1/1
Ms. Guo Li	4/4	1/1
Mr. Chung Yau Tong	4/4	1/1

Continuous Professional Development

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed Director or alternative Director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements. The Group also provided briefings and other training to develop and refresh the Directors' knowledge and skills from time to time. Further, the Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2023, some of the Directors attended external seminars and/or conferences to update their general business and economic knowledge or knowledge related to statutory requirements, the Listing Rules and other relevant topics related to listed companies. The Directors also read materials in relation to regular updates to statutory requirements, the Listing Rules and other relevant topics related to listed companies.

Name of Director	Types of training
Mr. Zheng Yu Huan	A,B
Mr. Zheng Yu Shuang	A,B
Mr. Zheng Yu Long	A,B
Mr. Li Hung Kong	A,B
Mr. Li Biao	A,B
Ms. Guo Li	A,B
Mr. Chung Yau Tong	A,B

A: attending in-house/external seminars and/or conferences

B: reading newspapers, journals and updates relating to the economy, general business, director's training and responsibilities etc.

During the year ended 31 December 2023, the Company Secretary has taken not less than 15 hours of relevant professional training.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 (which has been renumbered as Appendix C3 with effect from 31 December 2023) to the Listing Rules and devised its own code of conduct regarding Directors’ dealings in the Company’s securities (the “**Company Code**”) on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2023.

The Company has also established written guidelines on terms no less exacting than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2023.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. The Board has also established mechanisms to ensure independent views are available to the Board. For instance, each Director is normally able to seek independent professional advice in appropriate circumstances at the Company’s expense, upon making request to the Board. Further, the Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgment. The Chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns. The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2023.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the Senior Management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the Chief Executive Officer and the Senior Management for the discharge of its responsibilities.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company’s affairs. All Board committees of the Company are established with defined written terms of reference, which are available to shareholders on the Company’s website. Each of the Nomination Committee, the Remuneration Committee and the Audit Committee is provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.



Nomination Committee

The Nomination Committee comprises three members, namely Mr. Zheng Yu Shuang, who is the Chief Executive Officer and an executive Director, and Mr. Li Biao and Mr. Chung Yau Tong who are both independent non-executive Directors, with Mr. Li Biao acting as the chairman of the Nomination Committee. The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

During the year ended 31 December 2023, the Nomination Committee was primarily responsible for:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board regarding any proposed changes;
- if required, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on selection of individuals nominated for directorships;
- assessing the independence of independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations; and
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors and, in particular, the Chairman and the Chief Executive Officer.

Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies. When the Nomination Committee considers it appropriate, it invites nominations of candidates from Board members or any person and makes recommendations for the Board's consideration and approval.

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including:

- (a) reputation for integrity;
- (b) experience in the food and beverages industry and/or business strategy, management, legal and financial aspects;
- (c) whether the proposed candidate is able to assist the Board to effectively perform its responsibilities;
- (d) the perspectives and skills that the proposed candidate is expected to bring to the Board;
- (e) diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- (f) commitment in respect of available time and relevant interest; and
- (g) in the case of selection for independent non-executive Directors, the independence of the proposed candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Board Diversity Policy

The Board adopted the board diversity policy (the “Policy”) in accordance with the requirement set out in the CG Code. The Policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the Policy, and reviews, as appropriate, the Policy to ensure the effectiveness of the Policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

As at 31 December 2023, the Board comprises of seven members, including one female independent non-executive Director. The Board targeted to keep the current level of at least one female representative in the Board. The Nomination Committee will use its reasonable efforts to identify and recommend female candidates to the Board for consideration for appointment as Directors from time to time in order to increase female representation on the Board.

In particular, going forward and with a view to developing a pipeline of potential successors to the Board, the Company will (i) continue to make appointments based on merits with reference to board diversity as a whole; (ii) consider the possibility of nominating female management staff who has the necessary skills and experience to the Board; and (iii) provide career development opportunities and more resources in training female staff with the aim of promoting them to the Senior Management or the Board so that the Board will have a pipeline of female Senior Management and potential successors to the Board in the foreseeable future.

Increasing gender equality remained paramount to the Group. In 2023, women represented 50.3% of the Group’s workforce. The Company will continue to take steps to promote gender diversity at all levels of the Group, including by recruiting staff of different gender.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year ended 31 December 2023, details of attendance are set out below:

Nomination Committee Members	Attendance/ Number of Meeting
Mr. Li Biao (<i>Chairman of Nomination Committee</i>)	1/1
Mr. Zheng Yu Shuang	1/1
Mr. Chung Yau Tong	1/1

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Zheng Yu Long who is an executive Director, and Ms. Guo Li and Mr. Chung Yau Tong who are both independent non-executive Directors, with Ms. Guo Li acting as the chairman of the Remuneration Committee. The Remuneration Committee is responsible for making recommendations to the Board regarding the Directors’ remuneration and other benefits.

The remuneration of all Directors is subject to review by the Remuneration Committee to ensure that the level of their remuneration and compensation are reasonable. The Remuneration Committee’s written terms of reference are in line with the provisions of the CG Code. Pursuant to Code Provision E.1.3 of Part 2 of the CG Code, the Remuneration Committee’s terms of reference, explaining its role and the authority delegated to it by the Board, are available on the respective websites of the Company (www.lbxgroup.com) and the Stock Exchange (www.hkexnews.hk).



Pursuant to code provision E.1.5 of Part 2 of the CG Code, details of the remuneration of the Senior Management (other than Directors) by bands for the year ended 31 December 2023 is as follows:

Remuneration Band (HK\$)	Number of individual
Nil – HK\$1,000,000	1
HK\$1,000,001 – HK\$1,500,000	1

During the year ended 31 December 2023, the Remuneration Committee was primarily responsible for:

- making recommendations to the Board on the Company's policy and structure for all remunerations of Directors and Senior Management and on the establishment of formal and transparent procedures for developing policy on all such remunerations;
- making recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management;
- reviewing and approving the performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;
- if required, reviewing and approving the compensation payable to executive Directors and Senior Management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- if required, reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate;
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- if required, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and
- considering and implementing other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time.

There was no material matter relating to the Company's share option scheme that was reviewed and/or approved by the Remuneration Committee during the year ended 31 December 2023. The Company did not grant any share options or awards to the Directors and Senior Management during the year ended 31 December 2023.

The Remuneration Committee held one meeting during the year ended 31 December 2023 and the details of attendance are set out below:

Remuneration Committee Members	Attendance/ Number of Meeting
Ms. Guo Li (<i>Chairman of Remuneration Committee</i>)	1/1
Mr. Zheng Yu Long	1/1
Mr. Chung Yau Tong	1/1

Audit Committee

The Audit Committee comprises three members, namely Mr. Li Biao, Ms. Guo Li and Mr. Chung Yau Tong, all of whom are independent non-executive Directors, with Mr. Chung Yau Tong (who possesses the relevant qualifications and expertise as required under Rule 3.10(2) of the Listing Rules) acting as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the financial information and reporting process, risk management and internal control systems and to provide advice and comments to the Board.

During the year ended 31 December 2023, the Audit Committee was primarily responsible for:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- developing and implementing policy on the engagement of an external auditor to supply non-audit services;
- monitoring the integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and reviewing significant financial reporting judgements contained in them;
- reviewing the Company's financial controls, internal control and risk management systems;
- discussing with management the risk management and internal control systems and ensuring that management has discharged its duty to have effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policy and practices;
- if required, reviewing the Group's connected transactions;
- reviewing the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response; and
- ensuring that the Board provides a timely response to the issues raised in the external auditor's management letter.



The Audit Committee held two meetings during the year ended 31 December 2023 and the details of attendance are set out below:

Audit Committee Members	Attendance/ Number of Meeting
Mr. Chung Yau Tong (<i>Chairman of Audit Committee</i>)	2/2
Mr. Li Biao	2/2
Ms. Guo Li	2/2

Corporate Governance Functions

During the year ended 31 December 2023, the Audit Committee was also responsible for determining the policy for the corporate governance of the Company by performing the corporate governance duties as below:

- developing and reviewing the Group's policy and practices on corporate governance and make recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and Senior Management;
- reviewing and monitoring the Group's policy and practices on compliance with all legal and regulatory requirements (where applicable);
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors of the Group; and
- reviewing the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management of the Company has provided to the Board such explanation and information as necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Risk management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company considers its risk management and internal control systems effective and adequate.

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policy and procedures, as well as a reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the Senior Management of the Group. The Board determines the nature and extent of risks that shall be taken to achieve the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted a Risk Management Policy which provides directions in identifying, evaluating and managing significant risks. At least on an annual basis, the Senior Management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks that are considered to be significant.

The handling and dissemination of inside information of the Company are strictly controlled to preserve confidentiality, including but not limited to the following ways:

1. Restrict access to inside information to a limited number of employees on a need-to-know basis;
2. Remind employees who are in possession of inside information to be fully conversant with their obligations to preserve confidentiality;
3. Ensure appropriate confidentiality agreements are in place when the Company enters into significant negotiations or dealings with third party(ies); and
4. Inside information is handled and communicated by designated persons.

The Board and the Senior Management review the safety measures regularly to ensure that the Company's inside information is properly handled and disseminated. In addition, the Group has engaged an independent professional advisor to review the risk management and internal control systems, as well as the internal audit functions of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. The internal audit department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. It examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Senior Management of the Company. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remedial actions are taken.

Risk management reports and internal control reports are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and the changing external environment; the scope and quality of management's review on risk management and internal control systems; the results of internal audit work; the extent and frequency of communication with the Board in relation to the results of risk management and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules.

The Board has approved the appointment of an independent professional adviser of the Company to conduct a thorough review of and make recommendations to improve the Company's internal controls and to ensure compliance with the Listing Rules. The adviser has identified certain internal control deficiencies and made recommendations for improvement. The Company has commenced and will continue with the implementation of the recommendations.



External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 42 to 46 of this Annual Report.

During the year ended 31 December 2023, the Group's external auditor provided the following services to the Group:

Type of Services	Service fees RMB'000
Statutory audit services	1,060
Non-audit services – taxation	–
Total	1,060

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable the shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for the Board and the shareholders to conduct face-to-face dialogue. The Chairman of the Board as well as the respective chairman of each of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman or member of the independent Board committee, are available to answer questions at shareholder meetings.

The Company's annual general meeting for the year ended 31 December 2023 (the "AGM") will be held on Tuesday, 18 June 2024. The notice of the AGM will be sent to the shareholders in compliance with the requirements under the Company's bye-laws and the Listing Rules.

SHAREHOLDER RIGHTS

Convening a special general meeting by shareholders and making proposals at the special general meeting

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.
- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at special general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, which is currently at Unit 2108, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the special general meeting, signed by the Eligible Shareholder(s) concerned.
- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to Unit 2108, 21/F, Island Place Tower, 510 King's Road, North Point, Hong Kong or by email to 1262@lbxxgroup.com.

Disclaimer

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by its shareholders in reliance on any contents of this section headed "Shareholders' Rights".

INVESTOR RELATIONS

Amendments to the bye-laws and adoption of new bye-laws of the Company

As set out in the Company's announcement dated 28 March 2024, the Board proposes to make certain amendments to the existing bye-laws of the Company in view of, among other matters, the latest requirements of the Listing Rules in relation to electronic dissemination of corporate communications. The proposed amendments will be effected by way of adoption of the new bye-laws of the Company, and in this regard a special resolution will be proposed at the forthcoming AGM for approval by the Company's shareholders. Details of the proposed amendments are set out in the Company's circular for the AGM.

Investors Communication Policy

The Company regards the communication with institutional investors as an important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at <http://www.lbxxgroup.com>, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted and are available for public access.

During the year ended 31 December 2023, the Directors and Senior Management participated in numerous investor meetings. In addition, the Company also maintains communication with the media through press conferences, news releases to the media and on the Company's website, and answering enquiries from the media, if applicable. Based on the foregoing, the Company considers the implementation of the investors' communication policy during the year ended 31 December 2023 to be effective.

DIVIDEND POLICY

The company has adopted a dividend policy (the "Dividend Policy") which aims to enable the shareholders to participate in the Company's profit and allow the Company to retain adequate reserves for future growth.

Through a sustainable dividend policy, the Board endeavours to strike a balance between meeting shareholders' expectations and maintaining prudent capital management. Under the Dividend Policy, if the Group records positive net profits and subject to the maintenance of the Group's normal operations and the laws and regulations of the applicable jurisdictions, the Company may declare and pay dividends to the shareholders.

Pursuant to the Dividend Policy, any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the relevant laws. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and shall in no way obligate the Company to declare a dividend at any time or from time to time. The recommendation of the payment of dividend is subject to the sole discretion of the Board, and any declaration of final dividend of the year will be subject to the approval of the shareholders. The Dividend Policy is subject to review by the Board from time to time and will be amended as appropriate.

Directors' Report



The Board is pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 31 to the consolidated financial statements.

The principal activities of the Group are the manufacturing and sale of jelly products, confectionary products, beverages products and other snack products in the PRC.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2023 and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2023 are provided in the section headed "Chairman's Statement" on pages 6 to 7 and the section headed "Management Discussion and Analysis" on pages 10 to 15 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" of the report of the Directors on pages 32 to 41 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2023 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 10 to 15 of this Annual Report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policy, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the paragraph headed "Environmental, Social and Governance" of the report of the Directors on pages 40 to 41 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47.

DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

There is no arrangement under which a shareholder has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024 (both dates inclusive), during which period no transfer of shares of the Company (the "Share(s)") will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Wednesday, 12 June 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2023 are set out in Note 15 to the consolidated financial statements.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2023 is set out in Note 24 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 25 to the consolidated financial statements.

RESERVES

The movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out on the Consolidated Statement of Changes in Equity and Note 33 of the consolidated financial statements.

As at 31 December 2023, there were no reserves available for distribution under the bye-laws of the Company.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 5 of this Annual Report.

DIRECTORS

The Directors during the year ended 31 December 2023 and up to the date of this annual report were:

Executive Directors:

Mr. Zheng Yu Huan (*Chairman*)

Mr. Zheng Yu Shuang (*Chief Executive Officer*)

Mr. Zheng Yu Long

Non-Executive Director:

Mr. Li Hung Kong (*Vice-Chairman*)

Independent Non-Executive Directors:

Mr. Li Biao

Ms. Guo Li

Mr. Chung Yau Tong

In accordance with bye-law 84(1) of the Company's bye-laws, Mr. Zheng Yu Long, Mr. Zheng Yu Huan and Mr. Li Hung Kong shall retire from office as Directors by rotation at the forthcoming AGM. All retiring Directors, being eligible for re-election, will offer themselves for re-election at the forthcoming AGM.

Biographical details of the Directors are set out on pages 16 to 18 of this Annual Report.



DIRECTORS' EMOLUMENTS

The emoluments of the Directors are determined with reference to the Director's duties, responsibilities, performance and the results of the Group. Details of the remuneration and contributions to the pension schemes of the Directors are set out in Note 26 to the consolidated financial statements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is satisfied with the independent status and considers all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an outstanding service contract which is not terminable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Company entered into the following continuing connected transactions with a connected person of the Company:

- (i) On 31 December 2022, the Company (as borrower) entered into a loan agreement with Mr. Zheng Yu Long (as lender), an executive director of the Company, for a loan facility of RMB60,000,000. The purpose of the loan facility was to support the continuing operations of the Company. As at 31 December 2023, the Company has drawn down an aggregate amount of RMB46,081,000. The amount was unsecured, repayable on 31 December 2023 and borne fixed interest at 2% per annum. The loan facility was fully repaid on 31 December 2023.
- (ii) On 31 December 2023, the Company (as borrower) entered into a loan agreement with Mr. Zheng Yu Long (as lender), an executive director of the Company, for a loan facility in the principal amount of RMB70,000,000. The purpose of the loan facility is to support the continuing operations of the Company. As at 31 December 2023, the Company had drawn down an aggregate amount of RMB46,081,000. The amount is unsecured, repayable on 31 December 2024 and bears fixed interest at 2% per annum.

Under the Listing Rules, Mr. Zheng Yu Long is a connected person of the Company and the loan facilities above constituted receipt of financial assistance by the Company from a connected person under Chapter 14A of the Listing Rules. Since such transactions were/are conducted on normal commercial terms or better and were/are not secured by the assets of the Group, they were/ are fully exempted from Shareholders' approval, annual review and announcement requirements according to Rule 14A.90 of the Listing Rules.

Details of related party transactions of the Group during the year ended 31 December 2023 are disclosed in Note 34 to the consolidated financial statements. These transactions were either exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, or did not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" above, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest whether directly or indirectly, subsisted as at 31 December 2023 or at any time during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Bye-laws.

Such permitted indemnity provision has been in force for the year ended 31 December 2023. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

EQUITY-LINKED AGREEMENTS

Except for the 2021 Share Option Scheme (as defined below), no equity-linked agreements were entered into by the Group or were in existence during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the respective interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "SFO") (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long position in shares ("Shares") and underlying Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of shares interested	Approximate percentage of interest in the Company (Note 1)	Note
Zheng Yu Long	Interest of a controlled corporation	610,915,527	45.97%	2
	Beneficial owner	119,935,060	9.02%	3
Zheng Yu Shuang	Interest of a controlled corporation	610,915,527	45.97%	2
Zheng Yu Huan	Interest of a controlled corporation	610,915,527	45.97%	2
Li Hung Kong	Interest of a controlled corporation	610,915,527	45.97%	2

Notes:

- (1) The calculation is based on the total number of 1,328,977,000 Shares in issue as at 31 December 2023.
- (2) The 610,915,527 Shares are beneficially owned by Alliance Food and Beverages (Holding) Company Limited ("**Alliance Holding**"), a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang and Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the shares held by Alliance Holding for the purpose of the SFO.
- (3) In addition to the 610,915,527 Shares held through Alliance Holding, Zheng Yu Long is also personally and beneficially interested in 119,935,060 Shares.



(ii) Long position in shares and underlying shares of the associated corporation

Name of Director	Name of associated corporation	Total number of shares held in associated corporation	Approximate percentage of issued share capital of associated corporation
Zheng Yu Long	Alliance Holding	28	28%
Zheng Yu Shuang	Alliance Holding	28	28%
Zheng Yu Huan	Alliance Holding	28	28%
Li Hung Kong	Alliance Holding	16	16%

Save as disclosed above, as at 31 December 2023, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 23 June 2021 (the “**Adoption Date**”), the Company conditionally adopted a new share option scheme (the “**2021 Share Option Scheme**”) whereby the Board can grant options for the subscription of Shares to any full-time or part-time employees, executives, officers or directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board will contribute or have contributed to the Company and/or any of its subsidiaries (the “**Eligible Participants**”) and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

To be an Eligible Participant, the overriding principle is that the person must have contributed or will contribute to the Group. The 2021 Share Option Scheme is subject to the applicable requirements of Chapter 17 of the Listing Rules. The maximum number of Shares that can be issued according to the 2021 Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the Shares in issue as at the date of the adoption of the 2021 Share Option Scheme (i.e. 132,897,700 Shares), representing 10% of the issued share capital of the Company as at the date of this Annual Report.

The total number of Shares which may be issued upon exercise of all the options granted and yet to be exercised under the 2021 Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the Shares in issue from time to time. Unless otherwise approved by the shareholders of the Company, the number of Shares that may be granted to a Eligible Participant (including both exercised, cancelled and outstanding options) under the 2021 Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the Shares in issue. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share on the date of grant. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted.

The 2021 Share Option Scheme shall take effect from the Adoption Date and shall remain effective within a period of 10 years from the Adoption Date. As at the date of this Annual Report, the remaining life of the 2021 Share Option Scheme is approximately 7 years and 2 months.

Since the Adoption Date and up to the date of this Annual Report, no options have been granted under the 2021 Share Option Scheme, while the number of options available for grant under the 2021 Share Option Scheme as at 1 January 2023 and 31 December 2023 was 132,897,700.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Other than the 2021 Share Option Scheme, at no time during the year was the Company, its holding company, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares and underlying Shares of the Company as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Beneficial owner	Interest of a controlled corporation	Investment manager	Total interests in shares (Note 1)	Approximate percentage shareholding (Note 2)	Note
Alliance Holding	610,915,527	-	-	610,915,527 (L)	45.97%	3

Notes:

- (1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.
- (2) The calculation is based on the total number of 1,328,977,000 Shares in issue as at 31 December 2023.
- (3) The 610,915,527 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the Shares held by Alliance Holding for the purpose of the SFO.

Save as disclosed above, the Company has not been notified by any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as at 31 December 2023 which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2023. Further, there was no plan authorised by the Board for other material investments or additional capital assets as at the date of this Annual Report.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

As at 31 December 2023, the Group had approximately 1,200 employees. The Group recruited and promoted individual persons according to their strength and development potential. The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the market rates, workload and responsibilities and the general economic situation.

FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year ended 31 December 2023 included 3 directors and 2 employees. The aggregated amounts of basic salaries, housing allowances, other allowances and benefits in kind of the five highest paid individuals for the year ended 31 December 2023 was RMB3,670,000. The retirement schemes contributions of the five highest paid individuals for the year ended 31 December 2023 was RMB50,000.

During the year ended 31 December 2023 there were no bonuses paid to or receivable by the five highest paid individuals of the Group which are discretionary or are based on the Company's, the Group's or any subsidiaries of the Group's performance.

LITIGATION AND ARBITRATION

As at the date of this Annual Report, there was no outstanding or pending litigation and arbitration in relation to the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company had maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2023.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the Group's largest customer and five largest customers accounted for approximately 10.5% (2022: 7.0%) and 38.1% (2022: 24.4%) of the Group's total turnover for the year, respectively.

During the year ended 31 December 2023, the Group's largest supplier and five largest suppliers accounted for approximately 7.9% (2022: 6.4%) and 25.3% (2022: 24.9%) of the Group's total purchases for the year, respectively.

None of the Directors, their close associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year ended 31 December 2023.



RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides a competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture. The Group also understands that it is important to maintain good relationships with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards and high quality products to its customers. During the year under review, there was no material and significant dispute between the Group and its suppliers and/or customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Protection

Environmental conservation remains a key focus of the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection and complies with environmental legislation and promotes awareness towards environmental protection to the employees.

The Group puts great emphasis on environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environmental protection were strongly promoted, which led to the remarkable achievement of environmental management. Several measures have been implemented by the Group in order to promote environmental protection.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's practices on compliance with legal and regulatory requirements. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Company during the year ended 31 December 2023.

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, and employees' rights and benefits. The Group also establishes and implements policy that promote a harmonious and respectful workplace.

The Group believes that employees are valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organized charitable and staff-friendly activities for employees, such as outings, sports matches and health talks, which are vital to promote staff relationship and physical fitness.

Health and Safety

The Group prides itself in providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provides health and safety communications to employees to equip them with the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to medical insurance benefits as well as other health awareness programs.

Training and Development

The Group is committed to the professional and personal development and growth of all employees and considers training and development a continual process. Many on-the-job and off-the-job training courses and programs are provided to help employees develop and maintain consistency, proficiency and professionalism. Structured training programmes including courses, seminars and workshops are offered to staff at all levels with the objective of grooming and unleashing their full potential, supporting organizational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

AUDITORS

The financial statements for the year ended 31 December 2023 have been audited by HLB Hodgson Impey Cheng Limited (“HLB”). A resolution will be proposed in the forthcoming AGM to re-appoint HLB as auditors of the Company.

On behalf of the Board

Labixiaoxin Snacks Group Limited

Zheng Yu Huan

Chairman

Hong Kong, 28 March 2024

Independent Auditors' Report



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

TO THE SHAREHOLDERS OF LABIXIAOXIN SNACKS GROUP LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Labixiaoxin Snacks Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 47 to 102, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB104,754,000 during the year ended 31 December 2023 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB94,369,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Allowance for expected credit losses on trade receivables

Refer to Note 3, 4, 5 and 19 of the consolidated financial statements.

The Group has trade receivables of approximately RMB238,741,000 (net of allowance for expected credit losses). Provision is made for lifetime expected credit losses on trade receivables.

Management applied judgement in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. The Group engaged an external valuer to perform valuations on these assets at the end of the reporting period.

Our procedures in relation to management's allowance for expected credit losses on trade receivables included:

- Understanding the key controls that the Group has implemented to manage and monitor its credit risk;
- Evaluated the competence, capabilities and objectivity of the valuer and obtained an understanding of the valuer's scope of work and their terms of engagement.
- Checking on a sample basis, the ageing profile of the trade receivables as at 31 December 2023 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used for determining the expected credit losses with support of Auditors' valuation experts.

We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the allowance for expected credit losses to be supportable by available evidence.



OTHER INFORMATION

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

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

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

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

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

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

The audit committee of the Company (the "**Audit Committee**") is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policy used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

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

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

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Fong Ka Yiu

Practising Certificate Number: P08080

Hong Kong, 28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	764,377	684,263
Cost of sales		(545,437)	(440,071)
Gross profit		218,940	244,192
Other income	7	4,254	6,915
Other gain/(loss), net	8	92	(21,528)
Allowance for expected credit losses, net	4	(78,893)	(47,521)
Written-off of property, plant and equipment	10	(17,425)	(1,133)
Selling and distribution expenses		(109,838)	(116,259)
Administrative expenses		(99,188)	(104,987)
Operating loss		(82,058)	(40,321)
Finance income		332	378
Finance costs		(23,028)	(27,728)
Finance costs, net	9	(22,696)	(27,350)
Loss before taxation	10	(104,754)	(67,671)
Taxation	11	–	(7,657)
Loss and total comprehensive loss for the year		(104,754)	(75,328)
Loss per share attributable to equity holders of the Company (RMB per share)	12		
– Basic and diluted		(0.08)	(0.06)

Details of dividends to equity holders of the Company are set out in Note 13.

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	14	86,798	89,280
Property, plant and equipment	15	237,978	248,183
Deposits for property, plant and equipment	16	7,997	15,198
		332,773	352,661
Current assets			
Inventories	18	60,545	75,382
Trade receivables	19	238,741	321,876
Prepayments and other receivables	20	134,529	155,516
Cash and cash equivalents	21	44,319	71,876
		478,134	624,650
Total assets		810,907	977,311
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	470,030	470,030
Reserves	32	(247,472)	(142,718)
Total equity		222,558	327,312

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liability			
Deferred tax liabilities	17	15,846	15,846
		15,846	15,846
Current liabilities			
Trade and other payables	23	167,313	163,513
Bank borrowings	24	405,190	470,640
		572,503	634,153
Total liabilities		588,349	649,999
Total equity and liabilities		810,907	977,311
Net current liabilities		(94,369)	(9,503)
Total assets less current liabilities		238,404	343,158

Approved and authorised for issue by the board of directors on 28 March 2024:

Zheng Yu Huan
Director

Zheng Yu Shuang
Director

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 <i>(Note 32(a))</i>	Statutory reserves RMB'000 <i>(Note 32(b))</i>	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2022	470,030	615,656	(87,600)	184,506	(41)	(779,911)	402,640
Loss and total comprehensive loss for the year	-	-	-	-	-	(75,328)	(75,328)
Balance as at 31 December 2022 and 1 January 2023	470,030	615,656	(87,600)	184,506	(41)	(855,239)	327,312
Loss and total comprehensive loss for the year	-	-	-	-	-	(104,754)	(104,754)
Balance as at 31 December 2023	470,030	615,656	(87,600)	184,506	(41)	(959,993)	222,558

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Loss before taxation		(104,754)	(67,671)
Adjustments for:			
– Depreciation		35,687	40,601
– Allowance for expected credit losses on trade receivables, net	10	78,865	47,523
– Allowance/(reversal of allowance) for expected credit losses on other receivables, net	10	28	(2)
– Loss on disposal of asset classified as held for sale	8	–	20,923
– Written-off of property, plant and equipment	10	17,425	1,133
– Interest income on bank deposits	9	(332)	(378)
– Finance costs	9	23,028	27,728
Operating cash flow before working capital changes		49,947	69,857
– Decrease in trade receivables, prepayments and other receivables		25,229	15,495
– Decrease/(increase) in inventories		14,837	(7,915)
– Decrease in trade and other payables		(1,372)	(61,975)
Net cash generated from operating activities		88,641	15,462
Cash flows from investing activities			
Purchase of property, plant and equipment		(33,224)	(5,641)
Deposits paid for property, plant and equipment		–	(14,799)
Refund of deposits for property, plant and equipment		–	40,000
Interest received on bank deposits		332	378
Proceeds from disposal of assets classified as held for sale		–	36,000
Net cash (used in)/generated from investing activities		(32,892)	55,938
Cash flows from financing activities			
Proceeds from bank borrowings		233,500	444,150
Repayments of bank borrowings		(298,950)	(502,660)
Proceed from loan from a director		4,283	5,708
Interest paid		(22,139)	(26,933)
Repayment of lease liabilities		–	(356)
Net cash used in financing activities		(83,306)	(80,091)
Net decrease in cash and cash equivalents		(27,557)	(8,691)
Cash and cash equivalents as at the beginning of the year		71,876	80,567
Cash and cash equivalents as at the end of the year		44,319	71,876

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

Labixiaoxin Snacks Group Limited (the “**Company**”) was incorporated in Bermuda on 4 May 2004 and domiciled in Bermuda. The Company’s immediate and ultimate holding company is Alliance Food and Beverages (Holding) Company Limited, a company incorporated in the British Virgin Islands (the “**BVI**”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Wuli Industrial Area, Jinjiang, Fujian, the People’s Republic of China (the “**PRC**”) (中國福建省晉江市五里工業園區).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are manufacturing and sales of jelly products, confectionary products, beverages products and other snacks products.

The Company’s shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The consolidated financial statements are presented in thousands of units of Renminbi (“**RMB’000**”), which is also the functional currency of the Company, unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors of the Company on 28 March 2024.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

New and amendment to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the “**IASB**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policy

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Amendments to IFRSs in issued but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors anticipate that the application of the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (the “CO”).

Going concern basis

The Group incurred a net loss of approximately RMB104,754,000 (2022: approximately RMB75,328,000) for the year ended 31 December 2023. As at 31 December 2023, the Group’s current liabilities exceeded its current assets by approximately RMB94,369,000 (2022: approximately RMB9,503,000).

The directors have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of twelve months from 31 December 2023. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of preparation of consolidated financial statements (Continued)

Going concern basis (Continued)

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

(1) *Financial support from substantial shareholder*

Mr. Zheng Yu Long, the substantial shareholder of the Company who has already provided the aggregate amount of approximately RMB46,081,000 from a loan facility of RMB70,000,000 to the Group as at 31 December 2023, has to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from the date of this report.

(2) *Bank borrowings*

The Group had bank borrowings of approximately RMB405,190,000 as at 31 December 2023, of which approximately RMB285,300,000 is repayable within one year. The remaining bank borrowings, amounting to approximately RMB119,890,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreement. The directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

(3) *Alternative sources of external funding*

The Group will take steps to obtain external funding in order to improve the working capital and liquidity and cash flow position of the Group.

(4) *Cost control measurements*

The Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations.

(5) *Business reorganisation*

The Group may consider to dispose non-core business and/or financial assets if required.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of preparation of consolidated financial statements (Continued)

Going concern basis (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for asset classified as held for sale that are measured at the lower of their previous carrying amount and fair value less costs to sell at the end of each reporting period, as explained in the accounting policy set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policy. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Material accounting policy information

Basis of consolidation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Material accounting policy information (Continued)

Basis of consolidation (Continued)

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policy in line with the Group's accounting policy.

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including reattribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Foreign currencies

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

Exchange difference arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Useful lives
Buildings	20 years
Plant and equipment	5 – 10 years
Motor vehicles	5 years
Leasehold improvements	5 years

Construction in progress represents costs incurred in the construction of property, plant and equipment and other tangible assets. Costs comprise direct and indirect costs of construction, including borrowing costs incurred during the period of construction.

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are ready for its intended use. When the assets concerned are brought to use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gain, net" in the consolidated statement of profit or loss and other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Financial assets

(i) Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(ii) Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables.

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

(a) Significant increase in credit risk

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

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

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

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(ii) *Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)*

(a) **Significant increase in credit risk** (Continued)

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

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

(b) **Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(ii) Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(c) Credit-impaired financial assets

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

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

(d) Write-off policy

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(ii) *Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)*

(e) **Measurement and recognition of ECL**

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(iii) Derecognition of financial assets

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

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

Financial liabilities and equity

(i) Classification as debt or equity

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

(ii) Equity instruments

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

(iii) Financial liabilities at amortised cost

Financial liabilities including bank borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

(iv) Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (i) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (ii) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Share capital

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Taxation

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and rerevaluations are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Notes to the Consolidated Financial Statements

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Dividend distribution

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

Government grants

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

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

Notes to the Consolidated Financial Statements

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Related parties

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or 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 and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of the person or that person's spouse or domestic partner.

4. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policy

The Group's major financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, accrued charges and other payables and bank borrowings. Details of these financial instruments and the policy on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets measured at amortised cost	310,869	438,322
Financial liabilities		
Amortised costs	572,503	634,153

Financial risk factors

The Group's activities expose it to market risks (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The directors of the Company are responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk

(i) Currency risk

The Group's dominant operations are in the PRC and most of the transactions are denominated in RMB. Entities in the Group sometimes transact in currencies other than RMB. The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the Hong Kong Dollar ("HKD") and the United States Dollar ("USD").

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the management considers the Group's exposure to currency risk is insignificant.

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2023, if the interest rate on variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, pre-tax profit for the year ended 31 December 2023 would have been approximately RMB1,842,000 lower/higher (2022: approximately RMB2,177,000 lower/higher), mainly as a result of higher/lower interest expense on borrowings with floating interest rates. The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements.

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For the year ended 31 December 2023



4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(b) *Credit risk and impairment assessment*

The credit risk of the Group mainly arises from bank balances, deposits, trade receivables, and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2023 and 2022.

In respect of the deposits, the credit quality has been assessed with reference to historical information about the counterparties default rate and financial position of the counterparties. The Group recognised the allowance for expected credit losses by assessing the credit risk characteristics of other receivables, discount rate and the likelihood of recovery and considering the prevailing economic conditions. The directors of the Company consider that the credit risk of the deposits are low and no provision was made as of 31 December 2023 and 2022.

For the other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime ECLs provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(b) Credit risk and impairment assessment (Continued)

As at 31 December 2023 and 2022, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessment on the recoverability of the trade receivables by using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar financial strength and any disputes with the debtors. The calculation reflects the probability of default, loss given default rate, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Majority of the Group's revenue is received from individual customers in relation to sales of jelly products, confectionery products and beverages products. The Group's trade receivables arise mainly from sales of jelly products, confectionery products and beverages product. As at the end of the year, the top five debtors and the largest debtor accounted for approximately 34.18% and 9.84% (2022: 15.90% and 4.96%), of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivables disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

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 180 days (2022: 180 days) from the date of billing. Normally, the Group does not obtain collateral from 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 does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

At 31 December 2023	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current or less than 30 days	4.59	230,978	10,597
31 to 90 days	8.26	9,650	797
91 to 180 days	12.85	10,909	1,402
Over 180 days	100.00	2,371	2,371
Individual assessment	100.00	66,731	66,731
		320,639	81,898

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4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(b) Credit risk and impairment assessment (Continued)

At 31 December 2022	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current or less than 30 days	0.71	63,572	451
31 to 90 days	2.56	70,388	1,802
91 to 180 days	3.88	112,460	4,367
Over 180 days	6.40	87,689	5,613
Individual assessment	100.00	77,039	77,039
		411,148	89,272

At 31 December 2023, the ECL of debtors with gross carrying amount of approximately RMB253,908,000 (2022: approximately RMB334,109,000) was assessed by using provision matrix which was shown in the following table for the year ended 31 December 2023. Debtors with gross carrying amount of approximately RMB66,731,000 as at 31 December 2023 (2022: approximately RMB77,039,000) was long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2022	41,749	–	41,749
Transfer to credit-impaired (Reversal of allowance)/allowance for expected credit losses recognised, net	(14,589)	14,589	–
	(14,927)	62,450	47,523
As at 31 December 2022 and 1 January 2023	12,233	77,039	89,272
Transfer to credit-impaired	(4,480)	4,480	–
Written-off	–	(86,239)	(86,239)
Allowance for expected credit losses recognised, net	7,414	71,451	78,865
As at 31 December 2023	15,167	66,731	81,898

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4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(b) Credit risk and impairment assessment (Continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The following table shows the movement in 12m-ECL that has been recognised for other receivables:

	12m-ECL RMB'000
As at 1 January 2022	225
Reversal of allowance for expected credit losses recognised, net	(2)
As at 31 December 2022 and 1 January 2023	223
Allowance for expected credit losses recognised, net	28
As at 31 December 2023	251

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4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(c) Liquidity risk

The Group's financial liabilities are all due within the next 12 to 36 months from the end of reporting period. The Group manage the liquidity risk by maintaining sufficient cash and banking facilities to enable them to meet their normal operating and capital commitments.

Based on the Group's history of its ability to obtain external financing and the continuing financial support by the substantial shareholders of the Company, its anticipated cash inflows from operations in the coming year and its expected future working capital requirements, the directors are of the opinion that there are sufficient financial resources available to the Group at least in the coming 12 months to meet its liabilities as and when they fall due.

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

	Weighted average effective interest rate %	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at 31 December 2023					
Trade payables	–	25,744	–	25,744	25,744
Accruals and other payables	–	95,488	–	95,488	95,488
Loan from a director	2.00	47,003	–	47,003	46,081
Bank borrowings	3.71	420,201	–	420,201	405,190
		588,436	–	588,436	572,503
As at 31 December 2022					
Trade payables	–	27,912	–	27,912	27,912
Accruals and other payables	–	93,803	–	93,803	93,803
Loan from a director	2.00	42,634	–	42,634	41,798
Bank borrowings	5.54	496,703	–	496,703	470,640
		661,052	–	661,052	634,153

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4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the “Within one year or on demand” time band in the above maturity analysis. As at 31 December 2023, the aggregate carrying amounts of these bank loans amounted to approximately RMB119,890,000 (2022: approximately RMB196,990,000). Taking into account the Group’s financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid 2-3 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2023	6,258	123,200	–	129,458	119,890
31 December 2022	10,449	10,449	196,768	217,666	196,990

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders’ value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings and loan from a director divided by total equity as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 RMB'000	2022 RMB'000
Total borrowings	451,271	512,438
Total equity	222,558	327,312
Gearing ratio	202.8%	156.6%

Fair value estimation

The carrying amounts of the Group’s financial assets, including cash and cash equivalents, trade and other receivables and the Group’s financial liabilities, including trade and other payables and bank borrowings, approximate their fair values due to their short maturities. The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

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

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Provision of allowance for expected credit losses for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on ageing of debtors as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 4 and 19.

(b) Impairment losses of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset including right-of-use assets, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were approximately RMB237,978,000 and RMB86,798,000 (2022: approximately RMB248,183,000 and RMB89,280,000) in Note 15 and 14 respectively.

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6. SEGMENT INFORMATION AND REVENUE

The Group is principally engaged in the manufacturing and sale of jelly products, confectionary products, beverages products and other snacks products.

The chief operating decision-maker (the “CODM”) has been identified as the executive directors of the Company. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business by products and assesses the performance of the following operating segments:

- i. Jelly products
- ii. Confectionary products
- iii. Beverages products
- iv. Other snacks products

The CODM assesses the performance of the operating segments based on measure of segment results without allocation of corporate income (included the other income and other gain) and corporate expenses including the administrative expense and other loss. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements. The Company’s executive directors make decisions based on the operating results of each segment and review reports on the ageing analysis of trade receivables and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company’s executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

Geographic information

No geographic information has been presented as all of the Group’s operating activities are carried out in PRC.

As at 31 December 2023 and 2022, majority of the Group’s assets, liabilities and capital expenditure were located or utilised in the PRC.

Revenue from customers which individually contributed over 10% of the Group’s revenue for the years ended 31 December 2023 and 2022 is as follows:

	2023 RMB’000	2022 RMB’000
Customer A	79,557	N/A*

* The corresponding revenue does not contribute over 10% of the Group’s revenue for the respective year.

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6. SEGMENT INFORMATION AND REVENUE (Continued)

Segment revenue and results

	Year ended 31 December 2023				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Revenue					
Sales to external customers	665,559	85,558	5,201	8,059	764,377
Cost of sales	(474,055)	(58,059)	(7,917)	(5,406)	(545,437)
Gross profit/(loss)	191,504	27,499	(2,716)	2,653	218,940
Results of reportable segments	(2,274)	13,556	(55,088)	1,286	(42,520)

Performance obligation for contracts with customers and revenue recognition policies

Revenue from the processing and sales of jelly products, confectionary products, beverages products and other snacks products is recognised when control of the products has transferred, being at the point the products are delivered to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

For sales to external customer, the revenue is recognised at a point in time. All revenue contracts are for period of one year or less. As permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

A reconciliation of results of reportable segments to loss for the year is as follows:

	2023 RMB'000
Results of reportable segments	(42,520)
Corporate income	4,346
Corporate expenses	(43,884)
Operating loss	(82,058)
Finance income	332
Finance costs	(23,028)
Loss before taxation	(104,754)
Taxation	-
Loss for the year	(104,754)

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6. SEGMENT INFORMATION AND REVENUE (Continued)

Segment revenue and results (Continued)

Amounts included in the measure of segment profit or loss:

	Year ended 31 December 2023				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Capital expenditure	32,892	–	7,533	–	40,425
Depreciation of right-of-use assets	1,545	–	937	–	2,482
Depreciation of property, plant and equipment	27,468	–	5,665	72	33,205
Written-off of property, plant and equipment	8,657	–	8,768	–	17,425
Allowance for expected credit losses on trade receivables, net	42,758	–	36,107	–	78,865
	Year ended 31 December 2022				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Revenue					
Sales to external customers	592,196	72,992	5,125	13,950	684,263
Cost of sales	(374,863)	(50,619)	(7,174)	(7,415)	(440,071)
Gross profit/(loss)	217,333	22,373	(2,049)	6,535	244,192
Results of reportable segments	41,263	5,237	(10,997)	3,173	38,676

Performance obligation for contracts with customers and revenue recognition policies

Revenue from the processing and sales of jelly products, confectionary products, beverages products and other snacks products is recognised when control of the products has transferred, being at the point the products are delivered to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

For sales to external customer, the revenue is recognised at a point in time. All revenue contracts are for period of one year or less. As permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements

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6. SEGMENT INFORMATION AND REVENUE (Continued)

Segment revenue and results (Continued)

A reconciliation of results of reportable segments to loss for the year is as follows:

	2022 RMB'000
Results of reportable segments	38,676
Corporate income	6,915
Corporate expenses	(85,912)
Operating loss	(40,321)
Finance income	378
Finance costs	(27,728)
Loss before taxation	(67,671)
Taxation	(7,657)
Loss for the year	(75,328)

Amounts included in the measure of segment profit or loss:

	Year ended 31 December 2022				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Capital expenditure	12,837	–	–	–	12,837
Depreciation of right-of-use assets	1,881	–	936	–	2,817
Depreciation of property, plant and equipment	31,381	–	6,226	177	37,784
Written-off of property, plant and equipment	647	–	486	–	1,133
Allowance for expected credit losses on trade receivables, net	41,107	5,085	380	951	47,523

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7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Rental income	3,110	2,884
Sundry income	1,144	1,844
Government grants (<i>Note</i>)	–	2,187
	4,254	6,915

Note: During the year ended 31 December 2023, the Group did not recognised government grants which comprise Covid-19-related subsidies (2022: approximately RMB2,089,000) provided by the PRC government and Employment Support Scheme (2022: approximately RMB98,000) provided by the Hong Kong Government.

8. OTHER GAIN/(LOSS), NET

	2023 RMB'000	2022 RMB'000
Loss on disposal of asset classified as held for sale, net (<i>Note 22</i>)	–	(20,923)
Net exchange gain/(loss)	126	(439)
Loss on sales of raw materials and scrap materials	(34)	(166)
	92	(21,528)

9. FINANCE COSTS, NET

	2023 RMB'000	2022 RMB'000
Finance costs:		
Interest expenses on bank borrowings	(22,139)	(26,933)
Interest expenses on loan from a director	(889)	(786)
Interest expenses on lease liabilities	–	(9)
Total finance costs	(23,028)	(27,728)
Finance income:		
Interest income on bank deposits	332	378
Total finance income	332	378
Finance costs, net	(22,696)	(27,350)

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10. LOSS BEFORE TAXATION

	2023 RMB'000	2022 RMB'000
The Group's loss before taxation is arrived at after charging/(crediting):		
Auditors' remuneration		
– Audit service	1,060	979
Staff costs (including directors' remuneration)		
– Salaries and bonuses	116,427	95,906
– Retirement benefit costs (Note 28)	5,563	4,689
Advertising and promotion expenses	60,293	92,034
Depreciation of right-of-use assets (Note 14)	2,482	2,817
Depreciation of property, plant and equipment (Note 15)	33,205	37,784
Allowance for expected credit losses on trade receivables, net (Note 4)	78,865	47,523
Allowance for/(reversal of allowance for) expected credit losses on other receivables, net (Note 4)	28	(2)
Cost of inventories sold	436,679	386,264
Written-off of property, plant and equipment	17,425	1,133
Freight and transportation expenses	8,712	6,119

11. TAXATION

	2023 RMB'000	2022 RMB'000
Current income tax – PRC Enterprise Income Tax	–	–
Deferred tax, net (Note 17)	–	7,657
	–	7,657

Hong Kong Profits Tax, Bermuda and BVI Income Tax

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision of Hong Kong Profits Tax, Bermuda and BVI Income Tax has been made, as the Group did not generate any assessable profits in these jurisdictions during the years ended 31 December 2023 and 2022.

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11. TAXATION (Continued)

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at the rate of 25% (2022: 25%) on taxable profits of the Group's PRC subsidiaries during the year.

Reconciliation between profit before taxation and tax charge is as follows:

	2023 RMB'000	2022 RMB'000
Loss before taxation	(104,754)	(67,671)
Tax calculated at PRC applicable income tax rate of 25% (2022: 25%)	(26,189)	(16,918)
Effect of different tax rates of group companies operating in other jurisdictions	551	(200)
Tax effect of expenses and losses not deductible for tax purpose	27,581	27,741
Tax effect of income not taxable for tax purpose	(2,110)	(3,046)
Tax effect of tax losses not recognised	167	80
Tax charge for the year	–	7,657

12. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Net loss attributable to the equity holders of the Company (RMB'000)	(104,754)	(75,328)
Weighted average number of ordinary shares in issue for basic loss per share ('000)	1,328,977	1,328,977
Basic loss per share (RMB per share)	(0.08)	(0.06)

(b) Diluted loss per share

There were no potential ordinary shares in issue for both 2023 and 2022. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

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13. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

14. RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Land use right RMB'000	Total RMB'000
Cost:			
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	675	123,938	124,613
Accumulated depreciation:			
As at 1 January 2022	337	32,179	32,516
Charge for the year	338	2,479	2,817
As at 31 December 2022 and 1 January 2023	675	34,658	35,333
Charge for the year	–	2,482	2,482
As at 31 December 2023	675	37,140	37,815
Net book value:			
As at 31 December 2023	–	86,798	86,798
As at 31 December 2022	–	89,280	89,280

The land use right of the Group are located in the PRC which the leasehold periods were 50 years.

The land use right with carrying value of approximately RMB86,798,000 (2022: approximately RMB89,280,000) were pledged to banks as securities for banking facilities granted to the Group as at 31 December 2023.

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For the year ended 31 December 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction- in-progress RMB'000	Total RMB'000
Cost:						
As at 1 January 2022	819,756	715,203	10,994	820	6,668	1,553,441
Additions	857	10,127	252	–	1,601	12,837
Transfer	5,705	–	–	–	(5,705)	–
Written-off	–	(669)	(81)	–	(485)	(1,235)
As at 31 December 2022 and 1 January 2023	826,318	724,661	11,165	820	2,079	1,565,043
Additions	–	9,566	161	–	30,698	40,425
Transfer	–	2,659	–	–	(2,659)	–
Written-off	–	(50,708)	(1,160)	–	–	(51,868)
As at 31 December 2023	826,318	686,178	10,166	820	30,118	1,553,600
Accumulated depreciation and impairment:						
As at 1 January 2022	701,947	567,119	9,292	820	–	1,279,178
Depreciation charge	17,176	20,399	209	–	–	37,784
Written-off	–	(29)	(73)	–	–	(102)
As at 31 December 2022 and 1 January 2023	719,123	587,489	9,428	820	–	1,316,860
Depreciation charge	16,505	16,452	248	–	–	33,205
Written-off	–	(33,399)	(1,044)	–	–	(34,443)
As at 31 December 2023	735,628	570,542	8,632	820	–	1,315,622
Net book value:						
As at 31 December 2023	90,690	115,636	1,534	–	30,118	237,978
As at 31 December 2022	107,195	137,172	1,737	–	2,079	248,183

The buildings with carrying values of approximately RMB90,690,000 (2022: approximately RMB107,195,000) were pledged to banks as securities for banking facilities granted to the Group as at 31 December 2023.

16. DEPOSITS FOR PROPERTY, PLANT AND EQUIPMENT

The balance represents deposits paid for acquisition of machineries and equipment for manufacturing, and construction of production facilities and right-of-use assets.

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For the year ended 31 December 2023



17. DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax relate to the same fiscal authority.

The following are the major deferred tax assets/liabilities recognised and movement thereon during the current and prior reporting years:

Deferred tax assets	Accrued expenses RMB'000
As at 1 January 2022	7,657
Debited to the consolidated statement of profit or loss and other comprehensive income (<i>Note 11</i>)	(7,657)
As at 31 December 2022, 1 January 2023 and 31 December 2023	–

At the end of the reporting period, the Group has unused tax losses of approximately RMB250,574,000 (2022: approximately RMB249,906,000) available for offset against future profits that will fully expire in one to five years. No deferred tax asset has been recognised in respect of the unused tax losses of approximately RMB250,574,000 (2022: approximately RMB249,906,000) due to the unpredictability of future profit streams.

Deferred tax liabilities	Withholding income tax RMB'000
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	15,846

As at 31 December 2023, deferred tax assets are recognised for accrued expenses and tax losses, to the extent that realisation of the related tax benefits through future taxable profits is probable which are calculated in full on temporary differences under the liability method using principal tax rates of 25% (2022: 25%).

Deferred tax liabilities represented deferred tax effect on the withholding tax payable on the undistributed profits of certain PRC subsidiaries.

According to the relevant PRC tax rules and regulations, dividend distribution out of profit earned by foreign-invested enterprises in the PRC after 1 January 2008 is subject to PRC corporate withholding income tax. During the year, withholding income tax was provided for the dividend distributed and the portion of the retained profits which will be distributed in the foreseeable future for the Group's PRC subsidiaries at a tax rate of 5% to 10%.

As at 31 December 2023, there are temporary differences relating to the retained earnings of the Group's PRC subsidiaries amounted to approximately RMB305,002,000 (2022: approximately RMB401,113,000). Deferred tax liabilities of approximately RMB17,694,000 (2022: approximately RMB23,584,000), have not been recognised in respect of the tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these PRC subsidiaries and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

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For the year ended 31 December 2023

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	39,892	48,790
Finished goods	20,653	26,592
	60,545	75,382

19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	320,639	411,148
Less: Allowance for expected credit losses (<i>Note 4</i>)	(81,898)	(89,272)
	238,741	321,876

For the year ended 31 December 2023, the Group's revenue are generally on credit term of 180 days (2022: 180 days). As at 31 December 2023 and 2022, the ageing analysis of trade receivables, based on past due, and net of allowance for expected credit losses, is as follows:

	2023 RMB'000	2022 RMB'000
Less than 30 days	220,381	63,121
31 days to 90 days	8,853	68,586
91 days to 180 days	9,507	108,093
Over 180 days	–	82,076
	238,741	321,876

Details of allowance for expected credit losses on trade receivables for the years ended 31 December 2023 and 2022 are set out in Note 4.

Included in the above allowance for expected credit losses on trade receivables is approximately RMB81,898,000 (2022: approximately RMB89,272,000). The individually impaired trade receivable relates to consumers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered.

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20. PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments	106,720	110,946
Other receivables	28,060	44,793
	134,780	155,739
Less: Allowance for expected credit losses (<i>Note 4</i>)	(251)	(223)
	134,529	155,516

As at 31 December 2023, prepayments mainly comprise of deposit paid for purchase of raw material of approximately RMB106,720,000 (2022: approximately RMB110,946,000).

As at 31 December 2023, other receivables mainly comprise of value-added tax receivables of approximately RMB3,483,000 (2022: approximately RMB23,033,000).

Details of allowance for expected credit losses on other receivables for the years ended 31 December 2023 and 2022 are set out in Note 4.

21. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	44,319	71,876

(a) The Group's cash and cash equivalents as at 31 December 2023 and 2022 are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	43,617	70,951
HKD	287	923
USD	415	2
	44,319	71,876

Cash and cash equivalents of the Group of approximately RMB43,617,000 (2022: approximately RMB70,951,000) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

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For the year ended 31 December 2023

21. CASH AND CASH EQUIVALENTS (Continued)

(b) 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 flow were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings RMB'000 (Note 24)	Loan from a director RMB'000 (Note 34(b))	Accrued interest payable RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	529,150	36,090	3,299	347	568,886
Changes from financing activities:					
Proceeds from bank borrowings	444,150	–	–	–	444,150
Repayments of bank borrowings	(502,660)	–	–	–	(502,660)
Proceeds from loan from a director	–	5,708	–	–	5,708
Repayment of lease liabilities	–	–	–	(356)	(356)
Interest paid	(26,933)	–	–	–	(26,933)
Total changes from financing cash flows	(85,443)	5,708	–	(356)	(80,091)
Other changes:					
Interest expenses	26,933	–	786	9	27,728
As at 31 December 2022 and 1 January 2023	470,640	41,798	4,085	–	516,523
Changes from financing activities:					
Proceeds from bank borrowings	233,500	–	–	–	233,500
Repayments of bank borrowings	(298,950)	–	–	–	(298,950)
Proceeds from loan from a director	–	4,283	–	–	4,283
Interest paid	(22,139)	–	–	–	(22,139)
Total changes from financing cash flows	(87,589)	4,283	–	–	(83,306)
Other changes:					
Interest expenses	22,139	–	889	–	23,028
As at 31 December 2023	405,190	46,081	4,974	–	456,245

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22. ASSET CLASSIFIED AS HELD FOR SALE

On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the “Vendor”) and an independent third party (the “Purchaser”) entered into the transfer agreement (the “Transfer Agreement”), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the right-of-use asset located in Jinjiang Food Industrial Park in Jinjiang City, Fujian Province, the PRC (the “FJ Land Right”) for a consideration of RMB180,000,000. Pursuant to the Transfer Agreement, both the Vendor and the Purchaser will liaise with Fujian Jinjiang Industrial Park Construction and Development Company Limited (the “Jinjiang Construction”), a company controlled by Jinjiang City People’s Government, regarding the transfer of the FJ Land Right. The Vendor will arrange for the termination of the FJ Land Right with Jinjiang Construction and the Purchaser will enter into an agreement with Jinjiang Construction regarding the new pre-registration contractual right to acquire the FJ Land Right. For more details, please refer to the announcement dated 15 May 2019.

The Purchaser had fully settled the consideration of RMB180,000,000 in accordance with the Transfer Agreement and Jinjiang Construction had fully refunded the RMB40,000,000 land deposit to the Vendor. All the conditions precedent to the Transfer Agreement had been fulfilled, and the completion took place on 6 May 2022. Upon completion, the Vendor ceased to have any interest in the FJ Land Right.

After taking into account the estimated transaction costs directly attributable to the completion of disposal, a loss on disposal of asset classified as held for sale of RMB20,923,000 was recorded during the year ended 31 December 2022.

23. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	25,744	27,912
Accrued expenses	18,651	12,844
Directors’ fees and emoluments payable	23,000	20,612
Loan from a director (<i>Note (ii)</i>)	46,081	41,798
Other payables and sundry creditors (<i>Note (i)</i>)	53,837	60,347
	167,313	163,513

Note:

- (i) As at 31 December 2023, other payables included interest payable of approximately RMB4,974,000 (2022: approximately RMB4,085,000) due to a director.
- (ii) As at 31 December 2023, the Company has drawn down an aggregate amount of approximately RMB46,081,000 (2022: approximately RMB41,798,000) from a loan facility of RMB70,000,000 (2022: RMB60,000,000) entered with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23. TRADE AND OTHER PAYABLES (Continued)

The credit periods granted by suppliers generally range from 30 to 60 days (2022: 30 to 60 days). The ageing analysis of trade payables based on invoice date is as follows:

	2023 RMB'000	2022 RMB'000
Less than 30 days	15,751	19,092
31 days to 90 days	5,909	7,250
Over 90 days	4,084	1,570
	25,744	27,912

24. BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Secured bank borrowings	363,190	470,640
Unsecured bank borrowings	42,000	–
Total bank borrowings	405,190	470,640

Carrying amount of bank borrowings wholly repayable:

	2023 RMB'000	2022 RMB'000
On demand or within 1 year	405,190	470,640

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24. BANK BORROWINGS (Continued)

The exposure of the Group's bank borrowings are as follows:

	2023 RMB'000	2022 RMB'000
Fixed-rate borrowings	221,000	273,650
Variable-rate borrowings	184,190	196,990
	405,190	470,640

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	405,190	470,640

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2023	2022
Fixed-rate borrowings	3.45% to 6.51%	4.35% to 6.80%
Variable-rate borrowings	4.82% to 5.22%	5.07% to 5.67%

The Group's variable-rate borrowings carry interest at loan prime rate (2022: loan prime rate). Interest is reset every month to 12 months. (2022: every month to 12 months).

As at 31 December 2023, the secured borrowings were mainly secured by land use right and buildings of the Group which set out in Note 14 and Note 15 respectively, the corporate guarantee between the fellow subsidiaries and personal guarantees of Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan, Mr. Zheng Yu Long, who are the executive directors of the Company, the wife of Mr. Zheng Yu Shuang and the customer of the Group.

25. SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital

	Number of shares '000	Share capital USD'000
The Company		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023 (ordinary share of USD0.05 each (2022: USD0.05))	5,000,000	250,000

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25. SHARE CAPITAL AND SHARE PREMIUM (Continued)

Issued share capital

	Number of shares '000	Amount		Total share capital and share premium RMB'000
		Share capital RMB'000	Share premium RMB'000	
The Company				
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023 (ordinary share of USD0.05 each (2022: USD0.05))	1,328,977	470,030	615,656	1,085,686

26. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS

The emolument of directors and chief executive for the year ended 31 December 2023, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is set out below:

Name of directors	Fee RMB'000	Salaries RMB'000	Other benefits RMB'000	Discretionary bonuses RMB'000	Retirement benefit costs RMB'000	Total RMB'000
Executive directors						
Mr. Zheng Yu Huan	-	800	-	-	16	816
Mr. Zheng Yu Shuang (<i>Note (i)</i>)	-	800	-	-	-	800
Mr. Zheng Yu Long	-	800	-	-	16	816
Non-executive director						
Mr. Li Hung Kong	212	-	-	-	-	212
Independent non-executive directors						
Mr. Li Biao	106	-	-	-	-	106
Mr. Chung Yau Tong	212	-	-	-	-	212
Ms. Guo Li (<i>appointed on 2 September 2022</i>)	106	-	-	-	-	106
	636	2,400	-	-	32	3,068

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26. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS (Continued)

The emolument of directors and chief executive for the year ended 31 December 2022, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is set out below:

Name of directors	Fee RMB'000	Salaries RMB'000	Other benefits RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive directors						
Mr. Zheng Yu Huan	–	800	–	–	15	815
Mr. Zheng Yu Shuang (Note (i))	–	800	–	–	–	800
Mr. Zheng Yu Long	–	800	–	–	15	815
Non-executive director						
Mr. Li Hung Kong	196	–	–	–	–	196
Independent non-executive directors						
Mr. Li Biao	98	–	–	–	–	98
Ms. Sun Kam Ching (resigned on 2 September 2022)	66	–	–	–	–	66
Mr. Chung Yau Tong	196	–	–	–	–	196
Ms. Guo Li (appointed on 2 September 2022)	32	–	–	–	–	32
	588	2,400	–	–	30	3,018

Notes:

- (i) Mr. Zheng Yu Shuang is the Chief Executive Officer of the Group.
- (ii) During the years ended 31 December 2023 and 2022, none of the directors and chief executive of the Company waived or agreed to waive any emoluments.
- (iii) During the years ended 31 December 2023 and 2022, no emoluments have been paid to the directors and chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

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27. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 December 2023 included 3 (2022: 3) directors, whose emoluments are set out in Note 26. Details of the emoluments payable to the remaining 2 (2022: 2) highest paid employees, who are neither a director nor chief executive of the Company, during the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries	1,270	1,202
Retirement benefit costs	18	23
	1,288	1,225

The emoluments of the remaining 2 (2022: 2) highest paid employees fell within the following bands:

	Number of individuals	
	2023	2022
Nil – HK\$1,000,000 (equivalent to Nil – RMB900,000)	1	1
HK\$1,000,001 – HK\$1,500,000 (equivalent to RMB900,001 – RMB1,350,000)	1	1

No bonus was paid or receivable by directors or five highest paid employees after considering the Group's operations and financial performance during the year (2022: Nil).

During the years ended 31 December 2023 and 2022, none of the five highest paid employees waived or agreed to waive any emoluments.

During the years ended 31 December 2023 and 2022, no emoluments have been paid to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

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28. EMPLOYEE RETIREMENT BENEFITS

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as social security plans in the PRC, and the Group has no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

In addition, the Group's subsidiaries in the PRC participate in a defined contribution retirement scheme organised by the PRC municipal government. These subsidiaries are required to make contributions to the scheme.

For the years ended 31 December 2023 and 2022, there was no forfeiture of retirement benefits schemes contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group. As at 31 December 2023 and 2022, no forfeited contribution under the retirement benefits schemes of the Group is available to reduce the contribution payable in future years.

For the year ended 31 December 2023, the Group's retirement plan contributions amounted to approximately RMB5,563,000 (2022: approximately RMB4,689,000).

29. SHARE BASED PAYMENTS

Share Option Scheme adopted on 23 June 2021 ("**Share Option Scheme 2021**")

On 23 June 2021, the Company conditionally adopted a new share option scheme whereby the Board can grant options for the subscription of Shares to any full-time or part-time employees, executives, officers or directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board will contribute or have contributed to the Company and/or any of its subsidiaries (the "**Eligible Participants**") and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Details of the Share Option Scheme 2021 are set out in the section headed "Share Option Scheme" under the Directors' Report set out in this annual report.

No share options were outstanding as at 31 December 2023 and 2022. Other than as disclosed above, no share-based compensation expense was recognised for the years ended 31 December 2023 and 2022.

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30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	134,206	134,206
Current assets		
Amounts due from subsidiaries	1,405	17,761
Prepayments and other receivables	170	170
Cash and cash equivalents	142	778
	1,717	18,709
Total assets	135,923	152,915
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	470,030	470,030
Reserves	(416,190)	(390,876)
Total equity	53,840	79,154
LIABILITIES		
Current liabilities		
Amount due to a subsidiary	5,008	5,008
Other payables	77,075	68,753
	82,083	73,761
Total liabilities	82,083	73,761
Total equity and liabilities	135,923	152,915
Net current liabilities	(80,366)	(55,052)
Total assets less current liabilities	53,840	79,154

The Company's statement of financial position was approved and authorised by the board of directors on 28 March 2024.

Zheng Yu Huan
Director

Zheng Yu Shuang
Director

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31. PARTICULARS OF SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2023 and 2022:

Name of subsidiary	Country of business/ incorporation	Particulars of issued and fully paid ordinary share capital/registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2023	2022	
Directly held					
Timeluck International Limited	BVI	USD10,002	100%	100%	Investment holding
Labixiaoxin Holdings Company Limited	Hong Kong	HK\$1	100%	100%	Investment holding
Labixiaoxin Investments Company Limited	Hong Kong	HK\$1	100%	100%	Investment holding
Indirectly held					
Labixiaoxin (Fujian) Food Stuff Industry Co., Ltd.	PRC [#]	RMB213,880,000	100%	100%	Manufacture and sale of food and beverages products
Labixiaoxin (Sichuan) Co., Ltd.	PRC [#]	RMB270,000,000	100%	100%	Manufacture and sale of food and beverages products
Labixiaoxin (Anhui) Co., Ltd.	PRC [#]	RMB180,000,000	100%	100%	Manufacture and sale of food and beverages products
Xiamen Labi Electronic Commerce Co., Ltd. [®]	PRC [#]	RMB5,000,000	–	100%	Internet sale of food and beverages products

[#] The companies are established as wholly foreign-owned enterprises in the PRC.

[®] The company was deregistered during the year ended 31 December 2023.

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32. RESERVES

(a) Merger reserve

The Group was formed on 28 March 2005 pursuant to a group restructuring exercise. The subsidiaries acquired pursuant to the group restructuring exercise under common control have been consolidated using the pooling-of-interest method. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group's structure immediately after the group restructuring exercise has been in existence since the earliest financial year presented and the assets and liabilities are brought into the consolidated financial statements at their carrying amounts. The merger reserve of the Group represents the difference between the nominal amount of share capital issued by the Company and the nominal amount of the share capital of the subsidiaries transferred to the Company pursuant to the group restructuring exercise.

(b) Statutory reserves

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, every year the subsidiaries are required to transfer 0-10% of the profit after taxation determined in accordance with PRC Accounting Standards to the statutory reserves until the balance reaches 50% of the registered capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

33. RESERVES OF THE COMPANY

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2022	615,656	(995,311)	(379,655)
Loss for the year	–	(11,221)	(11,221)
Balance as at 31 December 2022 and 1 January 2023	615,656	(1,006,532)	(390,876)
Loss for the year	–	(25,314)	(25,314)
Balance as at 31 December 2023	615,656	(1,031,846)	(416,190)

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34. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Key management personnel compensation

	2023 RMB'000	2022 RMB'000
Directors' fee	636	588
Salaries and other employee benefits	2,432	2,430
	3,068	3,018

(b) Loan from a director

As at 31 December 2023, the Company has drawn down an aggregate amount of approximately RMB46,081,000 (2022: approximately RMB41,798,000) from a loan facility of RMB70,000,000 (2022: RMB60,000,000) entered with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

(c) Personal guarantee provided by directors

Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, have provided personal guarantee to bank borrowings of the Group of approximately RMB363,190,000 (2022: RMB311,690,000) (Note 24). The bank borrowings are repayable within one year.

35. COMPARATIVE FIGURES

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

36. EVENTS AFTER THE REPORTING PERIOD

There were no significant events that have occurred subsequent to the end of the reporting period.