The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANDONG FENGXIANG CO., LTD. AND SOUTHWEST SECURITIES (HK) CAPITAL LIMITED

Introduction

We report on the historical financial information of Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司, the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-89, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2016, 2017, 2018 and 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-89 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2020 in connection with the initial listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 2 and 3 to the Historical Financial Information respectively, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 2 and 3 to the Historical Financial Information respectively in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2016, 2017, 2018 and 2019 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of presentation and preparation set out in notes 2 and 3 to the Historical Financial Information respectively.

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

Adjustments

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

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

BDO Limited

Certified Public Accountants

Wong Kwok Wai
Practising Certificate no.: P06047
Hong Kong
30 June 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The Historical Financial Information is presented in the Company's functional currency, Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December											
		2016			2017			2018			2019		
		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	7	2,354,104	—	2,354,104	2,434,392	—	2,434,392	3,197,099	—	3,197,099	3,926,217	—	3,926,217
Cost of sales		(1,961,977)	(323,881)	(2,285,858)	(2,141,166)	(256,127)	(2,397,293)	(2,735,152)	(283,943)	(3,019,095)	(2,704,757)	(793,045)	(3,497,802)
Gross profit		392,127	(323,881)	68,246	293,226	(256,127)	37,099	461,947	(283,943)	178,004	1,221,460	(793,045)	428,415
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		—	225,480	225,480	—	250,473	250,473	—	169,173	169,173	—	402,785	402,785
Gain arising from changes in fair value less costs to sell of biological assets		—	103,663	103,663	—	14,352	14,352	—	132,912	132,912	—	393,706	393,706
Other income and gains	8	14,373	—	14,373	12,272	—	12,272	12,972	—	12,972	27,942	—	27,942
Selling and distribution costs		(112,207)	—	(112,207)	(89,182)	—	(89,182)	(120,413)	—	(120,413)	(159,290)	—	(159,290)
Administrative expenses		(104,851)	—	(104,851)	(109,528)	—	(109,528)	(134,700)	—	(134,700)	(160,631)	—	(160,631)
Provision for impairment loss/loss allowance		(1,628)	—	(1,628)	—	—	—	(2,639)	—	(2,639)	(745)	—	(745)
Other expenses		—	—	—	(5,001)	—	(5,001)	(900)	—	(900)	(4,141)	—	(4,141)
Finance costs	9	(72,286)	—	(72,286)	(73,669)	—	(73,669)	(96,995)	—	(96,995)	(89,322)	—	(89,322)
Profit before income tax	10	115,528	5,262	120,790	28,118	8,698	36,816	119,272	18,142	137,414	835,273	3,446	838,719
Income tax (expense)/credit	13	(942)	—	(942)	303	—	303	(803)	—	(803)	(1,338)	—	(1,338)
Profit for the year		114,586	5,262	119,848	28,421	8,698	37,119	118,469	18,142	136,611	833,935	3,446	837,381

		Year ended 31 December											
		2016			2017			2018			2019		
	Notes	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other comprehensive income													
Other comprehensive income that may be reclassified subsequently to profit or loss:													
Cash flow hedges:													
Effective portion of changes in fair value of hedging instruments arising during the year				7,189			—			—			—
Amounts transferred to the initial carrying amount of hedged items				(7,685)			—			—			—
Exchange difference on translation of financial statements of foreign operation				—			—			199			64
Other comprehensive income for the year				(496)			—			199			64
Total comprehensive income for the year				119,352			37,119			136,810			837,445
Profit/(loss) attributable to:													
Owners of the Company				120,055			37,500			140,383			837,522
Non-controlling interest				(207)			(381)			(3,772)			(141)
				119,848			37,119			136,611			837,381
Total comprehensive income attributable to:													
Owners of the Company				119,559			37,500			140,582			837,586
Non-controlling interest				(207)			(381)			(3,772)			(141)
				119,352			37,119			136,810			837,445
Earnings per share attributable to owners of the Company													
Basic and diluted (in RMB cents)	15			11.49			3.59			13.43			80.15

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	16	1,670,975	2,090,276	2,116,804	2,171,889
Right-of-use assets	17	269,578	279,763	283,600	287,977
Intangible assets	18	6,174	11,056	11,032	9,528
Biological assets	19	113,187	110,866	126,956	157,877
Prepayments and deposits	24	45,933	22,289	16,419	60,213
Deferred tax assets	21	2,885	3,727	3,650	3,509
Total non-current assets		2,108,732	2,517,977	2,558,461	2,690,993
Current assets					
Inventories	22	497,154	508,809	347,515	485,025
Biological assets	19	112,494	120,669	138,422	141,873
Trade receivables	23	80,691	106,659	188,648	206,625
Prepayments, deposits and other receivables	24	134,879	208,150	164,061	158,531
Due from a related party	25	3,214	—	—	46
Due from ultimate holding company	25	43	—	—	—
Pledged deposits	26	131,145	65,600	273,667	184,590
Cash and cash equivalents	26	267,011	161,314	248,724	563,365
Total current assets		1,226,631	1,171,201	1,361,037	1,740,055
Current liabilities					
Trade and bills payables	27	304,839	204,450	511,378	308,120
Accruals and other payables	28	199,746	266,136	277,393	252,470
Contract liabilities	7	13,727	8,847	11,765	21,160
Lease liabilities	17	7,346	1,438	1,977	3,476
Due to related parties	25	4,123	4,948	3,757	5,283
Due to ultimate holding company	25	237	—	—	—
Due to immediate holding company	25	—	14,000	—	—
Borrowings	29	1,338,013	1,675,944	1,419,432	1,266,398
Deferred government grants	30	480	1,711	522	847
Income tax payable		3,436	2,359	1,204	545
Total current liabilities		1,871,947	2,179,833	2,227,428	1,858,299
Net current liabilities		(645,316)	(1,008,632)	(866,391)	(118,244)
Total assets less current liabilities		1,463,416	1,509,345	1,692,070	2,572,749
Non-current liabilities					
Lease liabilities	17	171,369	182,508	183,635	193,443
Borrowings	29	40,000	—	66,026	100,635
Deferred government grants	30	11,060	16,478	16,214	15,031
Total non-current liabilities		222,429	198,986	265,875	309,109
Net assets		1,240,987	1,310,359	1,426,195	2,263,640
Equity					
Equity attributable to owners of the Company					
Share capital	31	1,045,000	1,045,000	1,045,000	1,045,000
Reserves	32	195,594	251,694	381,786	1,219,372
		1,240,594	1,296,694	1,426,786	2,264,372
Non-controlling interest		393	13,665	(591)	(732)
Total equity		1,240,987	1,310,359	1,426,195	2,263,640

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	16	1,124,676	1,153,658	1,102,827	1,168,758
Right-of-use assets	17	187,581	191,655	191,539	187,010
Intangible assets	18	2,211	7,868	7,303	6,738
Biological assets	19	112,151	108,996	124,395	155,062
Investments in subsidiaries	20	701,740	781,740	1,047,704	1,047,704
Prepayments and deposits	24	24,972	9,607	5,411	27,741
Total non-current assets		2,153,331	2,253,524	2,479,179	2,593,013
Current assets					
Inventories	22	113,471	101,145	100,719	99,071
Biological assets	19	112,494	117,078	136,971	136,289
Trade and bills receivables	23	331,637	438,180	412,590	237,790
Prepayments, deposits and other receivables	24	24,606	41,630	36,168	36,085
Due from a related party	25	2,539	—	—	—
Due from subsidiaries	25	159,289	191,410	52,975	105,314
Pledged deposits	26	35,000	35,076	188,078	40,000
Cash and cash equivalents	26	47,460	72,853	142,760	455,325
Total current assets		826,496	997,372	1,070,261	1,109,874
Current liabilities					
Trade and bills payables	27	151,039	88,040	454,528	223,667
Accruals and other payables	28	86,834	83,276	90,444	89,604
Contract liabilities	7	352	260	372	1,476
Lease liabilities	17	5,455	1,583	1,462	1,540
Due to related parties	25	242	1,353	1,445	1,793
Due to subsidiaries	25	111	15,315	13,050	12,990
Borrowings	29	1,290,163	1,483,594	1,254,835	924,491
Deferred government grants	30	—	1,200	11	—
Income tax payable		3,436	1,492	985	545
Total current liabilities		1,537,632	1,676,113	1,817,132	1,256,106
Net current liabilities		(711,136)	(678,741)	(746,871)	(146,232)
Total assets less current liabilities		1,442,195	1,574,783	1,732,308	2,446,781
Non-current liabilities					
Lease liabilities	17	165,679	177,119	175,818	174,438
Borrowings	29	40,000	—	—	—
Total non-current liabilities		205,679	177,119	175,818	174,438
Net assets		1,236,516	1,397,664	1,556,490	2,272,343
Equity					
Share capital	31	1,045,000	1,045,000	1,045,000	1,045,000
Reserves	32	191,516	352,664	511,490	1,227,343
Total equity		1,236,516	1,397,664	1,556,490	2,272,343

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company									
	Share capital (note 31)	Statutory reserve (note 32)	Other reserve (note 32)	Merge reserve (note 32)	Hedging reserve (note 32)	Translation reserve	Retained profits	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,045,000	10,372	(6,000)	—	496	—	35,767	1,085,635	—	1,085,635
Profit/(loss) for the year	—	—	—	—	—	—	120,055	120,055	(207)	119,848
Other comprehensive income:										
Cash flow hedges	—	—	—	—	(496)	—	—	(496)	—	(496)
Total comprehensive income for the year	—	—	—	—	(496)	—	120,055	119,559	(207)	119,352
Capital contribution from ultimate controlling shareholder	—	—	—	29,400	—	—	—	29,400	—	29,400
Carve out of a subsidiary	—	—	6,000	—	—	—	—	6,000	—	6,000
Capital contribution from a non-controlling equity holder of a subsidiary	—	—	—	—	—	—	—	—	600	600
Transfer to statutory reserve	—	24,784	—	—	—	—	(24,784)	—	—	—
At 31 December 2016 and 1 January 2017	1,045,000	35,156	—	29,400	—	—	131,038	1,240,594	393	1,240,987
Profit/(loss) for the year	—	—	—	—	—	—	37,500	37,500	(381)	37,119
Total comprehensive income for the year	—	—	—	—	—	—	37,500	37,500	(381)	37,119
Capital contribution from ultimate controlling shareholder	—	—	—	18,600	—	—	—	18,600	—	18,600
Capital contribution from a non-controlling equity holder of a subsidiary	—	—	—	—	—	—	—	—	13,653	13,653
Transfer to statutory reserve	—	15,515	—	—	—	—	(15,515)	—	—	—
At 31 December 2017 and 1 January 2018	1,045,000	50,671	—	48,000	—	—	153,023	1,296,694	13,665	1,310,359
Initial application of IFRS 9	—	—	—	—	—	—	(2,932)	(2,932)	—	(2,932)
Adjusted balance at 1 January 2018	1,045,000	50,671	—	48,000	—	—	150,091	1,293,762	13,665	1,307,427
Profit/(loss) for the year	—	—	—	—	—	—	140,383	140,383	(3,772)	136,611
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operation	—	—	—	—	—	199	—	199	—	199
Total comprehensive income for the year	—	—	—	—	—	199	140,383	140,582	(3,772)	136,810
Deemed distribution	—	—	—	(5,743)	—	—	—	(5,743)	—	(5,743)
Capital contribution by a non-controlling equity holder of a subsidiary	—	—	—	—	—	—	1,217	1,217	(815)	402
Acquisition of non-controlling interests	—	—	—	—	—	—	(3,032)	(3,032)	(9,669)	(12,701)
Transfer to statutory reserve	—	15,262	—	—	—	—	(15,262)	—	—	—
At 31 December 2018	1,045,000	65,933	—	42,257	—	199	273,397	1,426,786	(591)	1,426,195

	Equity attributable to owners of the Company									
	Share capital (note 31)	Statutory reserve (note 32)	Other reserve (note 32)	Merge reserve (note 32)	Hedging reserve (note 32)	Translation reserve	Retained profits	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,045,000	65,933	—	42,257	—	199	273,397	1,426,786	(591)	1,426,195
Profit/(loss) for the year	—	—	—	—	—	—	837,522	837,522	(141)	837,381
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	—	—	—	—	—	64	—	64	—	64
Total comprehensive income for the year	—	—	—	—	—	64	837,522	837,586	(141)	837,445
Transfer to statutory reserve	—	70,224	—	—	—	—	(70,224)	—	—	—
At 31 December 2019	1,045,000	136,157	—	42,257	—	263	1,040,695	2,264,372	(732)	2,263,640

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			
		2016	2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities					
Profit before income tax		120,790	36,816	137,414	838,719
Adjustments for:					
Depreciation of property, plant and equipment	10	116,283	122,105	146,419	163,105
Loss on disposals of property, plant and equipment	10	3,008	3,320	6,630	12,686
Depreciation of right-of-use assets	10	6,956	8,947	7,881	10,250
Amortisation of intangible assets	10	1,058	1,270	1,475	1,510
Write-off of inventories	10	566	1,387	1,040	1,130
Impairment/(reversal of impairment) of trade receivables	10	1,628	(1,628)	—	—
Loss allowance of trade receivables	10	—	—	1,767	541
Loss allowance of other receivables	10	—	—	872	204
Income from government grants		(480)	(554)	(1,464)	(2,358)
Exchange (gain)/loss	10	(5,473)	3,797	948	(6,993)
Biological assets fair value adjustments		(5,262)	(8,698)	(18,142)	(3,446)
Finance costs	9	72,286	73,669	96,995	89,322
Interest income	8	(3,118)	(3,533)	(3,531)	(7,392)
Operating profit before working capital changes		308,242	236,898	378,304	1,097,278
(Increase)/decrease in biological assets		(43,085)	2,844	(15,701)	(30,926)
(Increase)/decrease in inventories		(72,988)	(13,042)	160,254	(138,640)
Increase in trade receivables		(4,565)	(28,137)	(85,587)	(11,525)
Decrease/(increase) in prepayments, deposits and other receivables		8,620	(73,271)	41,168	5,326
(Decrease)/increase in trade and bills payables		(29,093)	(104,785)	293,353	(182,096)
Increase/(decrease) in accruals and other payables		17,804	66,390	11,257	(24,923)
Increase/(decrease) in contract liabilities		1,329	(4,880)	2,918	9,395
Decrease/(increase) in balances with related parties		32,181	4,039	(1,191)	1,480
Cash generated from operations		218,445	86,056	784,775	725,369
Income taxes paid		(1,562)	(1,616)	(1,881)	(1,856)
Net cash flows generated from operating activities		216,883	84,440	782,894	723,513
Cash flows from investing activities					
Purchases of property, plant and equipment		(135,561)	(578,747)	(183,038)	(258,622)
Decrease/(increase) in prepayments and deposit paid for purchase of property, plant and equipment		81,140	23,644	5,870	(43,794)
Purchases of intangible assets		(125)	(6,152)	(1,451)	(6)
Land lease prepayments		(22,577)	(5,891)	(7,649)	(191)
Proceeds from disposals of property, plant and equipment		4,072	34,021	3,461	27,746
Proceeds from disposal of right-of-use assets		—	—	—	630
Interest received		3,118	3,533	3,531	7,392
(Increase)/decrease in pledged deposits		(57,384)	65,545	(208,067)	89,077
Net cash flows used in investing activities		(127,317)	(464,047)	(387,343)	(177,768)

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities				
Drawdown of borrowings	2,142,550	2,401,850	2,135,766	1,630,028
Repayments of borrowings	(2,021,330)	(2,103,919)	(2,326,252)	(1,748,453)
Government grants received	300	7,203	11	1,500
Interest paid	(69,358)	(69,273)	(83,221)	(110,420)
Repayment of principal portion of lease liabilities	(7,001)	(8,010)	(2,403)	(3,759)
Acquisition of non-controlling interests	—	—	(12,701)	—
Carve out of a subsidiary	6,000	—	—	—
Capital contribution from/(distribution to) shareholders	29,400	18,600	(5,743)	—
Capital contribution from non-controlling interests	600	13,653	402	—
(Repayment of advance from) / advance from immediate holding companies	(72,943)	14,000	(14,000)	—
Repayment of advance from ultimate holding company	(1,731)	(194)	—	—
Net cash flows generated from/(used in) financing activities	6,487	273,910	(308,141)	(231,104)
Net increase/(decrease) in cash and cash equivalents	96,053	(105,697)	87,410	314,641
Cash and cash equivalents at beginning of year	170,958	267,011	161,314	248,724
Cash and cash equivalents at end of year	267,011	161,314	248,724	563,365

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office and the principal place of business of the Company is located at Liumiao Village, Anle Town, Yanggu County, Liaocheng City, Shandong Province, the PRC.

The Company and its subsidiaries set out below are principally engaged in investment holding, chicken breeding, livestock slaughtering, and manufacture and sale of chicken meat products (the "Listing Business").

In the opinion of the Directors, the ultimate holding company of the Company is GMK Holdings Group Co., Ltd., a company established in the PRC. The ultimate controlling shareholders are Mr. Liu Xuejing, Ms. Zhang Xiuying, Mr. Liu Zhiguang and Mr. Liu Zhiming.

As at the date of this report, the particulars of the Company and its interests in its subsidiaries, all of which are private limited liability companies, are set out below:

Name	Date and place of establishment/ registration and place of operations	Registered and paid up capital	Percentage of equity attributable to the Company	Principal activities
山東鳳祥股份有限公司(1), (6)	17 December 2010 PRC/Mainland China	RMB1,045,000,000	N/A	Investment holding and chicken breeding
山東鳳祥實業有限公司(1), (6)	20 December 2011 PRC/Mainland China	RMB606,900,000	100	Livestock slaughtering, and manufacture and sale of chicken meat products
山東鳳祥食品發展有限公司(1), (6)	22 April 1997 PRC/Mainland China	RMB412,238,900	100	Manufacture and sale of chicken meat products
陽穀祥雨有機肥有限公司 (formerly known as 山東鈺豐有機肥有限公司)(1), (6)	9 October 2014 PRC/Mainland China	RMB65,000,000	100	Distribution and sale of organic fertiliser
興文天養極食食品發展有限公司(formerly known as 興文鳳祥山地烏骨雞發展有限公司)(2), (6)	26 May 2016 PRC/Mainland China	RMB10,000,000	90	Chicken breeding, livestock slaughtering, manufacture and sale of chicken meat products
禹城鳳鳴食品有限公司(3), (6)	18 August 2017 PRC/Mainland China	RMB33,000,000	100	Production and sale of poultry products
鳳祥食品有限公司(4), (6) ("Fengxiang Food")	18 November 2015 PRC/Mainland China	RMB60,000,000	100	Production and sale of processed poultry products

Name	Date and place of establishment/ registration and place of operations	Registered and paid up capital	Percentage of equity attributable to the Company	Principal activities
鳳祥食品株式會社(5)	28 December 2017 Japan	Japanese Yen 50,000,000 (equivalent to approximately RMB3,003,100)	100	Food research and development

Notes:

1. The statutory financial statements of these entities for the years ended 31 December 2016, 2017, 2018 and 2019 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
2. The statutory financial statements of this entity for the period from 26 May 2016 (date of incorporation) to 31 December 2016 and the years ended 31 December 2017, 2018 and 2019 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
3. The statutory financial statements of this entity for the period from 18 August 2017 (date of incorporation) to 31 December 2017, the years ended 31 December 2018 and 2019 prepared under PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
4. The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared under PRC GAAP were audited by 北京東審鼎立國際會計師事務所有限責任公司. The statutory financial statements of this entity for the years ended 31 December 2018 and 2019 prepared under PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
5. The audited financial statements for this entity was yet to be issued as of the date of this report.
6. Each of these companies are registered as a limited liability company under the PRC Law.

2. BASIS OF PRESENTATION

The Historical Financial Information comprises the financial information of the Listing Business. For the purpose of this report, the related financial information of 山東鳳祥超市有限公司 ("Fengxiang Supermarket"), a former subsidiary of the Group, which was principally engaged in the operation of supermarket (the "Non-Listing Business") and was disposed of by the Company on 29 December 2016, has been excluded from the Historical Financial Information throughout the Relevant Periods as the Non-Listing Business was considered by the Directors to be separately managed and dissimilar in the nature of business as the Listing Business, and the related financial information was identifiable.

During the Relevant Periods, the Company has completed an acquisition of Fengxiang Food which was under common control of the controlling shareholders of the Company. This acquisition is regarded as "business combination under common control". Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting as if the current structure had been in existence throughout the Relevant Periods.

3. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 5 which conform with International Financial Reporting Standards ("IFRSs"), which collective term include all International Financial Reporting Standards and International Accounting Standards ("IASs") issued by the International Accounting Standards Board and Interpretations issued by IFRS Interpretations Committee. The Historical Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has consistently applied the accounting policies which conform with the IFRSs, and are effective for the Group's accounting periods beginning on 1 January 2019, including IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, throughout the Relevant Periods except that the Group adopted IFRS 9 Financial Instruments on 1 January 2018 and International

Accounting Standard ("IAS") 39 Financial Instruments: Recognition and Measurement prior to 1 January 2018. The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

The Historical Financial Information has been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 6.

The Group had net current liabilities of approximately RMB118,244,000 as at 31 December 2019. The Group assesses its liquidity by its ability to generate cash from operating activities to fund its operations and borrow funds on favourable economic terms.

Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from banks and other financial institutions to fund its operations and business development.

In light of the financial resources of the Group, including the anticipated operating cash inflows of the Group and financing from banks and other financial institutions, the Directors are of the opinion that the Group will have sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due during next 12 months. Therefore, the Historical Financial Information has been prepared on a going concern basis.

Should the Group and the Company be unable to continue in business as a going concern, adjustments would have to be made to reduce the values of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. These adjustments have not been reflected in the Historical Financial Information.

4A. CHANGES IN ACCOUNTING

The Group has adopted IFRS 9, effective for the period beginning on or after 1 January 2018. The Group has not restated financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of IFRS 9. The financial information from 1 January 2016 to 31 December 2017 is reported under IAS 39 and is not comparable to the information presented for 2018 and onwards. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 for reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the Historical Financial Information.

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of retained profits of the Group as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained profits of the Group	
Retained profits as at 31 December 2017	153,023
Increase in expected credit losses ("ECLs") in trade receivables, and deposits and other receivables (note 5(g)A(ii) below)	(2,932)
Restated retained profits as at 1 January 2018	150,091

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS39	New classification under IFRS 9	Carrying amount under IAS 39 as at 1 January 2018 RMB'000	Carrying amount under IFRS 9 as at 1 January 2018 RMB'000
Trade receivables	Loans and receivables	Amortised cost	106,659	105,776
Deposits and other receivables	Loans and receivables	Amortised cost	17,055	15,006
Pledged deposits	Loans and receivables	Amortised cost	65,600	65,600
Cash and cash equivalents	Loans and receivables	Amortised cost	161,314	161,314

(b) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses model". IFRS 9 requires the Group to recognised ECL for trade receivables and financial assets at amortised costs earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the reporting period from 1 January 2018.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

Presentation of ECL

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs

(i) Impairment of trade receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

1 January 2018	Current	0-90 days past due	Over 90 days past due	Total
Expected credit loss rate (%)	0.5%	1%	5%-50%	
Gross carrying amount (RMB'000)	92,589	8,200	5,870	106,659
Loss allowance (RMB'000)	463	82	338	883

The increase in loss allowance for trade receivables upon the transition to IFRS 9 as of 1 January 2018 was approximately RMB883,000.

(ii) Impairment of financial assets at amortised cost (other than trade receivables)

Other financial assets at amortised cost of the Group include deposits and other receivables. Applying the ECL model result in the recognition of ECL of approximately RMB2,049,000 on 1 January 2018.

As a result of the above changes, the impact of the new IFRS 9 impairment model results in additional impairment allowance as follow:

	RMB'000
Loss allowance as at 1 January 2018 under IAS 39	—
Additional impairment recognised for trade receivables	883
Additional impairment recognised for deposits and other receivables	2,049
Loss allowance as a 1 January 2018 under IFRS 9	2,932

The impact of pledged deposits and cash and cash equivalents is insignificant. Applying the ECL model resulted in immaterial impairment on 1 January 2018 and for the years ended 31 December 2018 and 2019.

(iii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2016 and 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

4B. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to IFRS 3	Definition of a Business[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[4]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[4]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[4]
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
IFRS 17	Insurance Contracts[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Annual Improvements to IFRSs 2018-2020	Minor amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41[4]
Amendments to IFRS 16	COVID-19-Related Rent Concessions[2]

Notes:
1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after 1 January 2022
5 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

In May 2020, the IASB issued amendments to IFRS 3 to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with a reference to the

Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. In addition, the amendments add an exemption to the recognition principle for liabilities within the scope of IAS 37 or IFRIC 21. The amendments also clarify existing guidance for contingent assets. The Group expects to adopt the amendments prospectively from 1 January 2022 and does not expect any financial impact upon initial adoption of the amendments.

Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amount received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sale proceeds and related cost in profit or loss. The amendments are required to applied retrospectively with the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings of that earliest period presented. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 41 removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS16 permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Coronavirus Disease 2019 ("COVID-19") pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The Group is currently assessing the impact of amendments to IFRS 16 upon adoption and is considering whether it will choose to take advantage of the optional exemption available.

The management of the Group does not anticipate that the adoption of other revised IFRSs will have a significant financial impact on the Group's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of consolidation and business combination involving entity under common control

The Historical Financial Information comprises the financial statements of the Company and its subsidiaries for the Relevant Periods. Business combinations under common control are accounted for using merger method. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under common control of the controlling entity. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognised directly in equity as part of reserve. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes its purchase price and the costs 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 recognised as an expense in profit or loss during the financial year in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20-40 years
Plant and machinery	4-15 years
Office equipment	5-8 years
Motor vehicles	5-8 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis so owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leases

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

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

The cost of right-of-use asset includes:

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

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

Lease liabilities

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

The lease payments include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

(e) Intangible assets

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer softwares is stated at cost less accumulated amortisation and impairment losses, if any. These costs are amortised on the straight-line basis over their estimated useful lives of 10 years.

(f) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets), 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 cash generating unit.

(g) Financial instruments

(A) Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, accruals and other payables, borrowings, and amounts due to related parties and ultimate holding company are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the the accounting policy set out in note 5(g)(A)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the reporting period.

(B) Financial Instruments (accounting policies applied until 31 December 2017)

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Financial assets may be designated upon initial recognition as at fair value through profit or loss only if the criteria in IAS 39 are satisfied.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, accruals and other payables, amounts due to related parties, ultimate holding company and immediate holding company, and borrowings are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. All of the Group's hedging instruments are designated as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 36. Movements on the hedging reserve in equity are shown in the consolidated statements of changes in equity. The full fair value of a hedging derivative is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative unrecognised gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on standard costing basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Revenue recognition

(i) Sale of goods — Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts

(ii) Interest income — Interest income is recognised as it accrues using the effective interest method.

(j) Income tax

Income tax comprises current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill, if any, and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) 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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants 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.

(m) Other employee benefits

(i) Pension scheme

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

(ii) Termination benefits

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

(n) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

(o) Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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

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

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

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

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

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

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

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

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

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:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(q) Biological assets

Biological assets represent breeders, broilers, chicken breeds and broiler eggs. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce harvested from the biological assets are measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 *Inventories*. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the reporting date. The carrying amount of the Group's inventories is disclosed in note 22 to the Historical Financial Information.

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or corresponding cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Useful lives and residual values of non-current assets

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(iv) Fair value measurement of biological assets

The Group's management determine the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The determination involved the use of significant judgement. If actual results differ with the original estimates made by management, such differences from the original estimates will impact the fair value changes recognised in profit or loss in the period in which the estimates change and in future periods. The carrying amount and details of the fair value measurement of the Group's biological assets is disclosed in note 19 to the Historical Financial Information.

(v) Income taxes and value-added tax ("VAT")

The Group is subject to various taxes in the PRC. At the same time, the Group also enjoys various preferential tax treatments in the PRC, e.g. the Group is exempted from Enterprise Income

Tax ("EIT") for its businesses relating to primary processing for agricultural products and animal-husbandry and poultry feeding and is exempted from VAT for its income derived from sale of self-produced agricultural products. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises the relevant taxes based on best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss in the period in which such determination is made. In addition, the realisation of income tax assets and VAT assets is dependent on the Group's ability to generate sufficient sales and taxable income in future. Derivations of future profitability from estimates or in the income tax rate would result in adjustments to the value of tax assets and liabilities.

7. REVENUE AND SEGMENT INFORMATION

The Group's revenue from contracts with customers is recognised upon goods transferred at a point in time. For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

a) Production and sale of raw chicken meat products

b) Production and sale of processed chicken meat products

c) Production and sale of chicken breeds

d) Others comprising sale of livestock feeds, by-products, packing materials and miscellaneous products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit before biological assets fair value adjustments.

Segment assets and liabilities are not disclosed in the Historical Financial Information as they are not regularly provided to the management for the purposes of resource allocation and performance assessment.

Year ended 31 December 2016	Raw chicken meat products	Processed chicken meat products	Chicken breeds	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	1,469,917	627,971	149,367	106,849	2,354,104
Timing of revenue recognition:					
At a point in time	1,469,917	627,971	149,367	106,849	2,354,104
Segment results	195,448	109,971	74,578	12,130	392,127
Reconciliation:					
Biological assets fair value adjustments					5,262
Other income and gains					14,373
Corporate and unallocated expenses					(218,686)
Finance costs					(72,286)
Profit before income tax					120,790
Other segment information:					
Write-off of inventories	48	191	—	327	566
Depreciation of property, plant and equipment	69,471	31,358	5,721	3,027	109,577
Depreciation of right-of-use assets	3,846	1,197	—	1,733	6,776
Short-term lease expenses	721	181	68	1,514	2,484

Year ended 31 December 2017	Raw chicken meat products	Processed chicken meat products	Chicken breeds	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	1,330,977	910,018	69,875	123,522	2,434,392
Timing of revenue recognition:					
At a point in time	1,330,977	910,018	69,875	123,522	2,434,392
Segment results	134,798	157,194	(10,801)	12,035	293,226
Reconciliation:					
Biological assets fair value adjustments					8,698
Other income and gains					12,272
Corporate and unallocated expenses					(203,711)
Finance costs					(73,669)
Profit before income tax					36,816
Other segment information:					
Write-off of inventories	234	497	—	656	1,387
Depreciation of property, plant and equipment	65,155	40,896	5,374	2,921	114,346
Depreciation of right-of-use assets	4,098	2,442	—	2,227	8,767
Short-term lease expenses	759	225	68	2,861	3,913

Year ended 31 December 2018	Raw chicken meat products	Processed chicken meat products	Chicken breeds	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	1,719,278	1,183,568	172,110	122,143	3,197,099
Timing of revenue recognition:					
At a point in time	1,719,278	1,183,568	172,110	122,143	3,197,099
Segment results	195,370	163,016	90,780	12,781	461,947
Reconciliation:					
Biological assets fair value adjustments					18,142
Other income and gains					12,972
Corporate and unallocated expenses					(258,652)
Finance costs					(96,995)
Profit before income tax					137,414
Other segment information:					
Write-off of inventories	46	935	—	59	1,040
Depreciation of property, plant and equipment	67,016	59,910	5,550	3,747	136,223
Depreciation of right-of-use assets	3,831	2,025	—	1,845	7,701
Short-term lease expenses	303	—	37	1,419	1,759

Year ended 31 December 2019	Raw chicken meat products	Processed chicken meat products	Chicken breeds	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	1,887,398	1,433,227	426,448	179,144	3,926,217
Timing of revenue recognition:					
At a point in time	1,887,398	1,433,227	426,448	179,144	3,926,217
Segment results	557,356	325,572	314,318	24,214	1,221,460
Reconciliation:					
Biological assets fair value adjustments					3,446
Other income and gains					27,942
Corporate and unallocated expenses					(324,807)
Finance costs					(89,322)
Profit before income tax					838,719
Other segment information:					
Write-off of inventories	229	657	—	244	1,130
Depreciation of property, plant and equipment	66,061	60,900	10,021	4,202	141,184
Depreciation of right-of-use assets	4,145	2,555	—	3,370	10,070
Short-term lease expenses	416	—	102	2,246	2,764

Geographic information

(a) Revenue from external customers

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,803,800	1,773,053	2,236,454	2,959,778
Japan	338,928	420,203	491,071	461,599
Malaysia	160,553	151,028	302,284	220,715
Europe	17,964	30,440	66,645	186,602
Others	32,859	59,668	100,645	97,523
	2,354,104	2,434,392	3,197,099	3,926,217

The revenue information above is based on the location of the customers.

(b) Non-current assets

All the Group's non-current assets, excluding deferred tax assets, are located in Mainland China based on the geographical location of the assets.

Information about major customers

Revenue from external customers contributing over 10% of the total revenue of the Group at the end of each of the Relevant Periods is as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Customer A	448,510	502,125	537,002	530,234

The following table provides information about contract liabilities from contracts with customers.

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	13,727	8,847	11,765	21,160

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	352	260	372	1,476

Contract liabilities mainly relate to the deposits received from customers for sales of meat products.

As at 31 December 2016, 2017, 2018 and 2019, contract liabilities from the remaining performance obligations under the Group's existing contracts represents revenue expected to be recognised in the future from acceptance of meat products by customers. The Group will recognise the expected revenue in future, which is expected to occur in the next 1 to 12 months

The Group has applied the practical expedient and decided not to disclose the amount of the remaining performance obligations for contracts as performance obligations under the contracts had an original expected duration of one year or less.

Movements in contract liabilities

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year	12,398	13,727	8,847	11,765
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(12,398)	(13,727)	(8,847)	(11,765)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	13,727	8,847	11,765	21,160
Balance at end of year	13,727	8,847	11,765	21,160

8. OTHER INCOME AND GAINS

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank interest income	3,118	3,533	3,531	7,392
Exchange gain	5,473	—	—	6,993
Government grants (note)	3,957	4,906	6,576	10,155
Others	1,825	3,833	2,865	3,402
	14,373	12,272	12,972	27,942

Note:

Government grants include various subsidies received by the Group from relevant government bodies in connection with certain financial subsidies to support the Group's businesses. There are no unfulfilled conditions or contingencies relating to these grants.

9. FINANCE COSTS

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on borrowings	58,823	58,334	72,441	64,105
Interest on bills payable	2,928	4,396	13,774	13,696
Interest on lease liabilities	10,535	10,939	10,780	11,521
	72,286	73,669	96,995	89,322

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories sold, including:				
Write-off of inventories	566	1,387	1,040	1,130
Amortisation of intangible assets	1,058	1,270	1,475	1,510
Auditor's remuneration	653	801	1,167	791
Depreciation of property, plant and equipment	116,283	122,105	146,419	163,105
Depreciation of right-of-use assets	6,956	8,947	7,881	10,250
Loss on disposals of property, plant and equipment	3,008	3,320	6,630	12,686
Impairment/(reversal of impairment) of trade receivables	1,628	(1,628)	—	—
Loss allowance on trade receivables	—	—	1,767	541
Loss allowance on other receivables	—	—	872	204
Short-term lease expenses	6,942	7,631	4,626	9,092
Listing expenses	—	5,001	900	4,141
Exchange (gain)/loss	(5,473)	3,797	948	(6,993)
Employee benefit expense (including Directors' and supervisors' remuneration (note 11)):				
Wage, salaries and allowances, social securities and other benefits	450,588	523,298	598,658	564,731
Pension scheme contributions	23,797	29,884	36,262	40,619
	474,385	553,182	634,920	605,350

11. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' emoluments are disclosed as follows:

Year ended 31 December 2016	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Liu Zhiguang	—	—	—	—
Xiao Dongsheng (appointed on 1 November 2018)	—	—	—	—
Ow Weng Cheong (appointed on 1 November 2018)	—	—	—	—
Wang Jinsheng	600	41	—	641
	600	41	—	641
Non-executive Directors:				
Liu Xuejing[(i)]	—	—	—	—
Zhang Chuanli	—	—	—	—
	—	—	—	—
Independent Non-executive Directors:				
Chung Wai Man (appointed on 8 August 2019)	—	—	—	—
Zhang Ye (appointed on 8 August 2019)	—	—	—	—
Guo Tianyong (appointed on 8 August 2019)	—	—	—	—
	—	—	—	—
Supervisors:				
Kong Xiangwei	—	278	—	278
Chen Dehe	—	—	—	—
Lian Xianmin	—	—	—	—
	—	278	—	278
	600	319	—	919

Year ended 31 December 2017	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Liu Zhiguang	—	—	—	—
Xiao Dongsheng	—	—	—	—
Ow Weng Cheong	—	—	—	—
Wang Jinsheng	900	41	—	941
	900	41	—	941
Non-executive Directors:				
Liu Xuejing[(i)]	—	—	—	—
Zhang Chuanli	—	—	—	—
	—	—	—	—
Independent Non-executive Directors:				
Chung Wai Man	—	—	—	—
Zhang Ye	—	—	—	—
Guo Tianyong	—	—	—	—
	—	—	—	—
Supervisors:				
Kong Xiangwei	—	158	—	158
Chen Dehe	—	—	—	—
Lian Xianmin	—	—	—	—
	—	158	—	158
	900	199	—	1,099

Year ended 31 December 2018	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Liu Zhiguang	—	—	—	—
Xiao Dongsheng	334	1,704	—	2,038
Ow Weng Cheong	334	1,670	—	2,004
Wang Jinsheng	2,000	41	—	2,041
	2,668	3,415	—	6,083
Non-executive Directors:				
Liu Xuejing[(i)]	—	—	—	—
Zhang Chuanli	—	—	—	—
	—	—	—	—
Independent Non-executive Directors:				
Chung Wai Man	—	—	—	—
Zhang Ye	—	—	—	—
Guo Tianyong	—	—	—	—
	—	—	—	—
Supervisors:				
Kong Xiangwei	—	—	—	—
Chen Dehe	—	126	—	126
Lian Xianmin	—	227	—	227
	—	353	—	353
	2,668	3,768	—	6,436

Year ended 31 December 2019	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Liu Zhiguang	—	—	—	—
Xiao Dongsheng	2,398	75	—	2,473
Ow Weng Cheong	2,024	4	—	2,028
Wang Jinsheng	2,404	41	—	2,445
	6,826	120	—	6,946
Non-executive Directors:				
Liu Xuejing[(i)]	—	—	—	—
Zhang Chuanli	—	—	—	—
	—	—	—	—
Independent Non-executive directors:				
Chung Wai Man	—	—	—	—
Zhang Ye	—	—	—	—
Guo Tianyong	—	—	—	—
	—	—	—	—
Supervisors:				
Kong Xiangwei	—	—	—	—
Chen Dehe	—	91	—	91
Lian Xianmin	—	358	—	358
	—	449	—	449
	6,826	569	—	7,395

Note:

(i) Mr. Liu Xuejing was also the chairman of the Board of the Company during the Relevant Periods.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the director's fees of Mr. Tan Chengzhe, an executive director appointed on 6 August 2015 and resigned on 1 November 2018, were RMB640,000, RMB600,000, RMB600,000 and nil, respectively.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the supervisor's emoluments of Ms. Sun Xizhen, a supervisor appointed on 1 January 2016 and resigned on 31 October 2018 were RMB 398,029, RMB 339,373 and nil, respectively.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the supervisor's emoluments of Mr. Li Shujian, a supervisor appointed on 21 December 2016 and resigned on 31 October 2018 were nil, nil, nil and nil, respectively.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the supervisor's emoluments of Mr. Liu Xueqiang, a supervisor appointed on 9 January, 2016 and resigned on 20 December 2016 were nil, nil, nil and nil, respectively.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the supervisor's emoluments of Mr. Li Yong, a supervisor appointed on 1 January 2016 and resigned on 8 January 2016 were nil, nil, nil, and nil, respectively.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Relevant Periods.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016, 2017, 2018 and 2019 included nil, 1, 3 and 3 directors, respectively, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining 5, 4, 2 and 2 highest paid employees who are neither a director nor chairman of the Board of the Company during the Relevant Periods are as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	5,953	3,894	2,735	3,574
Pension scheme contributions	—	—	—	—
	5,953	3,894	2,735	3,574

The number of non-director and non-chairman of the Board highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees			
	For the year ended 31 December			
	2016	2017	2018	2019
Nil to Hong Kong dollar ("HK$") 1,000,000	1	3	—	—
HK$1,000,001 to HK$2,000,000	3	1	2	2
HK$2,000,001 to HK$4,500,000	1	—	—	—
	5	4	2	2

13. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax — Mainland China				
Charge for the year	1,873	539	726	1,197
Over provision in prior years	(976)	—	—	—
	897	539	726	1,197
Deferred tax (note 21)	45	(842)	77	141
	942	(303)	803	1,338

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Relevant Periods except for the followings:

(i) According to the Implementation Regulation of the EIT Law and the exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui 2008 No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from certain subsidiary in Mainland China engaging in primary processing for agriculture products is exempted from EIT during the Relevant Periods.

(ii) Pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from the Company engaging in projects of animal-husbandry and poultry feeding, is entitled to exemption from EIT during the Relevant Periods.

The income tax expense/(credit) can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	120,790	36,816	137,414	838,719
Tax calculated at the PRC statutory rate of 25%	30,198	9,204	34,354	209,680
Effect of tax exemptions granted to certain operations of the Group	(56,024)	(38,304)	(38,525)	(209,717)
Effect of non-taxable income and non-deductible expenses, net	2,427	1,215	1,690	(3,277)
Effect of temporary differences not recognised	50	275	—	—
Utilisation of tax losses previously not recognised	—	(484)	(6,811)	(8,178)
Tax effect of tax losses not recognised	25,267	27,791	10,095	12,830
Over provision in prior years	(976)	—	—	—
Income tax expense/(credit)	942	(303)	803	1,338

For the years ended 31 December 2016, 2017, 2018 and 2019, the effect of non-taxable income and non-deductible expenses mainly arose from the fair value adjustment of biological assets.

14. DIVIDENDS

No dividend was paid or proposed to owners of the parent during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

The basic earnings per share for each of the years ended 31 December 2016, 2017, 2018 and 2019 are calculated based on the profit of RMB120,055,000, RMB37,500,000, RMB140,383,000 and RMB837,522,000, respectively, attributable to owners of the Company and the weighted average of 1,045,000,000 ordinary shares during the Relevant Periods.

The Company did not have any potential dilutive shares throughout the Relevant Periods. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016						
Cost	1,026,110	921,281	28,825	39,679	25,672	2,041,567
Accumulated depreciation	(143,667)	(212,027)	(13,170)	(13,926)	—	(382,790)
Net carrying amount	882,443	709,254	15,655	25,753	25,672	1,658,777
Year ended 31 December 2016						
Opening net carrying amount	882,443	709,254	15,655	25,753	25,672	1,658,777
Additions	5,584	28,624	4,223	1,552	95,578	135,561
Transfer	26,114	44,350	31	5,583	(76,078)	—
Disposals	(3,521)	(2,429)	(410)	(720)	—	(7,080)
Depreciation	(41,143)	(63,948)	(4,973)	(6,219)	—	(116,283)
Closing net carrying amount	869,477	715,851	14,526	25,949	45,172	1,670,975
At 31 December 2016						
Cost	1,053,791	989,837	32,385	46,351	45,172	2,167,536
Accumulated depreciation	(184,314)	(273,986)	(17,859)	(20,402)	—	(496,561)
Net carrying amount	869,477	715,851	14,526	25,949	45,172	1,670,975

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017						
Opening net carrying amount	869,477	715,851	14,526	25,949	45,172	1,670,975
Additions	65,937	56,090	8,963	1,617	446,140	578,747
Transfer	32,887	38,490	1,067	—	(72,444)	—
Disposals	(18,050)	(17,234)	(612)	(46)	(1,399)	(37,341)
Depreciation	(42,937)	(67,271)	(5,706)	(6,191)	—	(122,105)
Closing net carrying amount	907,314	725,926	18,238	21,329	417,469	2,090,276
At 31 December 2017						
Cost	1,134,137	1,058,879	40,837	47,243	417,469	2,698,565
Accumulated depreciation	(226,823)	(332,953)	(22,599)	(25,914)	—	(608,289)
Net carrying amount	907,314	725,926	18,238	21,329	417,469	2,090,276
Year ended 31 December 2018						
Opening net carrying amount	907,314	725,926	18,238	21,329	417,469	2,090,276
Additions	10,438	15,828	8,889	2,837	145,046	183,038
Transfer	222,901	232,050	12,930	1,345	(469,226)	—
Disposals	(2,387)	(6,847)	(633)	(125)	(99)	(10,091)
Depreciation	(50,496)	(82,301)	(7,122)	(6,500)	—	(146,419)
Closing net carrying amount	1,087,770	884,656	32,302	18,886	93,190	2,116,804
At 31 December 2018						
Cost	1,363,367	1,290,200	61,354	51,056	93,190	2,859,167
Accumulated depreciation	(275,597)	(405,544)	(29,052)	(32,170)	—	(742,363)
Net carrying amount	1,087,770	884,656	32,302	18,886	93,190	2,116,804
Year ended 31 December 2019						
Opening net carrying amount	1,087,770	884,656	32,302	18,886	93,190	2,116,804
Additions	5,437	19,881	9,757	1,894	221,653	258,622
Transfer	80,719	126,122	15,183	915	(222,939)	—
Disposals	(21,271)	(17,044)	(911)	(1,206)	—	(40,432)
Depreciation	(55,097)	(92,183)	(9,362)	(6,463)	—	(163,105)
Closing net carrying amount	1,097,558	921,432	46,969	14,026	91,904	2,171,889
At 31 December 2019						
Cost	1,397,933	1,388,607	84,095	50,433	91,904	3,012,972
Accumulated depreciation	(300,375)	(467,175)	(37,126)	(36,407)	—	(841,083)
Net carrying amount	1,097,558	921,432	46,969	14,026	91,904	2,171,889

Company

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016						
Cost	706,412	577,399	18,529	35,024	13,439	1,350,803
Accumulated depreciation	(90,979)	(99,347)	(7,936)	(12,266)	—	(210,528)
Net carrying amount	615,433	478,052	10,593	22,758	13,439	1,140,275
Year ended 31 December 2016						
Opening net carrying amount	615,433	478,052	10,593	22,758	13,439	1,140,275
Additions	1,316	5,561	773	529	61,382	69,561
Transfer	19,567	20,904	32	5,583	(46,086)	—
Disposals	(3,468)	(1,027)	(84)	(720)	—	(5,299)
Depreciation	(32,739)	(38,545)	(3,012)	(5,565)	—	(79,861)
Closing net carrying amount	600,109	464,945	8,302	22,585	28,735	1,124,676
At 31 December 2016						
Cost	723,428	601,537	19,249	40,673	28,735	1,413,622
Accumulated depreciation	(123,319)	(136,592)	(10,947)	(18,088)	—	(288,946)
Net carrying amount	600,109	464,945	8,302	22,585	28,735	1,124,676
Year ended 31 December 2017						
Opening net carrying amount	600,109	464,945	8,302	22,585	28,735	1,124,676
Additions	58,574	30,491	6,473	1,526	44,551	141,615
Transfer	11,104	29,828	—	—	(40,932)	—
Disposals	(11,855)	(15,555)	(507)	(16)	(1,399)	(29,332)
Depreciation	(33,883)	(40,378)	(3,523)	(5,517)	—	(83,301)
Closing net carrying amount	624,049	469,331	10,745	18,578	30,955	1,153,658

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017						
Cost	781,244	640,054	24,656	42,169	30,955	1,519,078
Accumulated depreciation	(157,195)	(170,723)	(13,911)	(23,591)	—	(365,420)
Net carrying amount	624,049	469,331	10,745	18,578	30,955	1,153,658
Year ended 31 December 2018						
Opening net carrying amount	624,049	469,331	10,745	18,578	30,955	1,153,658
Additions	7,489	6,590	1,394	1,249	26,208	42,930
Transfer	7,898	13,769	1,769	173	(23,609)	—
Disposals	(151)	(4,533)	(118)	(104)	—	(4,906)
Depreciation	(36,817)	(43,057)	(3,353)	(5,628)	—	(88,855)
Closing net carrying amount	602,468	442,100	10,437	14,268	33,554	1,102,827
At 31 December 2018						
Cost	796,446	652,979	27,325	43,296	33,554	1,553,600
Accumulated depreciation	(193,978)	(210,879)	(16,888)	(29,028)	—	(450,773)
Net carrying amount	602,468	442,100	10,437	14,268	33,554	1,102,827
Year ended 31 December 2019						
Opening net carrying amount	602,468	442,100	10,437	14,268	33,554	1,102,827
Additions	2,763	5,754	396	1,653	152,511	163,077
Transfer	20,443	94,349	9,375	915	(125,082)	—
Disposals	(314)	(2,052)	(77)	(82)	—	(2,525)
Depreciation	(37,859)	(47,082)	(3,936)	(5,744)	—	(94,621)
Closing net carrying amount	587,501	493,069	16,195	11,010	60,983	1,168,758
At 31 December 2019						
Cost	819,272	749,295	36,468	45,174	60,983	1,711,192
Accumulated depreciation	(231,771)	(256,226)	(20,273)	(34,164)	—	(542,434)
Net carrying amount	587,501	493,069	16,195	11,010	60,983	1,168,758

As at 31 December 2016, 2017, 2018 and 2019, certain of the Group's buildings with an aggregate net carrying amount of RMB62,148,000, nil, RMB60,187,000 and nil, respectively, were pledged to secure banking facilities granted to Yanggu Xiangguang Copper Co., Ltd. ("Xiangguang Copper"), a fellow subsidiary of the Group (note 33).

As at 31 December 2018 and 31 December 2019, certain of the Group's machinery with an aggregate net carrying amount of RMB89,630,000 and RMB157,940,000, respectively, were pledged to secure a loan from financial institution (note 29).

As at 31 December 2016, 2017, 2018 and 2019, certain of the Group's property, plant and equipment with an aggregate net carrying amount of nil, RMB22,732,000, RMB22,855,000 and RMB249,484,000, respectively, were pledged to secure the bank loans (note 29).

As at the date of this report, the Group are in the process of applying for the title certificates of certain of their buildings with an aggregate net carrying amount of nil, RMB10,603,000, RMB173,804,000 and RMB17,234,000, respectively, as at 31 December 2016, 2017, 2018 and 2019. The Directors are of the opinion that the aforesaid matters will not have any significant impact on the Group and the Company's financial position.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group

	Land use rights		Plant and office		Total	
	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	239,314	171,073	10,206	10,206	249,520	181,279
Addition	23,513	936	3,501	3,501	27,014	4,437
Depreciation expense	(5,579)	—	(1,377)	—	(6,956)	—
Interest expense	—	9,886	—	649	—	10,535
Payment	—	(15,122)	—	(2,414)	—	(17,536)
At 31 December 2016 and 1 January 2017	257,248	166,773	12,330	11,942	269,578	178,715
Addition	18,823	12,932	309	309	19,132	13,241
Depreciation expense	(6,325)	—	(2,622)	—	(8,947)	—
Interest expense	—	10,332	—	607	—	10,939
Payment	—	(15,752)	—	(3,197)	—	(18,949)
At 31 December 2017 and 1 January 2018	269,746	174,285	10,017	9,661	279,763	183,946
Addition	7,649	—	4,069	4,069	11,718	4,069
Depreciation expense	(7,085)	—	(796)	—	(7,881)	—
Interest expense	—	10,119	—	661	—	10,780
Payment	—	(11,801)	—	(1,382)	—	(13,183)
At 31 December 2018 and 1 January 2019	270,310	172,603	13,290	13,009	283,600	185,612
Addition	191	—	15,066	15,066	15,257	15,066
Disposal	(630)	—	—	—	(630)	—
Depreciation expense	(7,127)	—	(3,123)	—	(10,250)	—
Interest expense	—	9,988	—	1,533	—	11,521
Payment	—	(11,335)	—	(3,945)	—	(15,280)
At 31 December 2019	262,744	171,256	25,233	25,663	287,977	196,919

Company

	Land use rights		Plant and office		Total	
	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	182,782	167,453	8,825	8,825	191,607	176,278
Depreciation expense	(3,846)	—	(180)	—	(4,026)	—
Interest expense	—	9,682	—	511	—	10,193
Payment	—	(14,569)	—	(768)	—	(15,337)
At 31 December 2016 and 1 January 2017	178,936	162,566	8,645	8,568	187,581	171,134
Addition	8,352	12,931	—	—	8,352	12,931
Depreciation expense	(4,098)	—	(180)	—	(4,278)	—
Interest expense	—	10,148	—	495	—	10,643
Payment	—	(15,238)	—	(768)	—	(16,006)
At 31 December 2017 and 1 January 2018	183,190	170,407	8,465	8,295	191,655	178,702
Addition	4,176	—	—	—	4,176	—
Depreciation expense	(4,112)	—	(180)	—	(4,292)	—
Interest expense	—	9,954	—	484	—	10,438
Payment	—	(11,300)	—	(560)	—	(11,860)
At 31 December 2018 and 1 January 2019	183,254	169,061	8,285	8,219	191,539	177,280
Disposal	(205)	—	—	—	(205)	—
Depreciation expense	(4,144)	—	(180)	—	(4,324)	—
Interest expense	—	9,873	—	480	—	10,353
Payment	—	(11,112)	—	(543)	—	(11,655)
At 31 December 2019	178,905	167,822	8,105	8,156	187,010	175,978

The lease liabilities as at 31 December 2016, 2017, 2018 and 2019 of the Group and the Company can be analysed as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	171,369	182,508	183,635	193,443
Current portion	7,346	1,438	1,977	3,476
	178,715	183,946	185,612	196,919

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	165,679	177,119	175,818	174,438
Current portion	5,455	1,583	1,462	1,540
	171,134	178,702	177,280	175,978

The following tables show the remaining contractual maturities of the lease liabilities of the Group and the Company at the end of the reporting periods.

Group

	Present value of the minimum lease payments	Total minimum lease payments	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016	178,715	479,964	16,706	12,527	34,181	416,550
At 31 December 2017	183,946	490,914	12,908	12,121	35,873	430,012
At 31 December 2018	185,612	482,021	13,241	13,149	37,568	418,063
At 31 December 2019	196,919	485,052	15,294	15,398	43,319	411,041

Company

	Present value of the minimum lease payments	Total minimum lease payments	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016	171,134	459,167	15,337	11,194	32,480	400,156
At 31 December 2017	178,702	480,224	12,021	11,654	34,953	421,596
At 31 December 2018	177,280	468,203	11,654	11,654	34,947	409,948
At 31 December 2019	175,978	456,549	11,654	11,652	34,944	398,299

The leasehold lands are situated in the PRC and are held on leases of 25 to 50 years.

As at 31 December 2016, 2017, 2018 and 2019, certain of the Group's right-of-use assets with aggregate net carrying amounts of RMB13,276,000, RMB3,446,000, RMB3,323,000 and RMB26,740,000, respectively, were pledged to secure banking facilities granted to the Group (note 29).

As at 31 December 2016, 2017, 2018 and 2019 certain of the Group's right-of-use assets with an aggregate net carrying amount of approximately RMB34,933,000, nil, RMB17,936,000 and nil were pledged to secure banking facilities granted to Xiangguang Copper, a fellow subsidiary of the Group (note 33).

The Group has applied the exemption of not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets.

18. INTANGIBLE ASSETS

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year				
Cost	10,854	10,979	17,131	18,582
Accumulated amortisation	(3,747)	(4,805)	(6,075)	(7,550)
Net carrying amount	7,107	6,174	11,056	11,032
For the year				
Opening net carrying amount	7,107	6,174	11,056	11,032
Additions	125	6,152	1,451	6
Amortisation	(1,058)	(1,270)	(1,475)	(1,510)
Closing net carrying amount	6,174	11,056	11,032	9,528
At end of year				
Cost	10,979	17,131	18,582	18,588
Accumulated amortisation	(4,805)	(6,075)	(7,550)	(9,060)
Net carrying amount	6,174	11,056	11,032	9,528

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year				
Cost	2,792	2,917	9,037	9,037
Accumulated amortisation	(453)	(706)	(1,169)	(1,734)
Net carrying amount	2,339	2,211	7,868	7,303
For the year				
Opening net carrying amount	2,339	2,211	7,868	7,303
Additions	125	6,120	—	—
Amortisation	(253)	(463)	(565)	(565)
Closing net carrying amount	2,211	7,868	7,303	6,738
At end of year				
Cost	2,917	9,037	9,037	9,037
Accumulated amortisation	(706)	(1,169)	(1,734)	(2,299)
Net carrying amount	2,211	7,868	7,303	6,738

The intangible assets of the Group and the Company mainly represents its purchased computer software, namely systems applications and products in data processing ("**SAP system**"), a well-developed system which consists of a number of fully integrated modules and covers virtually every aspect of business management. The Company expects SAP system would be available for use for 10 years, which forms the basis of its useful life after taking into account, among other things, that the production processes of the Group did not have material changes in the past few years and are not expected to be changed materially in the near future.

19. BIOLOGICAL ASSETS

(a) Nature of agricultural activities

The biological assets of the Group and the Company represent breeders, broilers and broiler eggs. The broilers and broiler eggs are raised for sale and consumption in production, which are classified as current assets. Breeders are held to produce further broiler eggs and broilers, which are classified as non-current assets.

The quantity of biological assets owned by the Group and the Company as at 31 December 2016, 2017, 2018 and 2019 are as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
Breeders	1,679,292	1,404,017	1,629,288	1,615,581
Broilers	11,470,623	10,652,949	9,923,145	10,641,754
Broiler eggs	16,584,554	13,575,167	14,401,520	13,597,187
	29,734,469	25,632,133	25,953,953	25,854,522

Company

	As at 31 December			
	2016	2017	2018	2019
Breeders	1,677,152	1,397,024	1,603,805	1,608,041
Broilers	11,470,623	10,574,454	9,904,774	10,506,034
Broiler eggs	16,569,323	13,550,618	14,394,256	13,597,187
	29,717,098	25,522,096	25,902,835	25,711,262

Financial risk management strategies

The Group and the Company are exposed to financial risks arising from changes in chicken prices. The Group and the Company do not anticipate that chicken prices will decline significantly in the foreseeable future and, therefore, have not entered into derivative or other contracts to manage the risk of a decline in chicken prices. The Group and the Company review its outlook for chicken prices regularly in considering the need for active financial risk management.

Risks related to agricultural activities

The Group is subject to laws and regulations in the location in which it operates breeding of chickens. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating these risks, including regular inspections, disease controls, surveys and insurance.

(b) Reconciliation of the carrying amount of biological assets

Group

	Breeders	Broilers and broiler eggs	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	85,277	92,057	177,334
Increase due to purchases/raising	116,520	1,702,506	1,819,026
Gain arising from changes in fair value less estimated costs to sell	2,310	2,952	5,262
Transfer to inventories at the point of harvest	—	(1,399,807)	(1,399,807)
Decrease due to culling	(83,216)	—	(83,216)
Decrease due to sales	(7,704)	(285,214)	(292,918)
At 31 December 2016 and 1 January 2017	113,187	112,494	225,681
Increase due to purchases/raising	101,707	1,693,898	1,795,605
Gain arising from changes in fair value less estimated costs to sell	5,364	3,334	8,698
Transfer to inventories at the point of harvest	—	(1,411,023)	(1,411,023)
Decrease due to culling	(86,570)	—	(86,570)
Decrease due to sales	(22,822)	(278,034)	(300,856)
At 31 December 2017 and 1 January 2018	110,866	120,669	231,535
Increase due to purchases/raising	122,056	1,642,521	1,764,577
(Loss)/gain arising from changes in fair value less estimated costs to sell	(10,706)	28,848	18,142
Transfer to inventories at the point of harvest	—	(1,377,062)	(1,377,062)
Decrease due to culling	(82,342)	—	(82,342)
Decrease due to sales	(12,918)	(276,554)	(289,472)
At 31 December 2018 and 1 January 2019	126,956	138,422	265,378
Increase due to purchases/raising	131,774	3,014,342	3,146,116
Gain/(loss) arising from changes in fair value less estimated costs to sell	14,249	(10,803)	3,446
Transfer to inventories at the point of harvest	—	(2,696,716)	(2,696,716)
Decrease due to culling	(101,275)	—	(101,275)
Decrease due to sales	(13,827)	(303,372)	(317,199)
At 31 December 2019	157,877	141,873	299,750

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Change in unrealised gain for the year included in profit or loss for the following assets held at year end				
— Breeders	4,628	9,993	9,494	13,536
— Broilers and broiler eggs	15,901	19,235	46,551	37,280
	20,529	29,228	56,045	50,816

Company

	Breeders	Broilers and broiler eggs	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	85,277	92,057	177,334
Increase due to purchases/raising	115,828	1,702,506	1,818,334
Gain arising from changes in fair value less estimated costs to sell	1,966	2,952	4,918
Transfer to inventories at the point of harvest	—	(1,399,807)	(1,399,807)
Decrease due to culling	(83,216)	—	(83,216)
Decrease due to sales	(7,704)	(285,214)	(292,918)
At 31 December 2016 and 1 January 2017	112,151	112,494	224,645
Increase due to purchases/raising	102,095	1,687,884	1,789,979
Gain arising from changes in fair value less estimated costs to sell	4,142	5,757	9,899
Transfer to inventories at the point of harvest	—	(1,411,023)	(1,411,023)
Decrease due to culling	(86,570)	—	(86,570)
Decrease due to sales	(22,822)	(278,034)	(300,856)
At 31 December 2017 and 1 January 2018	108,996	117,078	226,074
Increase due to purchases/raising	115,631	1,648,078	1,763,709
Gain/(loss) arising from changes in fair value less estimated costs to sell	(4,972)	25,431	20,459
Transfer to inventories at the point of harvest	—	(1,377,062)	(1,377,062)
Decrease due to culling	(82,342)	—	(82,342)
Decrease due to sales	(12,918)	(276,554)	(289,472)
At 31 December 2018 and 1 January 2019	124,395	136,971	261,366
Increase due to purchases/raising	131,332	3,012,092	3,143,424
Gain/(loss) arising from changes in fair value less estimated costs to sell	14,437	(14,186)	251
Transfer to inventories at the point of harvest	—	(2,695,216)	(2,695,216)
Decrease due to culling	(101,275)	—	(101,275)
Decrease due to sales	(13,827)	(303,372)	(317,199)
At 31 December 2019	155,062	136,289	291,351

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Change in unrealised gain for the year included in profit or loss for the following assets held at year end				
— Breeders	4,193	8,335	13,571	17,780
— Broilers and broiler eggs	15,991	21,747	46,229	32,992
	20,184	30,082	59,800	50,772

Biological assets as at 31 December 2016, 2017, 2018 and 2019 are stated at fair values less estimated costs to sell and are analysed as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	113,187	110,866	126,956	157,877
Current portion	112,494	120,669	138,422	141,873
	225,681	231,535	265,378	299,750

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	112,151	108,996	124,395	155,062
Current portion	112,494	117,078	136,971	136,289
	224,645	226,074	261,366	291,351

(c) Measurement of fair value

The Group's chicken were independently valued by the independent and qualified valuers, Jones Lang LaSalle Sallmanns Limited.

The fair value of biological assets is a level 3 recurring fair value measurement. The reconciliations from the beginning balances to the ending balances for fair value measurements of the biological assets are disclosed in note 19(b) above. There were no transfers into or out of level 3 during the Relevant Period.

Key assumptions and inputs

The fair value of the biological assets is determined by using the market approach and replacement cost approach and is with reference to the market-determined prices of items with similar size, species, age and weight. These adjustments are based on unobservable inputs.

Set forth below are the valuation techniques, key assumptions and inputs adopted in the valuation process to determine the fair values of the biological assets of the Group and the Company as at 31 December 2016, 2017, 2018 and 2019.

	Year ended 31 December			
	2016	2017	2018	2019
Breeders (Note (a))				
Per head market price of breeder chick and culled breeder chicken (RMB)	25.00-41.76	26.4-46.82	23.50-39.33	26.05-59.30
Per head cost required to raise a mature breeder (RMB)	0-90.62	0-90.50	0-100.43	0-64.17
Rate of reduction/consumption	0%-70%	0%-66%	0%-63%	0%-44%
Broilers (Note (b))				
Per head market price (RMB)	16.55	18.06	17.23	20.57
Broiler eggs (Note (b))				
Per piece market price (RMB)	0.92	1.26	3.62	2.50

Notes:

(a) Since there are no market prices for breeders at different stages, the replacement cost approach is adopted in this practise. The valuation was based on the market prices of the breeder chick and culled breeder chicken and the estimated cost for rearing breeder, with adjustment for the reduction/consumption of the useful lives of the breeder.

(b) Market-based prices for broiler chick, mature broiler and broiler egg can be obtained from traded market. Given the relatively short finishing cycle of broilers, the fair values of the broilers and broiler eggs are developed through the application of market approach with reasonable adjustments to reflect the age differences during the rearing period.

A significant increase/decrease in market price and cost required to raise a mature breeder in isolation would result in a significant increase/decrease in the fair value of the biological assets.

A significant increase/decrease in rate of reduction/consumption in isolation would result in a significant decrease/increase in the fair value of the biological assets.

20. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	795,363	875,363	1,141,327	1,141,327
Provision for impairment	(93,623)	(93,623)	(93,623)	(93,623)
	701,740	781,740	1,047,704	1,047,704

Particulars of all subsidiaries of the Company are as disclosed in note 1 to the Historical Financial Information.

21. DEFERRED TAX ASSETS

Movement in deferred income tax assets during the Relevant Periods is as follows:

Group

	Government grants received not yet recognised as income
	RMB'000
At 1 January 2016	2,930
Charged to profit or loss	(45)
At 31 December 2016 and 1 January 2017	2,885
Credited to profit or loss	842
At 31 December 2017 and 1 January 2018	3,727
Charged to profit or loss	(77)
At 31 December 2018 and 1 January 2019	3,650
Charged to profit or loss	(141)
At 31 December 2019	3,509

The Group has tax losses arising in Mainland China of RMB202,371,000, RMB311,597,000, RMB324,732,000 and RMB343,340,000, respectively, as at 31 December 2016, 2017, 2018 and 2019 that will expire in one to five years for offsetting against taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. INVENTORIES

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	160,809	126,411	135,515	146,010
Work-in-progress	341	631	269	358
Finished goods	336,004	381,767	211,731	338,657
	497,154	508,809	347,515	485,025

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	107,701	97,726	98,110	98,305
Finished goods	5,770	3,419	2,609	766
	113,471	101,145	100,719	99,071

23. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	82,319	106,659	191,298	209,816
Less: impairment provision/loss allowance	(1,628)	—	(2,650)	(3,191)
	80,691	106,659	188,648	206,625

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	3,265	3,180	3,180	3,180
Less: impairment provision/loss allowance	(1,628)	—	(1,590)	(1,590)
	1,637	3,180	1,590	1,590
Bills receivable	330,000	435,000	411,000	236,200
	331,637	438,180	412,590	237,790

The Group's trading terms with its customers are mainly on cash and credit. The credit period is generally 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by analysis by customer. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the balance of trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provision, is as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	66,823	72,773	155,934	136,053
1 to 3 months	11,040	26,614	30,481	62,779
3 months to 1 year	1,200	3,961	592	1,403
Over 1 year	1,628	3,311	1,641	6,390
	80,691	106,659	188,648	206,625

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
3 months to 1 year	9	—	—	—
Over 1 year	1,628	3,180	1,590	1,590
	1,637	3,180	1,590	1,590

The movement in provision for impairment/loss allowance of trade receivables is as below:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year under IAS 39/IFRS 9	—	1,628	—	2,650
Effect of adoption of IFRS 9	—	—	883	—
At beginning of year	—	1,628	883	2,650
Impairment loss/(reversal of impairment loss) recognised (note 10)	1,628	(1,628)	—	—
Loss allowance recognised (note 10)	—	—	1,767	541
At end of year	1,628	—	2,650	3,191

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year under IAS 39/IFRS 9	—	1,628	—	1,590
Effect of adoption of IFRS 9	—	—	159	—
At beginning of year	—	1,628	159	1,590
Impairment loss/(reversal of impairment loss) recognised	1,628	(1,628)	—	—
Loss allowance recognised	—	—	1,431	—
At end of year	1,628	—	1,590	1,590

The Group and the Company recognised impairment loss based on the accounting policy stated in notes 5(g)(A)(ii) and note 5(g)(B)(ii).

The individually impaired trade receivables relate to a customer that no longer has transactions with the Group and only a portion of the receivable is expected to be recovered.

An aged analysis of trade receivables as at 31 December 2016 and 2017, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As at 31 December	
	2016	2017
	RMB'000	RMB'000
Neither past due nor impaired	68,117	92,589
Within 3 months past due	10,074	8,200
3 months to 1 year past due	872	2,582
Over 1 year past due	1,628	3,288
	80,691	106,659

Company

	As at 31 December	
	2016	2017
	RMB'000	RMB'000
3 months to 1 year past due	9	—
Over 1 year past due	1,628	3,180
	1,637	3,180

Trade receivables from third parties that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Further details on the group's credit policy and credit risk arising from trade receivables are set out in note 38.

The Company's bills receivable are all aged within six months and are neither past due nor impaired. The Company's bills receivable are bills issued by certain subsidiaries of the Company for intra-group transactions, of which amounts of RMB330,000,000, RMB120,000,000, RMB311,000,000 and RMB30,000,000 were discounted with recourse to GMK Finance Co., Ltd. ("GMK Finance"), a fellow subsidiary of the Company and a financial institution in Mainland China, for short-term financing of which the associated borrowings amounted to RMB327,413,000, RMB116,847,000, RMB307,758,000 and RMB29,949,000 as at 31 December 2016, 2017, 2018 and 2019, respectively. Other than above, bills receivable were discounted which recourse to certain banks for short-term financing of which the associated borrowings amounted to RMB307,747,000, RMB98,077,000 and RMB198,542,000 as at 31 December 2017, 2018 and 2019 respectively. As the Company has not transferred to GMK Finance and the banks the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured borrowings (note 29). The Company's bills receivable and the corresponding bills payable have been eliminated in the consolidated financial statements.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments for property, plant and equipment (note a)	45,860	19,189	14,319	43,375
Deposits paid	73	3,100	2,100	16,838
	45,933	22,289	16,419	60,213
Current				
Prepayments	29,228	36,244	58,717	69,652
Deposits paid and other receivables (note b)	10,688	17,055	3,909	3,787
VAT and other recoverable	94,963	154,851	101,435	85,092
	134,879	208,150	164,061	158,531
	180,812	230,439	180,480	218,744

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments for property, plant and equipment (note a)	24,972	9,607	5,411	27,741
Current				
Prepayments	16,312	25,994	33,440	33,536
Deposits paid and other receivables (note c)	8,294	15,628	2,728	2,549
VAT and other recoverable	—	8	—	—
	24,606	41,630	36,168	36,085
	49,578	51,237	41,579	63,826

Notes:

(a) Included in prepayments for property, plant and equipment of the Group and the Company are balances of prepayments made to 山東鳳祥(集團)有限責任公司 ("Fengxiang Group"), immediate holding company of the Company, of RMB23,708,557, RMB8,489,000, nil and nil as at 31 December 2016, 2017, 2018, and 2019, respectively.

(b) The loss allowance for other receivables of the Group under IFRS 9 as at 31 December 2018 and 2019 were approximately RMB2,921,000 and RMB3,125,000 respectively. The movement in provision for impairment/loss allowance of other receivables of the Group is as below:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year under IAS 39/IFRS 9	—	—	—	2,921
Effect of adoption of IFRS 9	—	—	2,049	—
At beginning of year	—	—	2,049	2,921
Loss allowance recognised (note 10)	—	—	872	204
At end of year	—	—	2,921	3,125

(c) The loss allowance for other receivables of the Company under IFRS 9 as at 31 December 2018 and 2019 were approximately RMB2,760,000 and RMB2,504,000 respectively. The movement in provision for impairment of other receivables of the Company is as below:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year under IAS 39/IFRS 9	—	—	—	2,760
Effect of adoption of IFRS 9	—	—	1,894	—
At beginning of year	—	—	1,894	2,760
Loss allowance/(reversal of loss allowance) recognised	—	—	866	(256)
At end of year	—	—	2,760	2,504

25. BALANCES WITH SUBSIDIARIES, ULTIMATE HOLDING COMPANY, IMMEDIATE HOLDING COMPANIES AND RELATED PARTIES

The balances with these related parties, subsidiaries, immediate holding companies and ultimate holding company are trade in nature, unsecured, non-interest-bearing and repayable on demand.

The tables below provide further analysis of balances with related parties.

Group

		As at 31 December			
		2016	2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Due from a related party					
Due from a related company					
聊城奧德能源有限公司 ("Aode Energy")	(i)	3,214	—	—	46
Due to related parties					
Due to a fellow subsidiary					
Fengxiang Supermarket		2	—	—	—
		2	—	—	—
Due to related companies					
Aode Energy	(i)	674	1,353	1,680	2,213
陽穀縣藍海置業有限公司 ("Yanggu Lanhai")	(ii)	—	—	—	255
青島祥光物流有限公司 ("Xiangguang Logistics")	(ii)	3,206	2,922	1,201	1,824
山東祥瑞銅材有限公司 ("Xiangrui Copper")	(i)	241	—	—	—
山東祥泰永安工程技術有限公司 ("Shandong Xiangtai Engineering")	(ii)	—	673	876	991
		4,121	4,948	3,757	5,283
		4,123	4,948	3,757	5,283

Company

		As at 31 December			
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Due from a related party					
Due from a related company					
Aode Energy	(i)	2,539	—	—	—
Due to related parties					
Due to a fellow subsidiary					
Fengxiang Supermarket		1	—	—	—
		1	—	—	—
Due to related companies					
Xiangrui Copper	(i)	241	—	—	—
Aode Energy	(i)	—	1,353	1,445	1,793
		241	1,353	1,445	1,793
		242	1,353	1,445	1,793

Notes:

(i) The ultimate parent of the Company has significant influence over these entities.

(ii) The ultimate shareholders of the Company, Mr. Liu Xuejing, Mr. Liu Zhiguang and Mr. Liu Zhiming, have a combined 100% beneficial interest in these entities.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	302,729	170,998	435,903	373,686
Cash held by financial institution	87,055	55,914	86,487	374,269
Cash held by commodity brokers	8,372	2	1	—
Less: Pledged short-term deposits (note 29)	(131,145)	(65,600)	(273,667)	(184,590)
Cash and cash equivalents	267,011	161,314	248,724	563,365

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	70,432	95,224	322,415	146,788
Cash held by financial institution	3,656	12,704	8,422	348,537
Cash held by commodity brokers	8,372	1	1	—
Less: Pledged short-term deposits (note 29)	(35,000)	(35,076)	(188,078)	(40,000)
Cash and cash equivalents	47,460	72,853	142,760	455,325

As at 31 December 2016, 2017, 2018 and 2019, the cash and cash equivalents and pledged deposits of the Group denominated in RMB were RMB398,154,000, RMB226,914,000, RMB520,315,000 and RMB738,193,000 and of the Company were RMB82,460,000, RMB107,929,000, RMB330,838,000 and RMB495,325,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Banks balances earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Cash held by financial institution, i.e. GMK Finance, are unrestricted deposits that can be withdrawn at any time. Cash held by financial institution earns interest at floating rates based on daily bank deposit rates.

Pledged deposits represent deposits pledged to banks for securing banking facilities including letter of credits and bank loans granted to the Group. These pledged deposits will be released upon the release of the relevant facilities or the settlement of relevant borrowings.

Cash held by commodity brokers are non-interest bearing and unrestricted deposits that can be withdrawn at any time placed with commodity brokers for trading futures contracts in Mainland China.

27. TRADE AND BILLS PAYABLES

Trade payables are non-interest-bearing. The credit periods granted by each individual supplier are on a case-by-case basis and set out in the supplier contracts.

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	224,839	149,450	151,378	168,120
Bills payable	80,000	55,000	360,000	140,000
	304,839	204,450	511,378	308,120

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	151,039	88,040	93,528	83,667
Bills payable	—	—	361,000	140,000
	151,039	88,040	454,528	223,667

The Group's bills payable are all aged within six months.

As at 31 December 2018, the Company's bills payable of RMB1,000,000 represents the bills issued to a subsidiary of the Group.

Other than above, as at 31 December 2018 and 31 December 2019, the Group's bills payable are represents the bills issued to 山東陽穀大豐食品有限公司 ("Yanggu Da Feng"), a fellow subsidiary of the Company.

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	165,500	102,980	101,772	123,076
1 to 3 months	36,353	30,167	29,225	33,364
3 months to 1 year	20,459	9,796	11,846	7,469
Over 1 year	2,527	6,507	8,535	4,211
	224,839	149,450	151,378	168,120

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	112,082	62,178	58,830	59,989
1 to 3 months	20,502	14,175	16,613	16,422
3 months to 1 year	16,878	8,355	10,647	5,117
Over 1 year	1,577	3,332	7,438	2,139
	151,039	88,040	93,528	83,667

Note:
As at 31 December 2016, 2017, 2018 and 2019, trade payables included an amount of approximately RMB6,571,000, RMB7,324,000, RMB21,098,000 and nil respectively, which was payable to Yanggu Da Feng. These balances were unsecured, interest-free and repayable on demand.

28. ACCRUALS AND OTHER PAYABLES

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	95,363	91,621	125,370	130,511
Other payables	100,727	170,468	145,973	116,553
VAT and other taxes payables	3,656	4,047	6,050	5,406
	199,746	266,136	277,393	252,470

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	39,825	36,895	36,534	44,897
Other payables	45,490	44,663	51,373	42,040
VAT and other taxes payables	1,519	1,718	2,537	2,667
	86,834	83,276	90,444	89,604

29. BORROWINGS

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, secured (note a)	1,050,600	1,361,097	991,427	894,542
Other loans from financial institution, unsecured (note b)	—	198,000	28,000	28,000
Other loans from financial institution, secured (note c)	327,413	116,847	466,031	444,491
	1,378,013	1,675,944	1,485,458	1,367,033
Less: Non-current portion	(40,000)	—	(66,026)	(100,635)
Portion classified as current liabilities	1,338,013	1,675,944	1,419,432	1,266,398
Analysed into:				
Bank loans, secured repayable:				
Within one year	1,010,600	1,361,097	991,427	894,542
In the second year	40,000	—	—	—
	1,050,600	1,361,097	991,427	894,542
Other loans from financial institution, unsecured:				
Within one year	—	198,000	28,000	28,000
Other loans from financial institution, secured				
Within one year	327,413	116,847	400,005	343,856
In the second year	—	—	31,986	71,060
In the third to fifth years, inclusive	—	—	34,040	29,575
	327,413	116,847	466,031	444,491
	1,378,013	1,675,944	1,485,458	1,367,033
Effective interest rate per annum				
Bank loans, secured	1.47% to 7.25%	0.40% to 6.55%	1.47% to 6.00%	2.85% to 5.10%
Other loans from financial institution unsecured	—	3.92% to 6.19%	6.19%	6.19%
Other loans from financial institution, secured	3.05%	3.05%	3.05% to 6.65%	2.70% to 6.65%

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, secured (note a)	1,002,750	1,316,747	947,077	894,542
Other loans from financial institution, unsecured (note b)	—	50,000	—	—
Other loans from financial institution, secured (note d)	327,413	116,847	307,758	29,949
	1,330,163	1,483,594	1,254,835	924,491
Less: Non-current portion	(40,000)	—	—	—
Portion classified as current liabilities	1,290,163	1,483,594	1,254,835	924,491
Analysed into:				
Bank loans, secured repayable:				
Within one year	962,750	1,316,747	947,077	894,542
In the second year	40,000	—	—	—
	1,002,750	1,316,747	947,077	894,542
Other loans from financial institution, unsecured repayable:				
Within one year	—	50,000	—	—
Other loans from financial institution, secured repayable:				
Within one year	327,413	116,847	307,758	29,949
	1,330,163	1,483,594	1,254,835	924,491
Effective interest rate per annum				
Bank loans, secured	1.47% to 7.25%	0.40% to 6.55%	1.47% to 6.00%	4.35% to 5.10%
Other loans from financial institution, unsecured	—	3.92%	—	—
Other loans from financial institution, secured	3.05%	3.05%	3.05%	3.05%

Notes:

(a) The Group's and the Company's bank borrowings were secured/guaranteed by:

(i) mortgages of the Group's leasehold lands situated in Mainland China, which had aggregate net carrying values of RMB13,276,000, RMB3,446,000, RMB3,323,000 and RMB26,740,000 as at 31 December 2016, 2017, 2018 and 2019, respectively (note 17);

(ii) pledge of the Group's bank deposits of RMB131,145,000, RMB65,600,000, RMB273,667,000 and RMB184,590,000 and the pledge of Company's bank deposits of RMB35,000,000, RMB35,076,000, RMB188,078,000 and RMB40,000,000 as at 31 December 2016, 2017, 2018 and 2019, respectively (note 26).

(iii) pledge of certain of the Group's property, plant and equipment with aggregate net carrying amount of nil, RMB22,732,000, RMB22,855,000 and RMB249,484,000 as at 31 December 2016, 2017, 2018 and 2019, respectively (note 16);

(iv) mortgage over 13.19% equity interests in Xiangguang Copper held by Fengxiang Group as at 31 December 2016, 2017, 2018 and 2019;

(v) pledge of certain of the Xiangguang Copper's inventories with aggregate net carrying amount of RMB527,125,000, RMB527,125,000, RMB527,125,000 and RMB539,413,000 as at 31 December 2016, 2017, 2018 and 2019 respectively;

(vi) joint guarantee from Fengxiang Group, 山東祥光集團有限公司("Shandong Xiangguang Group") and Mr. Liu Xuejing for certain of the Group's bank loans of up to RMB 100,000,000 as at 31 December 2017;

(vii) joint guarantee from Fengxiang Group and Mr. Liu Xuejing, the ultimate controlling shareholder of the Group for certain of the Group's bank loans of up to RMB242,850,000, RMB239,350,000, RMB219,350,000 and nil as at 31 December 2016, 2017, 2018 and 2019, respectively;

(viii) joint guarantee from Fengxiang Group and Shandong Xiangguang Group for certain of the Group's and the Company's bank loans of up to RMB125,000,000, RMB40,000,000, nil and nil as at 31 December 2016, 2017, 2018 and 2019, respectively;

(ix) joint guarantee from Shandong Xiangguang Group and Mr. Liu Xuejing for certain of the Group's bank loans of up to RMB355,000,000, RMB370,000,000, RMB355,000,000 and nil as at 31 December 2016, 2017, 2018 and 2019, respectively;

(x) guarantee from Xiangrui Copper, a related company, for certain of the Group's and the Company's loans of up to RMB49,000,000, nil, nil and nil as at 31 December 2016, 2017, 2018 and 2019, respectively; and

(xi) secured by the Company's bills receivable of RMB315,000,000, RMB100,000,000 and RMB206,200,000 for certain of the Company's bank loans of RMB307,747,000, RMB98,077,000 and RMB198,542,000 at 31 December 2017, 2018 and 2019 respectively.

(b) The Group's and the Company's unsecured other loans from financial institution represent loans from GMK Finance.

(c) The Group's secured other loans from financial institution of approximately RMB327,413,000, RMB116,847,000, RMB370,031,000 and RMB276,195,540 as at 31 December 2016, 2017, 2018 and 2019, respectively, represent loans from GMK Finance, which were secured by the Company and its subsidiaries' bills receivable of RMB330,000,000, RMB120,000,000, RMB374,000,000 and RMB281,000,000 as at 31 December 2016, 2017, 2018 and 2019, respectively.

Other than above, the Group's secured other loans from financial institution were jointly guaranteed by GMK Finance, Shandong Xiangguang Group and Mr. Liu Xuejing and secured by pledge of certain machinery with aggregate net carrying amount of RMB89,630,000 and RMB157,940,000 as at 31 December 2018 and 2019 (note 16).

(d) The Company's secured other loans from financial institution represent loans from GMK Finance, which were secured by the Company's bills receivable of RMB330,000,000, RMB120,000,000, RMB311,000,000 and RMB30,000,000 as at 31 December 2016, 2017, 2018 and 2019, respectively.

30. DEFERRED GOVERNMENT GRANTS

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	11,720	11,540	18,189	16,736
Additions	300	7,203	11	1,500
Released to profit or loss	(480)	(554)	(1,464)	(2,358)
At end of year	11,540	18,189	16,736	15,878
Analysed into:				
Current	480	1,711	522	847
Non-current	11,060	16,478	16,214	15,031
	11,540	18,189	16,736	15,878

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	—	—	1,200	11
Additions	—	1,200	11	—
Released to profit or loss	—	—	(1,200)	(11)
At end of year	—	1,200	11	—
Analysed into:				
Current	—	1,200	11	—

Government grants received by the Group as financial subsidies were recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they were intended to compensate. There are no unfulfilled conditions or contingencies relating to the grants.

31. SHARE CAPITAL

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid:				
1,045,000,000 shares of RMB1.00 each	1,045,000	1,045,000	1,045,000	1,045,000

32. RESERVES

Group

Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Company and its subsidiaries established in the PRC, the Company and its subsidiaries established in the PRC are required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of their respective registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company and its subsidiaries established in the PRC, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Company and its subsidiaries established in the PRC. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

Other reserve

Other reserve represents consideration paid to the immediate parent of the Company, Fengxiang Group, in respect of acquisition of the entire equity interests of Fengxiang Supermarket during the year ended 31 December 2014, which is not included in the Listing Business and is accordingly regarded as deemed distribution to Fengxiang Group, and consideration received from Fengxiang Group in respect of the Company's disposal of the entire equity interests of Fengxiang Supermarket during the year ended 31 December 2016, which is regarded as deemed contribution from Fengxiang Group.

Merger reserve

Merger reserve represents the difference between the total carrying amounts of investment in subsidiary of the Company and the nominal value of the aggregate share capital of the subsidiaries of the Company arising from certain restructuring exercises undertaken by the Group during the Relevant Periods.

Hedging reserve

The hedging reserve represented the effective portion of the accumulative change in the fair value of hedging instruments, net of tax, pending subsequent recognition in profit or loss.

Company

	Statutory reserve	Other reserve	Hedging reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	—	(6,000)	496	(35,085)	(40,589)
Profit for the year	—	—	—	226,601	226,601
Other comprehensive income:					
Cash flow hedges	—	—	(496)	—	(496)
Total comprehensive income for the year	—	—	(496)	226,601	226,105
Carve out of a subsidiary	—	6,000	—	—	6,000
Transfer to statutory reserve	24,784	—	—	(24,784)	—
At 31 December 2016 and 1 January 2017	24,784	—	—	166,732	191,516
Profit and total comprehensive income for the year	—	—	—	161,148	161,148
Transfer to statutory reserve	15,452	—	—	(15,452)	—
At 31 December 2017 and 1 January 2018	40,236	—	—	312,428	352,664
Initial application of IFRS 9	—	—	—	(2,053)	(2,053)
Adjusted balance at 1 January 2018	40,236	—	—	310,375	350,611
Profit and total comprehensive income for the year	—	—	—	160,879	160,879
Transfer to statutory reserve	15,156	—	—	(15,156)	—
At 31 December 2018 and 1 January 2019	55,392	—	—	456,098	511,490
Profit and total comprehensive income for the year	—	—	—	715,853	715,853
Transfer to statutory reserve	70,224	—	—	(70,224)	—
At 31 December 2019	125,616	—	—	1,101,727	1,227,343

33. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods, contingent liabilities not provided for in the Historical Financial Information were as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to a fellow subsidiary of the Group	124,260	95,000	64,061	—

Certain banking facilities granted to Xiangguang Copper, a fellow subsidiary, are secured by:

(i) mortgages over certain of the Group's buildings with an aggregate net carrying amount of approximately RMB62,148,000, nil, RMB60,187,000 and nil at 31 December 2016, 2017, 2018 and 2019, respectively (note 16); and

(ii) mortgages over certain of the Group's land use rights with an aggregate net carrying amount of approximately RMB34,933,000, nil, RMB17,936,000 and nil at 31 December 2016, 2017, 2018 and 2019, respectively (note 17).

The fair values of the guarantees are not significant and the Directors consider that the risk of default in payment is remote, and therefore no provision for the guarantees has been made in this Historical Financial Information.

34. COMMITMENTS

Capital commitments not provided for in the Historical Financial Information were as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment:				
- contracted for but not yet incurred	19,021	67,087	145,037	171,815

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods				
Fellow subsidiaries:				
Xiangguang Copper	246	291	254	294
Fengxiang Supermarket	3,868	3,835	3,370	3,338
中科鳳祥生物工程股份有限公司	3,533	3,624	4,077	3,344
Related companies:				
魯西南醫院有限公司 ("Luxinan Hospital")	—	—	89	89
Yanggu Lanhai	—	—	—	55
Purchases of goods				
A fellow subsidiary:				
Yanggu Da Feng	319,925	335,922	360,419	149,728
Transportation cost				
A related company:				
Xiangguang Logistics	9,246	14,865	12,770	14,795
Staff benefit				
A related company:				
Luxinan Hospital	—	—	1,005	691
Utilities expenses				
Fellow subsidiaries:				
新鳳祥能源發展有限公司	—	—	838	775
Aode Energy	10,933	30,166	32,501	33,905
Rental expense				
Ultimate holding company	1,920	1,051	1,228	4,964
Interest income				
A fellow subsidiary:				
GMK Finance	1,469	1,317	1,344	2,461
Finance costs				
Fellow subsidiaries:				
GMK Finance	10,963	11,967	18,299	19,236
Yanggu Da Feng	2,928	4,396	13,774	13,696
Consumables expenses				
A fellow subsidiary				
Fengxiang Supermarket	2,181	582	68	87
A related company:				
陽穀祥泰物業有限公司 ("Yanggu Xiangtai Property") (note (i))	—	—	—	19,227
陽穀祥泰酒店餐飲管理有限公司 (note (ii))	—	15	1,915	1,650

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Purchases and construction of property, plant and equipment				
Immediate holding company	—	14,303	7,927	—
Fellow subsidiaries:				
山東鳳祥—愛迪西股份有限公司	—	69,141	—	—
Shandong Xiangtai Engineering	—	1,980	884	117
Acquisition of right-of-use asset				
Immediate holding company	—	1,011	—	—
Disposal of property, plant and equipment				
A related company:				
山東祥泰置業開發有限公司 (note (ii))	—	19,111	—	—

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

Notes:

(i) Mr. Liu Xuejing is a director and an equity holder of the holding company of Yanggu Xiangtai Property.

(ii) Mr. Liu Xuejing was the controlling shareholders of these entities for the period from 1 January 2016 to 15 December 2018.

(b) Compensation of key management personnel of the Group

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	4,950	5,669	17,654	14,868
Pension scheme contributions	—	—	—	—
	4,950	5,699	17,654	14,868

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transaction:

Proceeds of RMB30,000,000 from disposal of property, plant and equipment transacted in 2015 were received during the year ended 31 December 2016. Such consideration was included in "Due from a related party" as at 1 January 2016.

Changes in liabilities arising from financing activities

	Borrowings	Due to ultimate holding company	Due to immediate holding company	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,256,793	1,925	72,943	181,279
Changes from cash flows:				
Drawdown of borrowings	2,142,550	—	—	—
Repayments of borrowings	(2,021,330)	—	—	—
Interest paid	(58,823)	—	—	(10,535)
Repayment of principal portion of lease liabilities	—	—	—	(7,001)
Repayment of advance from with immediate holding companies	—	—	(72,943)	—
Repayment of advance from with an ultimate holding company	—	(1,731)	—	—
Total changes from financing cash flows	62,397	(1,731)	(72,943)	(17,536)
Other changes:				
Finance costs	58,823	—	—	10,535
Acquisition of right-of-use assets	—	—	—	4,437
Others	—	43	—	—
At 31 December 2016 and 1 January 2017	1,378,013	237	—	178,715
Changes from cash flows:				
Drawdown of borrowings	2,401,850	—	—	—
Repayments of borrowings	(2,103,919)	—	—	—
Interest paid	(58,334)	—	—	(10,939)
Repayment of principal portion of lease liabilities	—	—	—	(8,010)
Advance from immediate holding companies	—	—	14,000	—
Repayment of advance from an ultimate holding company	—	(194)	—	—
Total changes from financing cash flows	239,597	(194)	14,000	(18,949)
Other changes:				
Finance costs	58,334	—	—	10,939
Acquisition of right-of-use assets	—	—	—	13,241
Others	—	(43)	—	—
At 31 December 2017 and 1 January 2018	1,675,944	—	14,000	183,946
Changes from cash flows:				
Drawdown of borrowings	2,135,766	—	—	—
Repayments of borrowings	(2,326,252)	—	—	—
Interest paid	(72,441)	—	—	(10,780)
Repayment of principal portion of lease liabilities	—	—	—	(2,403)
Repayment of advance from immediate holding companies	—	—	(14,000)	—
Total changes from financing cash flows	(262,927)	—	(14,000)	(13,183)
Other changes:				
Finance costs	72,441	—	—	10,780
Acquisition of right-of-use assets	—	—	—	4,069
At 31 December 2018 and 1 January 2019	1,485,458	—	—	185,612
Changes from cash flows:				
Drawdown of borrowings	1,630,028	—	—	—
Repayments of borrowings	(1,748,453)	—	—	—
Interest paid	(64,105)	—	—	(11,521)
Repayment of principal portion of lease liabilities	—	—	—	(3,759)
Total changes from financing cash flows	(182,530)	—	—	(15,280)
Other changes:				
Finance costs	64,105	—	—	11,521
Acquisition of right-of-use assets	—	—	—	15,066
At 31 December 2019	1,367,033	—	—	196,919

During the year ended 31 December 2019, total outstanding interest on bills payable of RMB34,794,000 was fully repaid.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
Trade and bills receivables	—	—	188,648	206,625
Deposits and other receivables	—	—	3,909	3,787
Due from a related party	—	—	—	46
Pledged deposits	—	—	273,667	184,590
Cash and cash equivalents	—	—	248,724	563,365
	—	—	714,948	958,413
Loans and receivables				
Trade and bills receivables	80,691	106,659	—	—
Deposits and other receivables	10,688	17,055	—	—
Due from a related party	3,214	—	—	—
Due from ultimate holding company	43	—	—	—
Pledged deposits	131,145	65,600	—	—
Cash and cash equivalents	267,011	161,314	—	—
	492,792	350,628	—	—
	492,792	350,628	714,948	958,413
Financial liabilities				
Financial liabilities at amortised cost				
Trade and bills payables	304,839	204,450	511,378	308,120
Accruals and other payables	196,090	262,089	271,343	247,064
Lease liabilities	178,715	183,946	185,612	196,919
Borrowings	1,378,013	1,675,944	1,485,458	1,367,033
Due to related parties	4,123	4,948	3,757	5,283
Due to ultimate holding company	237	—	—	—
Due to immediate holding company	—	14,000	—	—
	2,062,017	2,345,377	2,457,548	2,124,419

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
Trade and bills receivables	—	—	412,590	237,790
Deposits and other receivables	—	—	2,728	2,549
Due from subsidiaries	—	—	52,975	105,314
Pledged deposits	—	—	188,078	40,000
Cash and cash equivalents	—	—	142,760	455,325
	—	—	799,131	840,978
Loans and receivables				
Trade and bills receivables	331,637	438,180	—	—
Deposits and other receivables	8,294	15,628	—	—
Due from a related party	2,539	—	—	—
Due from subsidiaries	159,289	191,410	—	—
Pledged deposits	35,000	35,076	—	—
Cash and cash equivalents	47,460	72,853	—	—
	584,219	753,147	—	—
	584,219	753,147	799,131	840,978
Financial liabilities				
Financial liabilities at amortised cost				
Trade payables	151,039	88,040	454,528	223,667
Accruals and other payables	85,315	81,558	87,907	86,937
Lease liabilities	171,134	178,702	177,280	175,978
Borrowings	1,330,163	1,483,594	1,254,835	924,491
Due to related parties	242	1,353	1,445	1,793
Due to subsidiaries	111	15,315	13,050	12,990
	1,738,004	1,848,562	1,989,045	1,425,856

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank and other loans. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

Group

	(Decrease)/increase on profit after tax and equity			
	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Increase by 25 basis points	(626)	(1,106)	(994)	(563)
Decrease by 25 basis points	626	1,106	994	563

Company

	(Decrease)/increase on profit after tax and equity			
	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Increase by 25 basis points	(626)	(1,106)	(994)	(563)
Decrease by 25 basis points	626	1,106	994	563

Foreign currency risk

Majority of the revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currencies.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

Exposure to foreign currencies (expressed in thousands of RMB)

	As at 31 December							
	2016		2017		2018		2019	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
Trade receivables (RMB'000)	33,388	—	59,405	—	55,324	—	67,371	—
Trade payables (RMB'000)	(54)	—	(14)	—	(159)	—	—	—
Other payables (RMB'000)	—	—	—	—	—	(2,822)	—	(780)
Cash at banks (RMB'000)	5	—	—	—	60	—	1,261	—
Net exposure arising from recognised assets and liabilities	**33,339**	**—**	**59,391**	**—**	**55,225**	**(2,822)**	**68,632**	**(780)**

Such exposures arise from sales by group entities in currencies other than their functional currencies. Approximately 3%, 3%, 3 % and 3% of the Group's sales for the years ended 31 December 2016, 2017, 2018 and 2019, respectively, were denominated in currencies other than the functional currencies of the group entities (i.e. RMB). At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("USD") and European Union dollar ("EUR") exchange rates, with all other variables held constant, of the Group's profit after income tax (due to changes in the fair values of monetary assets and liabilities).

Group

	Increase/(decrease) on profit after tax and equity			
	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
RMB/USD				
If USD strengthens against RMB by 5%	1,667	2,969	2,761	3,431
If USD weakens against RMB by 5%	(1,667)	(2,969)	(2,761)	(3,431)
RMB/EUR				
If EUR strengthens against RMB by 5%	—	—	(141)	(39)
If EUR weakens against RMB by 5%	—	—	141	39

Credit risk

The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of business and advances to other counterparties.

The Group continuously monitors default of customers and other counterparties, identified either individually or by group, and incorporate this information into credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's and the Company's exposure to credit risk and ECLs for trade receivables as at 31 December 2018 and 2019:

Group

	Expected loss rate	Gross carrying amount As at 31 December 2018	Gross carrying amount As at 31 December 2019
	%	RMB'000	RMB'000
Current	0.5%	156,843	193,370
0-90 days past due	1%	30,540	7,066
Over 90 days past due	5%-50%	3,915	9,380
		191,298	209,816

Company

	Expected loss rate	Gross carrying amount As at 31 December 2018	Gross carrying amount As at 31 December 2019
	%		
Over 90 days past due	5%-50%	3,180	3,180
		3,180	3,180

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group and the Company measures loss allowances for deposits paid and other receivables, cash and cash equivalents, pledged deposits and amounts due from a related party, subsidiaries and ultimate holding company at an amount equal to 12 months ECLs. Applying the ECL model, results in impairment of approximately RMB2,049,000 on the gross carrying amount of other receivables of the Group of RMB17,055,000 as at 1 January 2018. As at 31 December 2018 and 2019, the gross carrying amount of deposits paid and other receivables of the Group are approximately RMB6,830,000 and RMB6,912,000 respectively, and the loss allowances of the Group increased by RMB872,000 and RMB204,000 for other receivables of the Group during the years ended 31 December 2018 and 2019 respectively. As at 31 December 2018 and 2019, the gross carrying amount of deposits paid and other receivables of the Company are approximately RMB5,488,000 and RMB5,053,000 respectively, and the loss allowances increased by RMB866,000 and decreased by RMB256,000 for other receivables of the Company during the year ended 31 December 2018 and 2019 respectively. The credit risk on other financial assets of the Group and the Company is limited because the counterparties have no historical default record and the Directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date and consider that the ECL is immaterial as at reporting date.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 5(g)(B)(ii)). During the years ended 31 December 2016 and 2017, impairment provision of RMB1,628,000 and reversal of impairment provision of RMB1,628,000 were made on trade receivables respectively according to the Group's assessment.

At the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 64%, 56%, 63 % and 58% of the Group's trade receivables as at 31 December 2016, 2017, 2018 and 2019 were due from the Group's three largest debtors. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the Historical Financial Information.

Majority of the deposits are placed with banks, financial institutions and commodity brokers with sound credit ratings to mitigate the risk.

Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool, which considers the maturity of both its financial instruments and financial assets (e.g. trade and bills receivables) and projected cash flows from operations. The Group also maintains a balance between continuity of funding and flexibility through the use of bank and other loans as well as banking facilities in place for contingency purpose.

The basis of preparing the Historical Financial Information under the going concern assumption have been discussed in note 3.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years	More than two years but less than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016					
Trade and bills payables	304,839	304,839	304,839	—	—
Accruals and other payables	196,090	196,090	196,090	—	—
Borrowings	1,378,013	1,384,406	1,343,220	41,186	—
Due to related parties	4,123	4,123	4,123	—	—
Due to ultimate holding company	237	237	237	—	—
	1,883,302	1,889,695	1,848,509	41,186	—
At 31 December 2017					
Trade and bills payables	204,450	204,450	204,450	—	—
Accruals and other payables	262,089	262,089	262,089	—	—
Borrowings	1,675,944	1,686,350	1,686,350	—	—
Due to related parties	4,948	4,948	4,948	—	—
Due to immediate holding company	14,000	14,000	14,000	—	—
	2,161,431	2,171,837	2,171,837	—	—
At 31 December 2018					
Trade and bills payables	511,378	511,378	511,378	—	—
Accruals and other payables	271,343	271,343	271,343	—	—
Borrowings	1,485,458	1,536,576	1,468,354	33,050	35,172
Due to related parties	3,757	3,757	3,757	—	—
	2,271,936	2,323,054	2,254,832	33,050	35,172
At 31 December 2019					
Trade and bills payables	308,120	308,120	308,120	—	—
Accruals and other payables	247,064	247,064	247,064	—	—
Borrowings	1,367,033	1,408,541	1,302,515	75,337	30,689
Due to related parties	5,283	5,283	5,283	—	—
	1,927,500	1,969,008	1,862,982	75,337	30,689

Company

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016				
Trade payables	151,039	151,039	151,039	—
Accruals and other payables	85,315	85,315	85,315	—
Borrowings	1,330,163	1,333,936	1,292,750	41,186
Due to related parties	242	242	242	—
Due to subsidiaries	111	111	111	—
	1,566,870	1,570,643	1,529,457	41,186
At 31 December 2017				
Trade payables	88,040	88,040	88,040	—
Accruals and other payables	81,558	81,558	81,558	—
Borrowings	1,483,594	1,494,000	1,494,000	—
Due to related parties	1,353	1,353	1,353	—
Due to subsidiaries	15,315	15,315	15,315	—
	1,669,860	1,680,266	1,680,266	—
At 31 December 2018				
Trade payables	454,528	454,528	454,528	—
Accruals and other payables	87,907	87,907	87,907	—
Borrowings	1,254,835	1,260,000	1,260,000	—
Due to related parties	1,445	1,445	1,445	—
Due to subsidiaries	13,050	13,050	13,050	—
	1,811,765	1,816,930	1,816,930	—
At 31 December 2019				
Trade payables	223,667	223,667	223,667	—
Accruals and other payables	86,937	86,937	86,937	—
Borrowings	924,491	945,713	945,713	—
Due to related parties	1,793	1,793	1,793	—
Due to subsidiaries	12,990	12,990	12,990	—
	1,249,878	1,271,100	1,271,100	—

Price risk

The Group is exposed to commodity price risk. To manage its price risk arising from future commercial transactions on one of the major raw materials — soybean meal corn and soybean oil, the Group purchased futures contracts in Dalian Commodity Exchange.

As at the end of each of the Relevant Periods, the Group did not have any material unsettled future contract.

Fair value measurements

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair values of trade and bills receivables, deposits and other receivables, balances with related parties, subsidiaries, immediate holding company and ultimate holding company, pledged deposits, cash and cash equivalents, trade and bills payables, accruals and other payables and current portion of borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of borrowings have been calculated by discounting the expected future cash flows using the rates currently available for instruments on similar terms, credit risk and remaining maturities.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of each of the reporting periods were as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	1,378,013	1,675,944	1,485,458	1,367,033
Total equity	1,240,987	1,310,359	1,426,195	2,263,640
Gearing ratio	111%	128%	104%	60%

40. EVENTS AFTER THE REPORTING PERIOD

After the outbreak of COVID-19 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Directors are of the view that the domestic demand of the Group's chicken meat products may be impacted by the COVID-19 outbreak in the short-term. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent to which could not be estimated as at the date of this report.

Except as disclosed elsewhere in this Historical Financial Information, there are no material subsequent events undertaken by the Company or the Group after 31 December 2019.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2019.