

## APPENDIX I

## ACCOUNTANTS’ REPORT

*The following is the text of a report set out on pages I-1 to I-78, received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

### **ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 四川德康農牧食品集團股份有限公司 DEKON FOOD AND AGRICULTURE GROUP, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

#### **Introduction**

We report on the historical financial information of 四川德康農牧食品集團股份有限公司 (Dekon Food and Agriculture Group) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-78, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 31 May 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023 (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-78 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

#### **Directors’ responsibility for Historical Financial Information**

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

#### **Reporting accountants’ responsibility**

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

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

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

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at 31 December 2020, 2021 and 2022 and 31 May 2023, and of the Group’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

### **Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended 31 May 2022 and other explanatory information (the “Stub Period Corresponding Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

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

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to Note 32(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company during the Relevant Periods.

[●]

*Certified Public Accountants*  
8th Floor, Prince’s Building  
10 Chater Road  
Central, Hong Kong

[Date]

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**HISTORICAL FINANCIAL INFORMATION**

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

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



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	Years ended 31 December				Five months ended 31 May										
	2020		2021		2022		2023								
	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000							
<b>Profit/(loss) from operations</b>	2,467,967	1,296,986	3,764,953	(151,649)	(2,703,510)	2,855,159	372,939	1,332,089	(994,320)	(386,579)	(1,380,899)	(832,698)	(1,162,149)	(1,994,847)	
Finance cost	(155,589)	-	(155,589)	(312,242)	-	(312,242)	(405,272)	-	(405,272)	(163,223)	-	(163,223)	(189,182)	-	(189,182)
Share of losses of associates	(347)	-	(347)	(3,271)	-	(3,271)	(16,382)	-	(16,382)	(4,176)	-	(4,176)	-	-	-
<b>Profit/(loss) before taxation</b>	2,312,031	1,296,986	3,609,017	(467,162)	(2,703,510)	(3,170,672)	537,496	910,435	(1,161,719)	(386,579)	(1,548,298)	(1,021,880)	(1,162,149)	(2,184,029)	
Income tax	(666)	-	(666)	(1,986)	-	(1,986)	(680)	(680)	(346)	-	(346)	(435)	-	(435)	
<b>Profit/(loss) and total comprehensive income for the year/period</b>	2,311,365	1,296,986	3,608,351	(469,148)	(2,703,510)	(3,172,658)	536,816	909,755	(1,162,065)	(386,579)	(1,548,644)	(1,022,315)	(1,162,149)	(2,184,464)	

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	Years ended 31 December			Five months ended 31 May		
	2020	2021	2022	2022	2023	
	Results before biological assets fair value adjustments RMB'000	Results before biological assets fair value adjustments RMB'000	Results before biological assets fair value adjustments RMB'000	Results before biological assets fair value adjustments RMB'000	Results before biological assets fair value adjustments RMB'000	
	Biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000
	Total RMB'000	Total RMB'000	Total RMB'000	Total RMB'000	Total RMB'000	Total RMB'000
Note						
Attributable to:						
Equity shareholders of the Company	3,488,173	(2,997,303)	992,866	(1,374,898)	(2,026,138)	
Non-controlling interests	120,178	(175,355)	(83,111)	(173,746)	(158,326)	
Profit/(loss) and total comprehensive income for the year/period	3,608,351	(3,172,658)	909,755	(1,548,644)	(2,184,464)	
Earnings/(loss) per share Basic and diluted (RMB)	9.76	(8.32)	2.74	(3.80)	(5.60)	

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(Expressed in RMB)*

	<i>Note</i>	<b>At 31 December</b>			<b>At 31 May</b>
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Non-current assets</b>					
Property, plant and equipment	<i>11</i>	6,197,815	8,694,703	9,095,923	9,346,689
Non-current biological assets	<i>12</i>	2,436,422	918,054	946,361	1,111,780
Intangible assets	<i>13</i>	1,856	2,508	3,166	2,824
Goodwill	<i>14</i>	14,730	14,730	14,730	14,730
Interests in associates	<i>16</i>	9,653	16,382	–	–
Deferred tax assets	<i>29(b)</i>	1	1	2	2
Other non-current assets	<i>17</i>	52,517	60,167	25,662	63,822
		<u>8,712,994</u>	<u>9,706,545</u>	<u>10,085,844</u>	<u>10,539,847</u>
<b>Current assets</b>					
Inventories	<i>18</i>	444,081	570,128	707,180	529,988
Current biological assets	<i>12</i>	3,244,529	3,166,041	4,462,752	3,002,241
Trade receivables	<i>19</i>	1,591	5,739	13,434	15,194
Prepayments, deposits and other receivables	<i>20</i>	142,095	235,284	413,418	424,752
Financial assets at fair value through profit or loss (“FVPL”)	<i>21</i>	655,198	51,783	352,721	393,653
Derivative financial instruments	<i>22</i>	–	38,746	–	16,139



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	<i>Note</i>	<b>At 31 December</b>			<b>At 31 May</b>
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Restricted deposits		125,958	188,169	421,853	463,251
Cash and cash equivalents	23	<u>1,711,874</u>	<u>1,808,973</u>	<u>2,843,255</u>	<u>2,241,763</u>
		<u>6,325,326</u>	<u>6,064,863</u>	<u>9,214,613</u>	<u>7,086,981</u>
<b>Current liabilities</b>					
Trade and bills payables	24	628,362	1,201,195	1,488,010	1,706,507
Accruals and other payables	25	1,378,031	1,835,826	3,060,906	2,959,550
Interest-bearing borrowings	26	2,445,481	3,214,308	4,455,510	4,994,910
Lease liabilities	27	44,265	71,264	76,925	83,324
Derivative financial instruments	22	–	342	2,485	25,743
Current taxation	29(a)	<u>383</u>	<u>118</u>	<u>560</u>	<u>796</u>
		<u>4,496,522</u>	<u>6,323,053</u>	<u>9,084,396</u>	<u>9,770,830</u>
<b>Net current assets/(liabilities)</b>					
		<u>1,828,804</u>	<u>(258,190)</u>	<u>130,217</u>	<u>(2,683,849)</u>
<b>Total assets less current liabilities</b>					
		<u>10,541,798</u>	<u>9,448,355</u>	<u>10,216,061</u>	<u>7,855,998</u>

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	<i>Note</i>	At 31 December			At 31 May
		2020	2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Non-current liabilities</b>					
Interest-bearing					
borrowings	26	1,713,949	2,753,851	2,440,271	2,041,398
Lease liabilities	27	1,248,376	2,009,819	2,047,050	2,217,329
Deferred income	30	385,543	527,719	660,738	681,433
Other non-current liabilities	31	34,200	24,200	4,200	–
		<u>3,382,068</u>	<u>5,315,589</u>	<u>5,152,259</u>	<u>4,940,160</u>
<b>NET ASSETS</b>		<u>7,159,730</u>	<u>4,132,766</u>	<u>5,063,802</u>	<u>2,915,838</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	32	360,000	361,964	361,964	361,964
Reserves		<u>6,485,864</u>	<u>3,610,924</u>	<u>4,607,673</u>	<u>2,591,735</u>
<b>Total equity attributable to equity shareholders of the Company</b>		6,845,864	3,972,888	4,969,637	2,953,699
<b>Non-controlling interests</b>		<u>313,866</u>	<u>159,878</u>	<u>94,165</u>	<u>(37,861)</u>
<b>TOTAL EQUITY</b>		<u>7,159,730</u>	<u>4,132,766</u>	<u>5,063,802</u>	<u>2,915,838</u>

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**STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

*(Expressed in RMB)*

	<i>Note</i>	<b>At 31 December</b>			<b>At 31 May</b>
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Non-current assets</b>					
Property, plant and equipment		7,049	9,149	19,592	18,314
Intangible assets		1,856	2,013	2,887	2,636
Interests in subsidiaries	15	363,850	438,241	450,201	501,141
Amounts due from subsidiaries	38	1,292,850	414,093	493,842	483,985
		<u>1,665,605</u>	<u>863,496</u>	<u>966,522</u>	<u>1,006,076</u>
<b>Current assets</b>					
Inventories		1,679	1,093	987	2,881
Prepayments, deposits and other receivables		844	8,631	28,229	46,179
Amounts due from subsidiaries	38	2,834,681	4,063,375	4,054,492	4,781,332
Financial assets at FVPL	21	655,198	50,283	351,341	392,641
Derivative financial instruments	22	–	38,692	–	16,019
Restricted deposits		103,300	178,040	399,878	440,223
Cash and cash equivalents	23	1,529,472	1,561,517	2,415,625	1,776,951
		<u>5,125,174</u>	<u>5,901,631</u>	<u>7,250,552</u>	<u>7,456,226</u>
<b>Current liabilities</b>					
Trade and bills payables		20,000	–	–	4,205
Accruals and other payables		58,121	29,095	80,518	73,777
Amounts due to subsidiaries	38	2,287,317	1,539,176	2,074,805	2,090,096
Interest-bearing borrowings	26	2,158,000	2,565,600	3,350,560	3,843,485
Lease liabilities		2,036	1,601	2,404	2,044
Derivative financial instruments	22	–	–	2,400	20,802
		<u>4,525,474</u>	<u>4,135,472</u>	<u>5,510,687</u>	<u>6,034,409</u>

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	<i>Note</i>	At 31 December			At 31 May
		2020	2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Net current assets</b>		<u>599,700</u>	<u>1,766,159</u>	<u>1,739,865</u>	<u>1,421,817</u>
<b>Total assets less current liabilities</b>		<u>2,265,305</u>	<u>2,629,655</u>	<u>2,706,387</u>	<u>2,427,893</u>
<b>Non-current liabilities</b>					
Interest-bearing borrowings	26	811,500	311,100	305,450	41,689
Lease liabilities		1,202	945	1,124	598
Deferred income		–	405	3,749	2,718
		<u>812,702</u>	<u>312,450</u>	<u>310,323</u>	<u>45,005</u>
<b>NET ASSETS</b>		<u>1,452,603</u>	<u>2,317,205</u>	<u>2,396,064</u>	<u>2,382,888</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	32	360,000	361,964	361,964	361,964
Reserves		<u>1,092,603</u>	<u>1,955,241</u>	<u>2,034,100</u>	<u>2,020,924</u>
<b>TOTAL EQUITY</b>		<u>1,452,603</u>	<u>2,317,205</u>	<u>2,396,064</u>	<u>2,382,888</u>

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company							Total equity RMB'000
		Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	
<b>Balance at 1 January 2020</b>		290,384	567,010	14,330	1,583	2,261,621	3,134,928	151,708	3,286,636
<b>Changes in equity for 2020:</b>									
Profit and total comprehensive income for the year		-	-	-	-	3,488,173	3,488,173	120,178	3,608,351
Issue of ordinary shares	32(c)	6,701	293,299	-	-	-	300,000	-	300,000
Capital contribution from non-controlling interests		-	-	-	-	-	-	55,890	55,890
Capitalisation issue	32(c)	62,915	-	-	-	(62,915)	-	-	-
Appropriation to reserve	32(d)	-	-	30,522	-	(30,522)	-	-	-
Recognition of share-based payments	28	-	5,567	-	-	-	5,567	-	5,567
Business combination	33	-	-	-	-	-	-	3,092	3,092
Acquisition of non-controlling interests	34	-	-	-	(2,804)	-	(2,804)	(3,897)	(6,701)
Dividends declared during the year	32(b)	-	-	-	-	(80,000)	(80,000)	(13,105)	(93,105)
<b>Balance at 31 December 2020</b>		360,000	865,876	44,852	(1,221)	5,576,357	6,845,864	313,866	7,159,730
<b>Balance at 1 January 2021</b>		360,000	865,876	44,852	(1,221)	5,576,357	6,845,864	313,866	7,159,730
<b>Changes in equity for 2021:</b>									
Loss and total comprehensive income for the year		-	-	-	-	(2,997,303)	(2,997,303)	(175,355)	(3,172,658)
Issue of ordinary shares	32(c)	1,964	118,036	-	-	-	120,000	-	120,000
Capital contribution from non-controlling interests		-	-	-	-	-	-	34,622	34,622
Appropriation to reserve	32(d)	-	-	73,816	-	(73,816)	-	-	-
Recognition of share-based payments	28	-	5,633	-	-	-	5,633	-	5,633
Disposal of interests in subsidiaries	23(d)	-	-	-	-	-	-	(396)	(396)
Liquidation of subsidiaries		-	-	-	-	-	-	(9,762)	(9,762)
Acquisition of non-controlling interests	34	-	-	-	(1,306)	-	(1,306)	(3,097)	(4,403)
<b>Balance at 31 December 2021</b>		361,964	989,545	118,668	(2,527)	2,505,238	3,972,888	159,878	4,132,766

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	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at 1 January 2022</b>	361,964	989,545	118,668	(2,527)	2,505,238	3,972,888	159,878	4,132,766
<b>Changes in equity for 2022</b>								
Profit and total comprehensive income for the year	-	-	-	-	992,866	992,866	(83,111)	909,755
Capital contribution from non-controlling interests	-	-	-	-	-	-	18,600	18,600
Appropriation to reserve	-	-	7,528	-	(7,528)	-	-	-
Recognition of share-based payments	-	3,579	-	-	-	3,579	-	3,579
Disposal of interests in subsidiaries	-	-	-	-	-	-	(298)	(298)
Deemed disposal of interests in subsidiaries	-	-	-	1,390	-	1,390	1,010	2,400
Acquisition of non-controlling interest	-	-	-	(1,086)	-	(1,086)	(1,914)	(3,000)
<b>Balance at 31 December 2022</b>	<b>361,964</b>	<b>993,124</b>	<b>126,196</b>	<b>(2,223)</b>	<b>3,490,576</b>	<b>4,969,637</b>	<b>94,165</b>	<b>5,063,802</b>

Note

32(d)  
28  
23(d)  
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	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>(unaudited)</b>								
<b>Balance at 1 January 2022</b>	361,964	989,545	118,668	(2,527)	2,505,238	3,972,888	159,878	4,132,766
<b>Changes in equity for five months ended 31 May 2022:</b>								
Loss and total comprehensive income for the period	-	-	-	-	(1,374,898)	(1,374,898)	(173,746)	(1,548,644)
Capital contribution from non-controlling interests	-	-	-	-	-	-	12,599	12,599
Recognition of share-based payments	-	2,121	-	-	-	2,121	-	2,121
Deemed disposal of interests in subsidiaries	-	-	-	1,390	-	1,390	1,010	2,400
<b>Balance at 31 May 2022</b>	361,964	991,666	118,668	(1,137)	1,130,340	2,601,501	(259)	2,601,242

Note

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	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>(unaudited)</b>								
<b>Balance at 1 January 2023</b>	361,964	993,124	126,196	(2,223)	3,490,576	4,969,637	94,165	5,063,802
<b>Changes in equity for five months ended 31 May 2023:</b>								
Loss and total comprehensive income for the period	-	-	-	-	(2,026,138)	(2,026,138)	(158,326)	(2,184,464)
Capital contribution from non-controlling interests	-	-	-	-	-	-	10,500	10,500
Deemed disposal of interests in subsidiaries	-	-	-	7,311	-	7,311	18,689	26,000
Acquisition of non-controlling interest	-	-	-	2,889	-	2,889	(2,889)	-
<b>Balance at 31 May 2023</b>	361,964	993,124	126,196	7,977	1,464,438	2,953,699	(37,861)	2,915,838

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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED CASH FLOW STATEMENTS**

*(Expressed in RMB)*

	Note	Year ended 31 December			Five months ended	
		2020	2021	2022	31 May	2023
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					<i>(unaudited)</i>	
<b>Profit/(loss) before taxation</b>		3,609,017	(3,170,672)	910,435	(1,548,298)	(2,184,029)
<b>Adjustments for:</b>						
Depreciation charge on property, plant and equipment	11(a)	250,877	564,677	723,888	313,584	379,306
Impairment loss on property, plant and machinery		959	–	–	–	–
Amortisation of intangible assets	13	190	612	797	295	908
Provision for expected credit loss of trade and other receivables		2,240	5,917	13,332	5,801	300
Finance costs	6(a)	155,589	312,242	405,272	163,223	189,182
Interest income	5	(16,143)	(32,624)	(30,455)	(4,544)	(19,693)
Share of losses of associates		347	3,271	16,382	4,176	–
(Gain)/loss on sale of property, plant and equipment and intangible assets	5	(13,013)	4,259	215	1,564	518
(Gain)/loss on disposal of interests in subsidiaries	5	–	(938)	852	–	–
Changes in fair value of biological assets	12	(1,295,726)	2,753,504	(304,795)	419,278	1,202,422
Changes in fair value of financial assets at FVPL	5	(19,338)	(13,307)	(6,063)	(595)	(5,228)
Changes in fair value of unlisted equity investments	5	–	–	120	–	368
Unrealised (gain)/loss on derivative financial instruments, net		–	(38,404)	719	3,122	1,766
Equity-settled share-based payment expenses	28	5,567	5,633	3,579	2,121	–
Government grants	5	(41,022)	(51,579)	(74,042)	(24,262)	(29,386)



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	<i>Note</i>	<b>Year ended 31 December</b>			<b>Five months ended 31 May</b>	
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(unaudited)</i>	
<b>Changes in working capital:</b>						
(Increase)/decrease in inventories		(186,910)	(126,047)	(137,052)	(11,480)	177,192
(Increase)/decrease in biological assets		(1,338,158)	(823,476)	(802,579)	115,058	192,979
Decrease/(increase) in trade receivables		5,969	(4,148)	(7,695)	(6,532)	(1,760)
(Increase)/decrease in prepayments, deposits and other receivables		(10,138)	(62,656)	(100,640)	(3,136)	27,860
Increase in trade and bills payables		236,172	572,833	286,815	91,644	218,497
Increase/(decrease) in accruals and other payables		422,482	507,620	1,235,536	815,604	(45,385)
(Increase)/decrease in other non-current assets		(484)	6,279	69,237	599	464
Increase in restricted deposits		(96,223)	(511)	(6,584)	(31,401)	(41,398)
<b>Cash generated from operations</b>		<u>1,672,254</u>	<u>412,485</u>	<u>2,197,274</u>	<u>305,821</u>	<u>64,883</u>
Tax paid		<u>(770)</u>	<u>(5,957)</u>	<u>(5,611)</u>	<u>(3,855)</u>	<u>(1,783)</u>
<b>Net cash generated from operating activities</b>		<u>1,671,484</u>	<u>406,528</u>	<u>2,191,663</u>	<u>301,966</u>	<u>63,100</u>
<b>Investing activities</b>						
Payment for the purchase of property, plant and equipment		(2,944,567)	(2,229,663)	(1,013,880)	(426,111)	(504,523)
Payment for purchase of breeding livestock		(374,496)	(333,172)	(217,644)	(72,287)	(100,309)
Payment for purchase of intangible assets		(1,823)	(1,264)	(1,455)	–	(566)
Government grants received	30	123,105	193,755	207,061	113,388	50,081
Proceeds from disposal of property, plant and equipment		24,005	2,827	73,483	51,358	5,750
Investments in an associate		(10,000)	(10,000)	–	–	–
Acquisition of subsidiaries, net of cash acquired	33	(16,263)	–	–	–	–
Payment for the purchase of financial assets at FVPL	35(d)	(6,080,000)	(2,975,029)	(1,530,000)	(50,000)	(990,000)
Payment for the purchase of unlisted equity investment	35(d)	–	(1,500)	–	–	–
Proceeds from disposal of interests in subsidiaries	23(d)	–	394	1,042	–	–
Proceeds from disposal of financial assets at FVPL	35(d)	<u>5,504,206</u>	<u>3,593,251</u>	<u>1,235,005</u>	<u>50,443</u>	<u>953,928</u>
<b>Net cash used in investing activities</b>		<u>(3,775,833)</u>	<u>(1,760,401)</u>	<u>(1,246,388)</u>	<u>(333,209)</u>	<u>(585,639)</u>

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	Note	Year ended 31 December			Five months ended 31 May	
		2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 <i>(unaudited)</i>	2023 RMB’000
<b>Financing activities</b>						
Proceeds from interest-bearing borrowings	23(b)	3,871,083	4,384,341	4,396,003	2,557,020	2,356,096
Repayment of non-interest-bearing government loans	23(b)	–	(10,000)	(20,000)	–	(4,200)
Repayment of interest-bearing borrowings	23(b)	(724,375)	(2,575,612)	(3,468,381)	(1,712,056)	(2,215,569)
Increase of restricted deposits for interest-bearing borrowings		–	(61,700)	(227,100)	(467,100)	–
Prepayments for costs incurred in connection with the proposed initial [REDACTED] of the Company’s shares		–	–	(15,681)	–	(12,864)
Proceeds from issue of ordinary shares	32(c)	300,000	120,000	–	–	–
Capital contribution from non-controlling equity owners of subsidiaries		55,890	34,622	18,600	12,599	10,500
Acquisition of non-controlling interests	34	(6,701)	(4,403)	(3,000)	–	–
Proceeds from deemed disposal of interests in subsidiaries	34	–	–	2,400	2,400	26,000
Payment to non-controlling interest upon liquidation of subsidiaries		–	(9,762)	–	–	–
Capital element of lease rentals paid	23(b)	(72,284)	(55,239)	(149,630)	(13,772)	(61,640)
Interest element of lease rentals paid	23(b)	(58,351)	(101,359)	(149,780)	(56,698)	(71,166)
Other interests paid	23(b)	(113,441)	(269,916)	(294,424)	(109,116)	(106,110)
Dividends paid		(102,355)	–	–	–	–
<b>Net cash generated from/ (used in) financing activities</b>		<u>3,149,466</u>	<u>1,450,972</u>	<u>89,007</u>	<u>213,277</u>	<u>(78,953)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,045,117	97,099	1,034,282	182,034	(601,492)
<b>Cash and cash equivalents at 1 January</b>	23	<u>666,757</u>	<u>1,711,874</u>	<u>1,808,973</u>	<u>1,808,973</u>	<u>2,843,255</u>
<b>Cash and cash equivalents at 31 December/31 May</b>	23	<u>1,711,874</u>	<u>1,808,973</u>	<u>2,843,255</u>	<u>1,991,007</u>	<u>2,241,763</u>

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

四川德康農牧食品集團股份有限公司 (Dekon Food and Agriculture Group) (the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was previously known as 四川德康農牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019.

The Company and its subsidiaries are principally engaged in: (i) providing market hogs, breeding pigs, market piglets and boar semen (ii) providing yellow-feathered broilers, chicks and eggs; and (iii) providing ancillary products such as ingredients and others.

As at the date of this report, no audited financial statements have been prepared for the Company.

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective for the accounting period beginning 1 January 2023, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2023. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2023 are set out in Note 40.

As at 31 May 2023, the Group had net current liabilities of RMB2,683,849,000. The Historical Financial Information has been prepared on a going concern basis, because the directors of the Company are of the opinion that based on a cash flow forecast of the Group prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 31 May 2023. Meanwhile, the Group has maintained long-term strong business relationship with its major banks and financial institutions to get their continuing support. As at 31 May 2023, the Group has unused bank facilities amounting to RMB3,632,754,000 and new facilities amounting to RMB200,000,000 have been obtained during June 2023. Accordingly, the directors of the Company consider it appropriate to prepare the Historical Financial Information on a going concern basis.

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

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

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- other investments in debt and equity securities (see Note 2(f));
- derivative financial instruments (see Note 2(g)); and
- biological assets (see Note 2(h)).

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### (b) Use of estimates and judgements

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

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

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

### (c) Subsidiaries and non-controlling interests

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

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

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)).

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(1)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

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### (d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group’s share of the acquisition-date fair values of the investee’s identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group’s equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group’s share of the investee’s net assets and any impairment loss relating to the investment (see Note 2(1)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group’s share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the profit or loss, whereas the Group’s share of the post-acquisition post-tax items of the investees’ other comprehensive income is recognised in the other comprehensive income.

When the Group’s share of losses exceeds its interest in the associate, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group’s interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group’s net investment in the associate.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

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

In the Company’s statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(1)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

### (e) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group’s previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree’s identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(1)).

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

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### (f) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (“FVPL”) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 35(d). These investments are subsequently accounted for as follows, depending on their classification.

#### (i) Investments other than equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(iii)).
- fair value through other comprehensive income (“FVOCI”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### (ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(v)(ii).

### (g) Derivative financial instruments

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

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### (h) Biological assets

The biological assets of the Group include (i) commodity hogs (piglets, nursery pigs and growers), (ii) commodity chickens (eggs, commodity chicks and broilers) and (iii) chicken breeders held for own use to produce commodity chicks which are classified as current assets, and (iv) hog breeders held for own use to produce commodity hogs which are classified as non-current assets.

Biological assets are measured at fair value less costs of disposals. Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which it arises.

The feeding costs and other related costs such as staff costs, depreciation and amortisation expenses and utilities cost incurred for raising gilts and studs and chicken breeders are capitalised until the gilts and studs and chicken breeders begin to mate or transfer to the group of sows and boars or mature chicken breeders. Such costs incurred for sows and boars are also capitalised while upon pregnancy and transferred to the piglets farrowed.

Agricultural produce harvested from biological assets is measured at its 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.

### (i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)):

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(k)).

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

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

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

– Plant and buildings	20-40 years
– Right-of-use assets	Over the term of lease
– Machinery and equipment	10 years
– Vehicles, furniture, and others	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

### (j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(l)).

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Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

– Software	3-10 years
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Both the period and method of amortisation are reviewed annually.

### (k) Leased assets

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

#### *As a lessee*

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

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

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

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

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

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



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

- (l) **Credit losses and impairment of assets**
- (i) *Credit losses from financial instruments, contract assets and lease receivables*

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables, deposits and other receivables);
- contract assets as defined in IFRS 15 (see Note 2(n));

Other financial assets measured at fair value, including derivative financial instruments, are not subject to the ECL assessment.

### *Measurement of ECLs*

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

### *Significant increases in credit risk*

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

### *Basis of calculation of interest income*

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

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

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

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

### *Write-off policy*

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

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

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### *(ii) Credit losses from financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “accruals and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(1)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

### *(iii) Impairment of other non-current assets*

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

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill;
- prepayments for property, plant and equipment; and
- investments in subsidiaries and associates in the Company’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

#### *– Calculation of recoverable amount*

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

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– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

### **(m) Inventories**

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

Inventories are carried at the lower of cost, on the weighted average basis, and net realisable value after making allowance for any obsolete or slow-moving items. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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

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

### **(n) Contract assets and contract liabilities**

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(o)).

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

### **(o) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(n)).

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

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### **(p) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(l)(i).

### **(q) Trade and other payables**

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### **(r) Interest-bearing borrowings**

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

### **(s) Employee benefits**

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

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

#### ***(ii) Share-based payments***

The fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the shares were granted. If the shares granted do not vest until the completion of services for a period, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the capital reserve).

#### ***(iii) Termination benefits***

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

### **(t) Income tax**

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

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### **(u) Provisions, contingent liabilities and onerous contracts**

#### ***(i) Provisions and contingent liabilities***

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

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

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### *(ii) Onerous contracts*

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

### **(v) Revenue and other income**

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

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, 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.

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

#### *(i) Sale of goods*

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

#### *(ii) Dividends*

Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

#### *(iii) Interest income*

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(1)(i)).

#### *(iv) Government grants*

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

#### **(w) Borrowing costs**

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

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

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### (x) Related parties

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group’s parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

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

### (y) Segment reporting

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

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

## 3 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 12 and 35 contain information about the assumptions and their risk factors relating to fair value of biological assets and the Group’s financial assets and financial liabilities measured at fair value, respectively. Other significant sources of estimation uncertainty are as follows:

### (a) Impairment losses for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(1)(iii). These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.



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When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

**4 REVENUE AND SEGMENT REPORTING**

**(a) Revenue**

The principal activities of the Group are (i) providing market hogs, breeding pigs, market piglets and boar semen; (ii) providing yellow-feathered broilers, chicks and eggs; and (iii) providing ancillary products such as ingredients and others. Further details regarding the Group’s principal activities are disclosed in Note 4(b).

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(unaudited)</i>	
Revenue from contracts with customers within the scope of IFRS 15					
Disaggregated by product line:					
Sales of pigs and related products	5,747,697	7,168,155	11,745,056	3,443,596	5,014,315
Sales of poultry and related products	2,287,783	2,618,082	3,215,336	1,111,707	1,265,158
Sales of ancillary products	109,869	115,329	76,635	25,909	82,771
	<u>8,145,349</u>	<u>9,901,566</u>	<u>15,037,027</u>	<u>4,581,212</u>	<u>6,362,244</u>

Revenue from contracts with customers is recognised at a point in time when the customers obtain control of promised goods. During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, no revenue from a single external customer accounts for 10% or more of the Group’s revenue in the respective years.

The Group’s obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and estimate is reassessed at each reporting date.

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group’s sales contracts have an original expected duration of less than one year.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component as the period between when the Group transfers a promised goods to a customer and when the customer pays for that goods will be one year or less.

Details of concentration of credit risk from the Group’s customers are set out in Note 35(a).

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**(b) Segment reporting**

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sales of pigs: sales of market hogs, breeding pigs, market piglets and boar semen;
- Sales of poultry: sales of yellow-feathered broilers, chicks and eggs;
- Sales of ancillary products: sales of ingredients and others.

**(i) Segment results**

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

The Group’s other operating income and expenses, such as other income and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 is set out below.

	<b>Year ended 31 December 2020</b>			
	<b>Sales of pigs</b>	<b>Sales of poultry</b>	<b>Sales of ancillary products</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from external customers	5,747,697	2,287,783	109,869	8,145,349
Inter-segment revenue	16	13	1,141,763	1,141,792
<b>Reportable segment revenue</b>	<b>5,747,713</b>	<b>2,287,796</b>	<b>1,251,632</b>	<b>9,287,141</b>
<b>Reportable segment profit/(loss)</b>	<b>3,208,883</b>	<b>(49,300)</b>	<b>7,088</b>	<b>3,166,671</b>

	<b>Year ended 31 December 2021</b>			
	<b>Sales of pigs</b>	<b>Sales of poultry</b>	<b>Sales of ancillary products</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from external customers	7,168,155	2,618,082	115,329	9,901,566
Inter-segment revenue	10	43	2,391,735	2,391,788
<b>Reportable segment revenue</b>	<b>7,168,165</b>	<b>2,618,125</b>	<b>2,507,064</b>	<b>12,293,354</b>
<b>Reportable segment profit</b>	<b>734,264</b>	<b>18,344</b>	<b>188,739</b>	<b>941,347</b>

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	<b>Year ended 31 December 2022</b>			
	<b>Sales of pigs</b> <i>RMB'000</i>	<b>Sales of poultry</b> <i>RMB'000</i>	<b>Sales of ancillary products</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Revenue from external customers	11,745,056	3,215,336	76,635	15,037,027
Inter-segment revenue	2,727	78	3,997,147	3,999,952
Reportable segment revenue	<u>11,747,783</u>	<u>3,215,414</u>	<u>4,073,782</u>	<u>19,036,979</u>
Reportable segment profit	<u>1,674,774</u>	<u>385,523</u>	<u>175,041</u>	<u>2,235,338</u>
	<b>Five months ended 31 May 2022 (unaudited)</b>			
	<b>Sales of pigs</b> <i>RMB'000</i>	<b>Sales of poultry</b> <i>RMB'000</i>	<b>Sales of ancillary products</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Revenue from external customers	3,443,596	1,111,707	25,909	4,581,212
Inter-segment revenue	–	27	1,499,357	1,499,384
Reportable segment revenue	<u>3,443,596</u>	<u>1,111,734</u>	<u>1,525,266</u>	<u>6,080,596</u>
Reportable segment (loss)/profit	<u>(671,570)</u>	<u>71,453</u>	<u>71,302</u>	<u>(528,815)</u>
	<b>Five months ended 31 May 2023</b>			
	<b>Sales of pigs</b> <i>RMB'000</i>	<b>Sales of poultry</b> <i>RMB'000</i>	<b>Sales of ancillary products</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Revenue from external customers	5,014,315	1,265,158	82,771	6,362,244
Inter-segment revenue	37,029	29	1,957,410	1,994,468
Reportable segment revenue	<u>5,051,344</u>	<u>1,265,187</u>	<u>2,040,181</u>	<u>8,356,712</u>
Reportable segment (loss)/profit	<u>(285,921)</u>	<u>(96,106)</u>	<u>74,927</u>	<u>(307,100)</u>

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*(ii) Reconciliations of reportable profit/(loss) before taxation*

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
<b>Revenue</b>					
Reportable segment revenue	9,287,141	12,293,354	19,036,979	6,080,596	8,356,712
Elimination of inter-segment revenue	<u>(1,141,792)</u>	<u>(2,391,788)</u>	<u>(3,999,952)</u>	<u>(1,499,384)</u>	<u>(1,994,468)</u>
Consolidated revenue <i>(Note 4(a))</i>	<u>8,145,349</u>	<u>9,901,566</u>	<u>15,037,027</u>	<u>4,581,212</u>	<u>6,362,244</u>
<b>Profit</b>					
Reportable segment profit/(loss)	3,166,671	941,347	2,235,338	(528,815)	(307,100)
Elimination of inter-segment loss before taxation	<u>(2,779)</u>	<u>(177,246)</u>	<u>(167,159)</u>	<u>(68,369)</u>	<u>(75,777)</u>
Reportable segment profit derived from group's external customers	3,163,892	764,101	2,068,179	(597,184)	(382,877)
Changes in fair value of biological assets	1,295,726	(2,753,504)	304,795	(419,278)	(1,202,422)
Other net income	77,956	102,410	110,894	57,329	120,932
Selling expense	(70,091)	(72,623)	(80,275)	(28,876)	(40,916)
Administrative expenses	(700,290)	(889,626)	(1,058,172)	(387,089)	(489,264)
Provision for expected credit loss of trade and other receivables	(2,240)	(5,917)	(13,332)	(5,801)	(300)
Finance cost	(155,589)	(312,242)	(405,272)	(163,223)	(189,182)
Share of losses of associates	<u>(347)</u>	<u>(3,271)</u>	<u>(16,382)</u>	<u>(4,176)</u>	<u>–</u>
Consolidated profit/(loss) before taxation	<u>3,609,017</u>	<u>(3,170,672)</u>	<u>910,435</u>	<u>(1,548,298)</u>	<u>(2,184,029)</u>

*(iii) Geographic information*

The Group's revenue is substantially generated from the sales of pigs, chicken and ancillary products in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

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**5 OTHER NET INCOME**

	Year ended 31 December			Five months ended 31 May	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Interest income	16,143	32,624	30,455	4,544	19,693
Government grants (Note 30)	41,022	51,579	74,042	24,262	29,386
Net gain/(loss) on disposal of interests in subsidiaries	–	938	(852)	–	–
Impairment loss on property, plant, and equipment	(959)	–	–	–	–
Gain/(loss) on disposal of property, plant and equipment and intangible assets	13,013	(4,259)	(215)	(1,564)	(518)
Net (loss)/gain on disposal of biological assets, net of insurance compensation recovered during the year/period	(2,377)	(95,398)	66,274	8,793	52,530
Change in fair value of financial assets at FVPL	19,338	13,307	6,063	595	5,228
Change in fair value of unlisted equity investments	–	–	(120)	–	(368)
Change in fair value of derivative financial instruments	–	109,560	(53,973)	23,917	19,074
Others	(8,224)	(5,941)	(10,780)	(3,218)	(4,093)
	<u>77,956</u>	<u>102,410</u>	<u>110,894</u>	<u>57,329</u>	<u>120,932</u>

**6 PROFIT/(LOSS) BEFORE TAXATION**

Profit/(loss) before taxation is arrived at after charging:

**(a) Finance costs**

	Year ended 31 December			Five months ended 31 May	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Interest on interest-bearing borrowings (Note 23(b))	117,151	273,329	294,236	125,976	128,318
Interest on lease liabilities (Note 11(b) and Note 23(b))	58,351	101,359	149,780	56,698	71,166
	175,502	374,688	444,016	182,674	199,484
Less: interest expense capitalised*	(19,913)	(62,446)	(38,744)	(19,451)	(10,302)
	<u>155,589</u>	<u>312,242</u>	<u>405,272</u>	<u>163,223</u>	<u>189,182</u>

\* The borrowing costs have been capitalised at a rate of 3.50%-4.35%, 4.65%-4.75%, 4.65%-4.75%, 4.65%-4.75% (unaudited) and 4.00%-4.65% per annum in 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively.

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**(b) Staff costs**

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Salaries, wages and other benefits	579,530	836,114	910,600	376,521	425,200
Contributions to defined contribution retirement plan	4,274	60,329	67,116	30,428	33,829
Equity-settled share-based payment expenses <i>(Note 28)</i>	5,567	5,633	3,579	2,121	–
	<u>589,371</u>	<u>902,076</u>	<u>981,295</u>	<u>409,070</u>	<u>459,029</u>

The employees of the entities comprising the Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these entities are required to contribute to the scheme at a rate of 14%-16% of the minimum local base of retirement schemes. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement scheme at their normal retirement age. During the year ended 31 December 2020, the Group has been granted certain exemption on the contributions to defined contribution retirement plans by the local government authority as a result of the COVID-19 impact for the period from February 2020 to December 2020.

Contributions to the retirement benefit scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution. The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

**(c) Other items**

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Amortisation cost of intangible assets <i>(Note 13)</i> <sup>#</sup>	190	612	797	295	908
Depreciation charge <i>(Note 11)</i> <sup>#</sup>					
– owned property, plant and equipment	174,633	385,813	492,816	184,396	220,571
– right-of-use assets	76,244	178,864	231,072	129,188	158,735
	<u>250,877</u>	<u>564,677</u>	<u>723,888</u>	<u>313,584</u>	<u>379,306</u>

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	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
[REDACTED]*	-	22,091	4,811	-	3,580
Auditors’ remuneration					
– audit services	1,723	111	100	70	104
Research and development expense	74,999	132,841	196,648	65,597	99,354
Cost of sale of biological assets <sup>#</sup>	4,848,377	9,022,867	12,899,678	5,149,946	6,651,148
Cost of inventories <sup>#</sup>	133,080	114,598	69,170	28,450	93,973

<sup>#</sup> Cost of sale of biological assets and inventories includes RMB304,690,000, RMB839,639,000, RMB982,996,000, RMB424,248,000 (unaudited) and RMB520,239,000 relating to staff costs, depreciation and amortisation expenses for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

\* The [REDACTED] of RMB22,091,000 for the year ended 31 December 2021 were incurred in respect of the previous [REDACTED] application.

**7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

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

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current tax</b>					
Provision for the year/period	666	1,986	681	346	435
<b>Deferred tax</b>					
Origination and reversed of temporary differences	-	-	(1)	-	-
	<u>666</u>	<u>1,986</u>	<u>680</u>	<u>346</u>	<u>435</u>

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

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) before taxation	<u>3,609,017</u>	<u>(3,170,672)</u>	<u>910,435</u>	<u>(1,548,298)</u>	<u>(2,184,029)</u>
Notional tax on profit/(loss) before taxation at PRC statutory tax rate	902,254	(792,668)	227,609	(387,075)	(546,007)
Tax effect of non-deductible expenses	3,487	3,913	3,609	904	4,711
Tax effect of unused losses and temporary differences not recognised	27,705	(5,527)	49,832	19,566	13,613

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	Year ended 31 December			Five months ended 31 May	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000	2023 RMB’000
Effect of losses incurred for agricultural business (Note (ii))	–	960,755	202,673	385,003	533,976
Tax effect of unused tax losses and temporary differences not recognised in previous years/periods but utilised in current year/period	(777)	(130)	(566)	(12,339)	(2,552)
Tax concessions (Note (ii))	(932,003)	(164,357)	(482,477)	(5,713)	(3,306)
Actual tax expense	<u>666</u>	<u>1,986</u>	<u>680</u>	<u>346</u>	<u>435</u>

Notes:

- (i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023.
- (ii) Pursuant to the article 27 of Law of the People’s Republic of China on Enterprise Income Tax (No. 63 Order of the President of the People’s Republic of China), certain subsidiaries are entitled to full income tax exemptions on their animal husbandry business. Effect of tax losses incurred for agricultural business is the tax losses for those subsidiaries which are entitled to full income tax exemptions.

**8 DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS**

Details of the emoluments of the directors and supervisors of the Company during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 are as followings:

	Year ended 31 December 2020						
	Directors’ fees RMB’000	Salaries, allowances and benefits in kind RMB’000	Discretionary bonuses RMB’000	Retirement scheme contributions RMB’000	Sub-total RMB’000	Share-based payments RMB’000	Total RMB’000
<b>Directors</b>							
Wang Dehui	–	827	647	–	1,474	543	2,017
Yao Hailong	–	992	660	1	1,653	894	2,547
Hu Wei	–	1,033	300	1	1,334	–	1,334
Liu Shan	–	–	–	–	–	–	–
Li Xuwei	–	–	–	–	–	–	–
<b>Supervisors</b>							
Zhu Hui	–	229	100	1	330	31	361
Gong Shuang	–	375	300	1	676	66	742
Zhou Zhexu	–	361	144	1	506	37	543
	<u>–</u>	<u>3,817</u>	<u>2,151</u>	<u>5</u>	<u>5,973</u>	<u>1,571</u>	<u>7,544</u>



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	Year ended 31 December 2021						
	Salaries, allowances and benefits		Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	Directors’ fees	in kind					
<b>Directors</b>							
Wang Dehui	–	1,109	660	36	1,805	547	2,352
Yao Hailong	–	1,321	660	36	2,017	905	2,922
Hu Wei	–	1,086	660	36	1,782	–	1,782
Liu Shan	–	–	–	–	–	–	–
Li Xuewei (resigned on 16 May 2021)	–	–	–	–	–	–	–
Xiang Chuan (appointed on 4 June 2021 and resigned on 3 December 2021)	–	–	–	–	–	–	–
Wang Degen (appointed on 3 December 2021)	–	–	–	–	–	–	–
<b>Supervisors</b>							
Zhu Hui	–	327	144	30	501	32	533
Gong Shuang	–	520	300	36	856	68	924
Zhou Zhexu	–	544	144	36	724	38	762
	–	4,907	2,568	210	7,685	1,590	9,275

	Year ended 31 December 2022						
	Salaries, allowances and benefits		Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	Directors’ fees	in kind					
<b>Directors</b>							
Wang Dehui	–	996	300	36	1,332	416	1,748
Yao Hailong	–	1,473	300	36	1,809	530	2,339
Hu Wei	–	1,285	300	36	1,621	–	1,621
Liu Shan	–	–	–	–	–	–	–
Wang Degen	–	83	–	3	86	–	86
<b>Supervisors</b>							
Zhu Hui	–	238	25	36	299	11	310
Gong Shuang	–	577	144	36	757	23	780
Zhou Zhexu	–	343	76	36	455	13	468
	–	4,995	1,145	219	6,359	993	7,352

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Five months ended 31 May 2022 (unaudited)

	Salaries, allowances and benefits		Discretionary	Retirement	Sub-Total	Share-based	Total
	Directors’ fees	in kind	bonuses	scheme contributions		payments	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Directors</b>							
Wang Dehui	–	302	–	15	317	215	532
Yao Hailong	–	503	–	15	518	335	853
Hu Wei	–	376	–	15	391	–	391
Liu Shan	–	–	–	–	–	–	–
Wang Degen	–	–	–	–	–	–	–
<b>Supervisors</b>							
Zhu Hui	–	101	–	15	116	11	127
Gong Shuang	–	294	–	15	309	23	332
Zhou Zhexu	–	142	–	15	157	13	170
	–	1,718	–	90	1,808	597	2,405

Five months ended 31 May 2023

	Salaries, allowances and benefits		Discretionary	Retirement	Sub-Total	Share-based	Total
	Directors’ fees	in kind	bonuses	scheme contributions		payments	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Directors</b>							
Wang Dehui	–	514	–	15	529	–	529
Yao Hailong	–	350	–	15	365	–	365
Hu Wei	–	556	–	15	571	–	571
Liu Shan	–	–	–	–	–	–	–
Wang Degen	–	462	–	15	477	–	477
<b>Supervisors</b>							
Zhu Hui	–	108	–	15	123	–	123
Gong Shuang	–	257	–	15	272	–	272
Zhou Zhexu	–	172	–	15	187	–	187
	–	2,419	–	105	2,524	–	2,524

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. No emoluments were paid to independent non-executive directors as the appointment of independent non-executive directors will be effective from date of the [REDACTED] of the Company’s H shares on the Stock Exchange.

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**9 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, two, three, three, three (unaudited) and two are directors for each of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individual are as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other emoluments	2,634	2,464	2,572	1,000	1,897
Discretionary bonuses	2,060	960	690	–	–
Share-based payments	581	376	–	54	–
Retirement scheme contributions	2	72	36	30	45
	<u>5,277</u>	<u>3,872</u>	<u>3,298</u>	<u>1,084</u>	<u>1,942</u>

The emoluments of the individuals who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(unaudited)	
HKDNil – HKD1,000,000	–	–	–	2	3
HKD1,500,001 – HKD2,000,000	1	–	2	–	–
HKD2,000,001 – HKD2,500,000	2	2	–	–	–

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, no emoluments were paid by the Group to the individual as an inducement to join or upon joining the Group or as compensation for loss of office.

**10 EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings/(loss) per share during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, is based on the profit/(loss) attributable to equity shareholders of the Company of RMB3,488,173,000, RMB(2,997,303,000), RMB992,866,000, RMB(1,374,898,000) (unaudited) and RMB(2,026,138,000) and the weighted average number of ordinary shares in issue of 357,538,000, 360,043,000, 361,964,000, 361,964,000 (unaudited) and 361,964,000 for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively.

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(a) **Weighted average number of shares**

*Weighted average number of ordinary*

	Year ended 31 December			Five months ended 31 May	
	2020 '000	2021 '000	2022 '000	2022 '000 <i>(unaudited)</i>	2023 '000
Ordinary shares at 1 January	290,384	360,000	361,964	361,964	361,964
Effect of ordinary shares issued	4,669	43	–	–	–
Effect of capitalisation issue	62,485	–	–	–	–
Weighted average number of ordinary shares	<u>357,538</u>	<u>360,043</u>	<u>361,964</u>	<u>361,964</u>	<u>361,964</u>

The Company did not have any potential dilutive shares throughout the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023. Accordingly, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

**11 PROPERTY, PLANT AND EQUIPMENT**

(a) **Reconciliation of carrying amount**

**The Group**

	Plant and buildings <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Vehicles, furniture, and others <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost:</b>							
At 1 January 2020	1,210,819	510,651	577,534	149,584	2,448,588	268,566	2,717,154
Additions	45,397	1,034,774	111,755	131,698	1,323,624	2,787,926	4,111,550
Additions through acquisition of subsidiary	–	–	5	–	5	27,605	27,610
Disposals	(7,959)	–	(5,459)	(4,880)	(18,298)	(1,301)	(19,599)
Transfer in/(out)	752,881	–	386,553	28,025	1,167,459	(1,167,459)	–
At 31 December 2020	<u>2,001,138</u>	<u>1,545,425</u>	<u>1,070,388</u>	<u>304,427</u>	<u>4,921,378</u>	<u>1,915,337</u>	<u>6,836,715</u>
At 1 January 2021	2,001,138	1,545,425	1,070,388	304,427	4,921,378	1,915,337	6,836,715
Additions	102,852	891,459	88,203	230,120	1,312,634	1,767,494	3,080,128
Disposals	(1,904)	(11,476)	(4,461)	(4,708)	(22,549)	(6,864)	(29,413)
Transfer in/(out)	1,258,199	–	780,763	84,146	2,123,108	(2,123,108)	–
At 31 December 2021	<u>3,360,285</u>	<u>2,425,408</u>	<u>1,934,893</u>	<u>613,985</u>	<u>8,334,571</u>	<u>1,552,859</u>	<u>9,887,430</u>
At 1 January 2022	3,360,285	2,425,408	1,934,893	613,985	8,334,571	1,552,859	9,887,430
Additions	59,869	211,330	96,785	52,053	420,037	780,109	1,200,146
Disposals	(3,143)	(112,332)	(7,440)	(14,307)	(137,222)	(5,712)	(142,934)
Transfer in/(out)	762,609	–	322,265	46,946	1,131,820	(1,131,820)	–
At 31 December 2022	<u>4,179,620</u>	<u>2,524,406</u>	<u>2,346,503</u>	<u>698,677</u>	<u>9,749,206</u>	<u>1,195,436</u>	<u>10,944,642</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	<b>Plant and buildings</b> <i>RMB'000</i>	<b>Right-of-use assets</b> <i>RMB'000</i>	<b>Machinery and equipment</b> <i>RMB'000</i>	<b>Vehicles, furniture, and others</b> <i>RMB'000</i>	<b>Sub-total</b> <i>RMB'000</i>	<b>Construction in progress</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2023	4,179,620	2,524,406	2,346,503	698,677	9,749,206	1,195,436	10,944,642
Additions	101,232	303,864	28,852	28,066	462,014	174,326	636,340
Disposals	(5,330)	(4,467)	(3,464)	(2,707)	(15,968)	(629)	(16,597)
Transfer in/(out)	230,525	–	34,485	8,091	273,101	(273,101)	–
At 31 May 2023	<u>4,506,047</u>	<u>2,823,803</u>	<u>2,406,376</u>	<u>732,127</u>	<u>10,468,353</u>	<u>1,096,032</u>	<u>11,564,385</u>
<b>Accumulated depreciation:</b>							
At 1 January 2020	(169,103)	(39,808)	(139,811)	(47,908)	(396,630)	–	(396,630)
Charge for the year	(66,970)	(76,244)	(69,431)	(38,232)	(250,877)	–	(250,877)
Written back on disposals	1,315	–	4,459	2,833	8,607	–	8,607
At 31 December 2020	<u>(234,758)</u>	<u>(116,052)</u>	<u>(204,783)</u>	<u>(83,307)</u>	<u>(638,900)</u>	<u>–</u>	<u>(638,900)</u>
At 1 January 2021	(234,758)	(116,052)	(204,783)	(83,307)	(638,900)	–	(638,900)
Charge for the year	(141,884)	(178,864)	(177,042)	(66,887)	(564,677)	–	(564,677)
Written back on disposals	1,443	4,182	3,496	1,729	10,850	–	10,850
At 31 December 2021	<u>(375,199)</u>	<u>(290,734)</u>	<u>(378,329)</u>	<u>(148,465)</u>	<u>(1,192,727)</u>	<u>–</u>	<u>(1,192,727)</u>
At 1 January 2022	(375,199)	(290,734)	(378,329)	(148,465)	(1,192,727)	–	(1,192,727)
Charge for the year	(177,295)	(231,072)	(203,212)	(112,309)	(723,888)	–	(723,888)
Written back on disposals	2,882	46,529	7,191	11,294	67,896	–	67,896
At 31 December 2022	<u>(549,612)</u>	<u>(475,277)</u>	<u>(574,350)</u>	<u>(249,480)</u>	<u>(1,848,719)</u>	<u>–</u>	<u>(1,848,719)</u>
At 1 January 2023	(549,612)	(475,277)	(574,350)	(249,480)	(1,848,719)	–	(1,848,719)
Charge for the period	(75,740)	(158,735)	(90,371)	(54,460)	(379,306)	–	(379,306)
Written back on disposals	3,730	2,144	2,541	1,914	10,329	–	10,329
At 31 May 2023	<u>(621,622)</u>	<u>(631,868)</u>	<u>(662,180)</u>	<u>(302,026)</u>	<u>(2,217,696)</u>	<u>–</u>	<u>(2,217,696)</u>
<b>Net book value:</b>							
At 31 December 2020	<u>1,766,380</u>	<u>1,429,373</u>	<u>865,605</u>	<u>221,120</u>	<u>4,282,478</u>	<u>1,915,337</u>	<u>6,197,815</u>
At 31 December 2021	<u>2,985,086</u>	<u>2,134,674</u>	<u>1,556,564</u>	<u>465,520</u>	<u>7,141,844</u>	<u>1,552,859</u>	<u>8,694,703</u>
At 31 December 2022	<u>3,630,008</u>	<u>2,049,129</u>	<u>1,772,153</u>	<u>449,197</u>	<u>7,900,487</u>	<u>1,195,436</u>	<u>9,095,923</u>
At 31 May 2023	<u>3,884,425</u>	<u>2,191,935</u>	<u>1,744,196</u>	<u>430,101</u>	<u>8,250,657</u>	<u>1,096,032</u>	<u>9,346,689</u>

Certain of the Group’s property, plant and equipment in mainland China with an aggregate net carrying amount of RMB18,423,000, RMB nil, RMB nil, RMB335,137,000 at 31 December 2020, 2021 and 2022 and 31 May 2023 were pledged to secure certain bank borrowings of the Group (Note 26(c)).

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**(b) Right-of-use assets**

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

	<b>At 31 December</b>			<b>At 31 May</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land use rights and leased land	284,238	495,830	417,824	510,952
Pig and chicken farms and office buildings	908,196	1,116,220	1,163,743	1,236,770
Machinery and equipment	236,939	522,624	467,562	444,213
	<u>1,429,373</u>	<u>2,134,674</u>	<u>2,049,129</u>	<u>2,191,935</u>

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

	<b>Year ended 31 December</b>			<b>Five months ended 31 May</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Depreciation charge of right-of-use assets by class of underlying asset:					
– Land use rights and leased land	17,074	78,529	113,265	57,470	67,586
– Pig and chicken farms and office buildings	46,835	46,981	57,759	32,912	46,121
– Machinery and equipment	12,335	53,354	60,048	38,806	45,028
	<u>76,244</u>	<u>178,864</u>	<u>231,072</u>	<u>129,188</u>	<u>158,735</u>
Interest on lease liabilities <i>(Note 6(a))</i>	58,351	101,359	149,780	56,698	71,166
Expense relating to short-term leases	1,188	16,799	14,681	7,618	5,006

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(c) and 27, respectively.

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**(c) Title ownership**

As at the date of this report, the Group was in the progress of applying for registration of the ownership certificates for certain of its properties. The aggregate carrying value of such properties as at 31 December 2020, 2021 and 2022 and 31 May 2023 was approximately RMB15,050,000, RMB114,633,000, RMB153,658,000 and RMB155,811,000, respectively. The directors are of the opinion that the defects in title ownership do not have significant adverse impact on the Group’s business.

**12 BIOLOGICAL ASSETS**

**The Group**

	Breeding stocks – Hog breeders RMB’000	Breeding stocks – Chicken breeders RMB’000	Commodity stocks – Live swine RMB’000	Commodity stocks – Broilers and broiler eggs RMB’000	Total RMB’000
At 1 January 2020	731,047	79,151	1,553,048	309,325	2,672,571
Increase due to purchasing/raising/transfer	2,607,763	137,704	4,541,096	2,623,966	9,910,529
Decrease due to sales/disposal/transfer	(1,637,645)	(127,440)	(3,764,913)	(2,667,877)	(8,197,875)
Changes in fair value	735,257	(12,230)	603,268	(30,569)	1,295,726
At 31 December 2020	<u>2,436,422</u>	<u>77,185</u>	<u>2,932,499</u>	<u>234,845</u>	<u>5,680,951</u>
At 1 January 2021	2,436,422	77,185	2,932,499	234,845	5,680,951
Increase due to purchasing/raising/transfer	2,060,213	174,065	8,025,470	2,919,820	13,179,568
Decrease due to sales/disposal/transfer	(2,374,215)	(164,791)	(6,697,826)	(2,786,088)	(12,022,920)
Changes in fair value	(1,204,366)	(8,097)	(1,530,635)	(10,406)	(2,753,504)
At 31 December 2021	<u>918,054</u>	<u>78,362</u>	<u>2,729,508</u>	<u>358,171</u>	<u>4,084,095</u>
At 1 January 2022	918,054	78,362	2,729,508	358,171	4,084,095
Increase due to purchasing/raising/transfer	1,094,045	162,702	11,328,472	3,752,907	16,338,126
Decrease due to sales/disposal/transfer	(1,084,892)	(157,678)	(10,549,512)	(3,525,821)	(15,317,903)
Changes in fair value	19,154	(2,598)	398,306	(110,067)	304,795
At 31 December 2022	<u>946,361</u>	<u>80,788</u>	<u>3,906,774</u>	<u>475,190</u>	<u>5,409,113</u>
At 1 January 2023	946,361	80,788	3,906,774	475,190	5,409,113
Increase due to purchasing/raising/transfer	673,854	70,652	5,198,068	1,454,369	7,396,943
Decrease due to sales/disposal/transfer	(414,346)	(70,399)	(5,533,777)	(1,471,091)	(7,489,613)
Changes in fair value	(94,089)	6,130	(1,017,066)	(97,397)	(1,202,422)
At 31 May 2023	<u>1,111,780</u>	<u>87,171</u>	<u>2,553,999</u>	<u>361,071</u>	<u>4,114,021</u>

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*Notes:*

- (i) Breeding stocks represent hogs and chicken of required qualities that are selected as breeding stock held for own use, including boars, sows, gilts, studs, immature and mature chicken breeders. Boars are male hogs for mating purpose, sows are female hogs which have farrowed and mature chicken breeders are chicken which have mated. Boars, sows and mature chicken breeders held for the production of piglets and eggs for sale and/or further raising to become swine parent stock/chicken breeders or market hogs/chicken. Gilts, studs and immature chicken breeders are pigs/chicken that are selected to be transferred into boars, sows and mature chicken breeders but have not been mated or farrowed. Since there was no active market for boars, sows, immature and mature chicken breeders at specific age, the replacement cost approach has been adopted. Market prices for different species of boars, sows, immature and mature chicken breeders have been obtained as a basis for the replacement cost, and adjusted for the reduction/consumption of economic useful life by applying the respective metrics to estimate the fair value of breeding stock in different species. The fair value of the gilts and studs were derived by multiplying the market prices of the gilts and studs for different species by their corresponding quantities.

Breeding stocks may be transferred to commodity stocks when the pigs/chicken held for own use were expected to be sold as market hogs/chicken.

- (ii) Commodity stocks include pigs (piglets, nursery pigs, growers) and chickens (eggs, commodity chicks and broilers). Piglets are new born pigs between birth and weaning between zero to three weeks of age. Nursery pigs are young hogs of around 22-73 days old that have been weaned off and consuming feeding stuff. Growers are hogs that age around 74 to 183 days. Eggs are the fertile eggs laid by chicken breeders which are incubated for around 21 days and hatched into chicken breeds, chicken breeds will be raised for around 90-120 days to broilers or chicken breeders.

The replacement cost approach was adopted for valuing piglets as they are only around three-week old and there is insignificant biological transformation that takes place since the initial cost incurrence.

Nursery pigs, growers, eggs, chicken breeds, broilers were assumed to (1) be sold live or slaughtered when they become mature, or (2) become breeding stock. The fair value of nursery pigs, growers, fertile eggs, chicken breeds and broilers is derived by assuming the market prices of the commodity stocks, fertile eggs or broilers as the estimated price receivable upon sale or slaughtering, multiplying the unit price for different categories or species by the corresponding quantities, less the expected costs required to raise the hogs or chickens, adjusting with mortality rate and the respective profit margin.

Commodity stocks may be transferred to breeding stocks, when the pigs/chickens are selected as breeding stock held for own use after growers.

- (iii) The quantities of biological assets owned by the Group at the end of each reporting period are as follows:

		<b>At 31 December</b>			<b>At 31 May</b>	
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
		<i>Units</i>	<i>Units</i>	<i>Units</i>	<i>Units</i>	
Breeding stocks – Hogs						
– Sows and boars	(Heads)	214,455	270,193	307,522	337,352	
– Gilts and studs	(Heads)	199,290	43,738	75,549	90,116	
Breeding stocks – Poultry						
– Mature breeders	(Birds)	827,316	924,418	992,176	1,106,478	
– Immature breeders	(Birds)	844,106	786,370	837,711	632,751	
Commodity stocks – Hogs						
– Piglets	(Heads)	269,279	440,253	484,102	560,072	
– Nursery pigs	(Heads)	130,549	220,688	181,600	206,861	
– Growers	(Heads)	1,126,065	2,283,389	2,750,451	2,804,247	
Commodity stocks – Poultry						
– Eggs	(Pieces)	10,029,818	11,297,319	11,444,154	12,564,815	
– Commodity chicks	(Birds)	53,072	–	1,175	21,012	
– Broilers	(Birds)	16,435,672	20,728,458	24,926,738	26,623,245	



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(iv) Fair value measurement of biological assets

Fair value hierarchy

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period and in which they occur.

The valuations of the Group’s biological assets as at 31 December 2020, 2021 and 2022 and 31 May 2023 were carried out by Jones Lang LaSalle (Beijing) Consultants, Inc. (“JLL”). The Group’s finance manager and the chief financial officer have discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting date.

### Information about Level 3 fair value measurements

	Significant unobservable inputs	31 December 2020	31 December 2021	31 December 2022	31 May 2023
<b>Breeding stocks</b>					
– Sows and boars	Replacement cost	RMB5,400 to RMB12,700 per head	RMB2,770 to RMB7,790 per head	RMB2,650 to RMB11,490 per head	RMB3,250 to RMB11,490 per head
– Gilts and studs	Market price	RMB4,600 to RMB11,900 per head	RMB1,320 to RMB6,000 per head	RMB1,200 to RMB9,700 per head	RMB1,800 to RMB9,700 per head
– Mature breeders	Replacement cost	RMB26 to RMB107 per bird	RMB6.91 to RMB98 per bird	RMB14 to RMB87 per bird	RMB14 to RMB91 per bird
– Immature breeders	Replacement cost	RMB14 to RMB87 per bird	RMB3.14 to RMB77 per bird	RMB2.78 to RMB62 per bird	RMB1.26 to RMB79.68 per bird
<b>Commodity stocks</b>					
– Piglets	Replacement cost	RMB278 to RMB447 per head	RMB276 to RMB580 per head	RMB275 to RMB374 per head	RMB278 to RMB347 per head
– Nursery Pigs and Growers	Market price	RMB34 to RMB37 per kilogram	RMB16 to RMB18 per kilogram	RMB19 to RMB21 per kilogram	RMB14 to RMB15 per kilogram
– Fertile eggs	Market price	RMB0.80 per piece	RMB1.2 per piece	RMB1.42 per piece	RMB1.57 per piece
– Commodity Chicks	Market price	RMB2.78 to RMB5.11 per bird	N/A	RMB1.35 per bird	RMB0.7 per bird
– Broilers	Market price	RMB11 to RMB19 per kilogram	RMB12 to RMB22 per kilogram	RMB11 to RMB23 per kilogram	RMB12 to RMB19 per kilogram

A significant increase/decrease in the estimated market price and replacement cost in isolation would result in a significant increase/decrease in the fair value of the biological assets.

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As at 31 December 2020, 2021 and 2022 and 31 May 2023 if market price of nursery pigs, growers, gilts, studs, eggs, commodity chicks and broilers and replacement cost of piglets, sows, boars, mature and immature chicken breeders held for own use increases by 10%, the estimated fair value of biological assets would have increased by RMB563,805,000, RMB430,419,000, RMB532,584,000 and RMB627,239,000, respectively, and if market price and replacement cost decreases by 10%, the estimated fair value of biological assets would have decreased by RMB557,228,000, RMB489,539,000, RMB551,940,000 and RMB562,332,000, respectively.

Changes in fair value of biological assets are presented separately in the consolidated statements of profit or loss and other comprehensive income.

**13 INTANGIBLE ASSETS**

**The Group**

	<b>Software</b> <i>RMB’000</i>
<b>Cost:</b>	
At 1 January 2020	815
Additions	1,823
	<hr/>
At 31 December 2020	2,638
	<hr/>
At 1 January 2021	2,638
Additions	1,264
	<hr/>
At 31 December 2021	3,902
	<hr/>
At 1 January 2022	3,902
Additions	1,455
	<hr/>
At 31 December 2022	5,357
	<hr/>
At 1 January 2023	5,357
Additions	566
	<hr/>
At 31 May 2023	5,923
	<hr/> <hr/>

	<b>Software</b> <i>RMB’000</i>
<b>Accumulated amortisation:</b>	
At 1 January 2020	(592)
Charge for the year	(190)
	<hr/>
At 31 December 2020	(782)
	<hr/> <hr/>
At 1 January 2021	(782)
Charge for the year	(612)
	<hr/>
At 31 December 2021	(1,394)
	<hr/> <hr/>
At 1 January 2022	(1,394)
Charge for the year	(797)
	<hr/>
At 31 December 2022	(2,191)
	<hr/> <hr/>

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	<b>Software</b> <i>RMB’000</i>
At 1 January 2023	(2,191)
Charge for the period	(908)
	<hr/>
At 31 May 2023	(3,099)
	<hr/> <hr/>
<b>Net book value:</b>	
At 31 December 2020	1,856
	<hr/> <hr/>
At 31 December 2021	2,508
	<hr/> <hr/>
At 31 December 2022	3,166
	<hr/> <hr/>
At 31 May 2023	2,824
	<hr/> <hr/>

The amortisation charge for the year/period is included in “administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

**14 GOODWILL**

	<b>At 31 December</b>		<b>At 31 May</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount	14,730	14,730	14,730	14,730
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Impairment tests for cash-generating units containing goodwill**

Goodwill is allocated to the Group’s cash-generating units (CGU) in sales of poultry segment.

The recoverable amount of the CGU is determined based on value-in-use calculations. As at 31 December 2020, 2021 and 2022 and 31 May 2023, these calculations use cash flow projections based on financial budgets approved by management covering a five-year period and cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%. For prudence, the management forecast the annual growth rates of revenue during the five-year forecast period to be nil. The cash flows are discounted using a pre-tax discount rate of 14.42%, 12.93%, 12.00% and 13.19% at 31 December 2020, 2021 and 2022 and 31 May 2023, respectively. The discount rates used reflect specific risks relating to the relevant segments.

	<b>At 31 December</b>		<b>At 31 May</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Annual growth rate of revenue during five-year forecast period	0%	0%	0%	0%
Pre-tax discount rate	14.42%	12.93%	12.00%	13.19%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU as at 31 December 2020, 2021 and 2022 and 31 May 2023 is RMB378,976,000, RMB351,516,000, RMB314,339,000 and RMB239,370,000 respectively.

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Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2020, 2021 and 2022 and 31 May 2023:

		At 31 December		At 31 May
	2020	2021	2022	2023
Decrease in annual sales growth rate	32.5 percentage points	34.2 percentage points	28.0 percentage points	18.5 percentage points
Increase in pre-tax discount rate	26.4 percentage points	20.0 percentage points	14.1 percentage points	12.5 percentage points

As a result of the above impairment tests, the directors of the Company are of the view that a reasonably possible change in a key assumption on which management has based its determination of the CGU’s recoverable amount would not cause the CGU’s carrying amount to exceed its recoverable amount as at 31 December 2020, 2021 and 2022 and 31 May 2023.

### 15 INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name of company	Place of establishment/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital <i>RMB'000</i>	Group's effective interest				As of date of report	Principal activities
				At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023		
				Chengdu Dekon Animal Husbandry Technology Co., Ltd. 成都德康畜牧科技有限公司 (Note (ii))	the PRC, limited liability company	29 December 2017	140,000		
Chengdu Dekon Chicken Breeding Co., Ltd. 成都德康雞業有限公司 (Note (ii))	the PRC, limited liability company	10 October 2014	72,000	100%	100%	100%	100%	100%	Holding company
Chengdu Xindekon Food Co., Ltd. 成都新德康食品有限公司 (Note (ii))	the PRC, limited liability company	17 August 2020	100,000	100%	100%	100%	100%	100%	Holding company
Chengdu Dekon Animal Health Technology Service Co., Ltd. 成都德康動物健康技術服務有限公司 (Note (ii))	the PRC, limited liability company	6 November 2018	50,000	100%	100%	100%	100%	100%	Trading
Mianzhu Dekon Pig Farming Co., Ltd. 綿竹德康生豬養殖有限公司 (Note (ii))	the PRC, limited liability company	13 June 2012	20,000	100%	100%	100%	100%	100%	Pig farming
Sihong Dekon Farming and Technology Co., Ltd. 泗洪德康農牧科技有限公司 (Note (ii))	the PRC, limited liability company	18 April 2018	185,000	65%	65%	65%	65%	65%	Pig farming
Horqin Right Front Banner Dekon Agriculture and Animal Husbandry Co., Ltd. 科爾沁右翼前旗德康農牧有限公司 (Note (ii))	the PRC, limited liability company	13 December 2016	30,000	69%	69%	69%	70%	70%	Pig farming

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Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital <i>RMB'000</i>	Group's effective interest				As of date of report	Principal activities
				At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023		
Chongqing Hechuan Dekon Pig Farming Co., Ltd. 重慶市合川區德康生豬養殖有限公司 (Note (ii))	the PRC, limited liability company	28 October 2015	20,000	100%	100%	100%	100%	100%	Pig farming
Xuanwei Dekon Pig Farming Co., Ltd. 宣威德康生豬養殖有限公司 (Note (ii))	the PRC, limited liability company	18 October 2012	50,000	98.40%	100%	100%	100%	100%	Pig farming
Xishui Dekon Agriculture and Animal Husbandry Co., Ltd. 習水德康農牧有限公司 (Note (ii))	the PRC, limited liability company	4 July 2012	20,000	100%	100%	100%	100%	100%	Pig farming
Baotou Dekon Agriculture and Animal Husbandry Co., Ltd. 包頭德康農牧有限公司 (Note (ii))	the PRC, limited liability company	10 September 2015	10,000	69%	69%	69%	70%	70%	Pig farming
Ceheng Dekon Agriculture and Animal Husbandry Co., Ltd. 冊亨德康農牧有限公司 (Note (ii))	the PRC, limited liability company	19 September 2019	10,000	100%	100%	100%	100%	100%	Pig farming
Fushun Dekon Pig Breeding Co., Ltd. 富順德康生豬養殖有限公司 (Note (ii))	the PRC, limited liability company	20 May 2015	65,000	100%	100%	100%	100%	100%	Pig farming
Quxian Dekon Pig Farming Co., Ltd. 渠縣德康生豬養殖有限公司 (Note (ii))	the PRC, limited liability company	17 May 2012	10,000	100%	100%	100%	100%	100%	Pig farming
Jiangan Dekon Pig Farming Co., Ltd. 江安德康生豬養殖有限公司 (Note (ii))	the PRC, limited liability company	27 April 2012	10,000	100%	100%	100%	100%	100%	Pig farming
Songtao Dekon Agriculture and Animal Husbandry Co., Ltd. 松桃德康農牧有限公司 (Note (ii))	the PRC, limited liability company	1 March 2012	10,000	100%	100%	100%	100%	100%	Pig farming
Anshun Dekon Agriculture and Animal Husbandry Co., Ltd. 安順德康農牧有限公司 (Note (ii))	the PRC, limited liability company	9 May 2011	10,000	100%	100%	100%	100%	100%	Pig farming
Yuechi Yincheng Dekon Animal Husbandry Co., Ltd. 岳池銀城德康畜牧有限公司 (Note (ii))	the PRC, limited liability company	21 January 2008	5,000	100%	100%	100%	100%	100%	Pig farming
Chongqing Wanzhou Dekon Agriculture and Animal Husbandry Technology Co., Ltd. 重慶萬州德康農牧科技有限公司 (Note (ii))	the PRC, limited liability company	3 December 2018	40,000	76%	76%	76%	76%	76%	Pig farming
Xiping Dekon Agriculture and Animal Husbandry Co., Ltd. 新平德康農牧有限公司 (Note (ii))	the PRC, limited liability company	1 March 2017	10,000	100%	100%	100%	100%	100%	Pig farming
Renshou Dekon Agriculture and Animal Husbandry Co., Ltd. 仁壽德康農牧有限公司 (Note (ii))	the PRC, limited liability company	4 December 2018	100,000	100%	100%	100%	100%	100%	Pig farming

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Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital <i>RMB '000</i>	Group’s effective interest				As of date of report	Principal activities
				At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023		
				Zigong Dekon Animal Husbandry Technology Co., Ltd. 自貢德康農牧科技有限公司 (Note (ii))	the PRC, limited liability company	31 October 2019	64,500		
Guigang Dekon Pig Farming Co., Ltd. 貴港德康生豬養殖有限公司 (Note (ii))	the PRC, limited liability company	21 September 2016	10,000	100%	100%	100%	100%	100%	Pig farming
Taijiang Dekon Agriculture and Animal Husbandry Co., Ltd. 臺江德康農牧有限公司 (Note (ii))	the PRC, limited liability company	31 May 2017	10,000	100%	100%	100%	100%	100%	Pig farming
Pengan Dekon Pig Breeding Co., Ltd. 蓬安德康種豬繁育有限公司 (Note (ii))	the PRC, limited liability company	5 March 2008	37,000	100%	100%	100%	100%	100%	Pig farming
Guangan Dekon Pig Farming Co., Ltd. 廣安德康生豬養殖有限公司 (Note (ii))	the PRC, limited liability company	18 January 2013	10,000	100%	100%	100%	100%	100%	Pig farming
Suqian Dekon Agriculture and Animal Husbandry Co., Ltd. 宿遷德康農牧有限公司 (Note (iii))	the PRC, limited liability company	8 June 2020	20,000	100%	100%	100%	100%	100%	Pig farming
Yiyang Dekon Pig Farming Co., Ltd. 弋陽縣德康種豬繁育有限公司 (Note (ii))	the PRC, limited liability company	17 July 2015	20,000	95%	95%	95%	95%	95%	Pig farming
Jiangsu Dekon Animal Husbandry Technology Co., Ltd. 江蘇德康農牧科技有限公司 (Note (ii))	the PRC, limited liability company	14 December 2017	186,400	65%	65%	65%	65%	65%	Pig farming
Guizhou Guian New Area Dekon Poultry Farming Co., Ltd. 貴州貴安新區德康家禽養殖有限公司 (Note (ii))	the PRC, limited liability company	20 May 2011	10,000	99%	99%	99%	99%	99%	Yellow-feathered broiler farming
Shilin Dekon Poultry Farming Co., Ltd. 石林德康家禽養殖有限公司 (Note (ii))	the PRC, limited liability company	28 January 2011	5,000	95%	95%	95%	95%	95%	Yellow-feathered broiler farming
Kunming Dekon Poultry Farming Co., Ltd. 昆明德康家禽養殖有限公司 (Note (ii))	the PRC, limited liability company	30 September 2009	3,000	98%	98%	98%	98%	98%	Yellow-feathered broiler farming
Deyang Dekon Poultry Farming Co., Ltd. 德陽德康家禽養殖有限公司 (Note (ii))	the PRC, limited liability company	24 September 2009	2,000	100%	100%	100%	100%	100%	Yellow-feathered broiler farming
Xifeng Dekon Poultry Farming Co., Ltd. 息烽德康家禽養殖有限公司 (Note (ii))	the PRC, limited liability company	16 December 2008	12,000	99%	99%	99%	99%	99%	Yellow-feathered broiler farming
Guangdong Zhicheng Foods Co., Ltd. 廣東智成食品有限公司 (Note (vi))	the PRC, limited liability company	23 August 2007	10,000	92%	92%	92%	92%	92%	Yellow-feathered broiler farming

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Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital <i>RMB '000</i>	Group’s effective interest					As of date of report	Principal activities
				At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023			
				Chongqing Bishan Dekon Poultry Farming Co., Ltd. 重慶市璧山區德康家禽養殖有限公司 (Note (ii))	the PRC, limited liability company	27 April 2007	10,000	88%		
Guangdong Wizagricultural Science & Technology Co., Ltd. 廣東智威農業科技股份有限公司 (Note (iv))	the PRC, limited liability company	10 July 2003	54,000	92%	92%	92%	92%	92%	Yellow-feathered broiler farming	
Kaiping Jinjiwang Poultry Co., Ltd. 開平金雞王禽業有限公司 (Note (v))	the PRC, limited liability company	11 November 2002	6,000	92%	92%	92%	92%	92%	Yellow-feathered broiler farming	

Notes:

- (i) The official names of all these entities are in Chinese. The English translation is for identification only. All these entities are established in the PRC with limited liability and have their operations in the PRC.
- (ii) No audited financial statements have been prepared for these companies during the relevant periods.
- (iii) The financial statements of this entity for the year ended 31 December 2021 have been audited by Suqian Qiushi Certified Public Accountants Co., Ltd. 宿遷求實會計師事務所有限公司.
- (iv) The financial statements of this entity for the years ended 31 December 2020, 2021 and 2022 have been audited by Shaoguan Gongxin Certified Public Accountants Co., Ltd. 韶關市公信會計師事務所有限公司, Guangdong Chengfengxin Certified Public Accountants Co., Ltd. 廣東誠豐信會計師事務所有限公司 and Guangdong Zhengyue Accounting Firm (General Partnership) 廣東正粵會計師事務所(普通合夥), respectively.
- (v) The financial statements of this entity for the years ended 31 December 2020, 2021 and 2022 have been audited by Shaoguan Gongxin Certified Public Accountants Co., Ltd. 韶關市公信會計師事務所有限公司, Guangdong Weide Certified Public Accountants (General Partnership) 廣東維德會計師事務所(普通合夥) and Guangdong Weide Certified Public Accountants (General Partnership) 廣東維德會計師事務所(普通合夥), respectively.
- (vi) The financial statements of this entity for the years ended 31 December 2020, 2021 and 2022 have been audited by Shaoguan Gongxin Certified Public Accountants Co., Ltd. 韶關市公信會計師事務所有限公司, Shaoguan Gongxin Certified Public Accountants Co., Ltd. 韶關市公信會計師事務所有限公司 and Shaoguan Zhijie Certified Public Accountants’ Firm 韶關市智傑會計師事務所(普通合夥), respectively.

The above table lists out the subsidiaries of the Company which, in the opinion of the directors, principally affected the Group’s profits or losses or formed a substantial portion of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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**16 INTERESTS IN ASSOCIATES**

The principal associates of the Group are as follows:

Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital <i>RMB’000</i>	Proportion of ownership interest				As of date of report	Principal activities
				At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023		
Jilin Songfa Dekon Agricultural Industry Development Co., Ltd. 吉林松發德康農業產業發展 有限公司	the PRC, limited liability company	3 January 2017	10,000	40%	40%	40%	40%	40%	Pig farming
Chongqing Detianfeng Modern Agricultural Development Co., Ltd. 重慶德添豐現代農業發展有 限公司 (i)	the PRC, limited liability company	14 September 2019	20,000	5%	5%	5%	5%	5%	Pig farming
Jilin Jinlongfeng Agriculture and Animal Husbandry Technology Co., Ltd. 吉林金 隆豐農牧科技有限公司	the PRC, limited liability company	22 July 2020	40,000	20%	20%	20%	20%	20%	Pig farming

(i) The Group has voting right in the meeting of the board of the entity and has significant influence on the entity.

Information of associates that are not individually material:

	At 31 December			At 31 May
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount of individually immaterial associates in the Historical Financial Information	9,653	16,382	–	–
	<u>9,653</u>	<u>16,382</u>	<u>–</u>	<u>–</u>
	<b>Year ended 31 December</b>			<b>Five months ended 31 May</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amounts of the Group’s share of individually immaterial associates’ loss and total comprehensive income	(347)	(3,271)	(16,382)	–
	<u>(347)</u>	<u>(3,271)</u>	<u>(16,382)</u>	<u>–</u>



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**17 OTHER NON-CURRENT ASSETS**

**The Group**

	<b>At 31 December</b>		<b>At 31 May</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for property, plant and equipment	46,203	54,732	19,999	58,623
Others	6,314	5,435	5,663	5,199
	<u>52,517</u>	<u>60,167</u>	<u>25,662</u>	<u>63,822</u>

**18 INVENTORIES**

**The Group**

	<b>At 31 December</b>		<b>At 31 May</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	372,613	479,186	614,446	432,241
Finished goods	8,221	1,746	1,778	3,188
Spare parts and consumables	63,247	89,196	90,956	94,559
	<u>444,081</u>	<u>570,128</u>	<u>707,180</u>	<u>529,988</u>

**19 TRADE RECEIVABLES**

**The Group**

	<b>At 31 December</b>		<b>At 31 May</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables due from:				
– related parties	–	–	–	217
– third parties	1,598	5,745	13,442	14,983
	<u>1,598</u>	<u>5,745</u>	<u>13,442</u>	<u>15,200</u>
Less: expected credit loss	(7)	(6)	(8)	(6)
	<u>1,591</u>	<u>5,739</u>	<u>13,434</u>	<u>15,194</u>

All of the trade receivables, net of allowance for doubtful debts (if any), are expected to be recovered within one year.

All of the trade receivables were due upon issuing the invoices.

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### Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,435	5,705	9,959	14,016
1 to 2 years	154	29	3,473	1,052
2 to 3 years	2	5	2	126
	<u>1,591</u>	<u>5,739</u>	<u>13,434</u>	<u>15,194</u>

Further details on the Group’s credit policy and credit risk arising from trade receivable are set out in Note 35(a).

### 20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

#### The Group

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to contract farmers	29,118	34,520	43,451	45,383
Deposits	22,655	21,750	55,335	52,736
Loans and advances to local government	17,447	26,846	16,852	10,516
Prepayments for purchase of inventories				
– related parties	56	1	–	–
– third parties	57,461	110,732	231,890	213,257
Prepaid expense	10,721	27,839	27,131	36,826
Prepayments for costs incurred in connection with the proposed initial [REDACTED] of the Company’s shares (Note (i))	–	–	15,681	28,545
Others	4,637	13,596	23,078	37,489
Total	<u>142,095</u>	<u>235,284</u>	<u>413,418</u>	<u>424,752</u>

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

#### Note:

- (i) The balance at 31 December 2022 and 31 May 2023 will be transferred to the capital reserve account within equity upon the [REDACTED] of the Company’s shares on the Stock Exchange.

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**21 FINANCIAL ASSETS AT FVPL**

**The Group/Company**

	The Group				The Company			
	At 31 December			At	At 31 December			At
	2020	2021	2022	31 May	2020	2021	2022	31 May
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RMB wealth management products	655,198	50,283	351,341	392,641	655,198	50,283	351,341	392,641
Unlisted equity investments	–	1,500	1,380	1,012	–	–	–	–
<b>Total</b>	<b>655,198</b>	<b>51,783</b>	<b>352,721</b>	<b>393,653</b>	<b>655,198</b>	<b>50,283</b>	<b>351,341</b>	<b>392,641</b>

**22 DERIVATIVE FINANCIAL INSTRUMENTS**

	The Group				The Company			
	At 31 December			At	At 31 December			At
	2020	2021	2022	31 May	2020	2021	2022	31 May
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Derivative financial assets</b>								
Commodity futures contracts	–	38,746	–	16,139	–	38,692	–	16,019
<b>Derivative financial liabilities</b>								
Commodity futures contracts	–	(342)	(445)	(3,498)	–	–	(445)	(2,939)
Options contracts	–	–	(2,040)	(22,245)	–	–	(1,955)	(17,863)
	–	(342)	(2,485)	(25,743)	–	–	(2,400)	(20,802)

The Group has entered into live hog and soybean meal future contracts and live hog options contracts to manage the future price risk in live hog and soybean meal. These futures and options contracts are measured at FVPL.

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**23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION**

(a) Cash and cash equivalents represent cash at bank.

**(b) Reconciliation of liabilities arising from financing activities**

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

	<b>Interest bearing borrowings</b> <i>RMB'000</i> <i>(Note 26)</i>	<b>Interest payable</b> <i>RMB'000</i> <i>(Note 25)</i>	<b>Other non- current liabilities</b> <i>RMB'000</i> <i>(Note 31)</i>	<b>Lease liabilities</b> <i>RMB'000</i> <i>(Note 27)</i>	<b>Total</b> <i>RMB'000</i>
<b>At 1 January 2020</b>	1,012,722	1,027	34,200	433,534	1,481,483
<b>Changes from financing cash flows:</b>					
Proceeds from interest- bearing borrowings	3,871,083	–	–	–	3,871,083
Repayment of interest- bearing borrowings	(724,375)	–	–	–	(724,375)
Capital element of lease rental paid	–	–	–	(72,284)	(72,284)
Interest element of lease rentals paid	–	–	–	(58,351)	(58,351)
Other interests paid	–	(113,441)	–	–	(113,441)
<b>Total changes from financing cash flows</b>	<u>3,146,708</u>	<u>(113,441)</u>	<u>–</u>	<u>(130,635)</u>	<u>2,902,632</u>
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the year	–	–	–	931,391	931,391
Interest expenses <i>(Note 6(a))</i>	–	117,151	–	58,351	175,502
Total other changes	<u>–</u>	<u>117,151</u>	<u>–</u>	<u>989,742</u>	<u>1,106,893</u>
<b>At 31 December 2020</b>	<u>4,159,430</u>	<u>4,737</u>	<u>34,200</u>	<u>1,292,641</u>	<u>5,491,008</u>

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	<b>Interest bearing borrowings</b> <i>RMB’000</i> <i>(Note 26)</i>	<b>Interest payable</b> <i>RMB’000</i> <i>(Note 25)</i>	<b>Other non- current liabilities</b> <i>RMB’000</i> <i>(Note 31)</i>	<b>Lease liabilities</b> <i>RMB’000</i> <i>(Note 27)</i>	<b>Total</b> <i>RMB’000</i>
<b>At 1 January 2021</b>	4,159,430	4,737	34,200	1,292,641	5,491,008
<b>Changes from financing cash flows:</b>					
Proceeds from interest- bearing borrowings	4,384,341	–	–	–	4,384,341
Proceeds non-interest- bearing government loans	–	–	(10,000)	–	(10,000)
Repayment of interest- bearing borrowings	(2,575,612)	–	–	–	(2,575,612)
Capital element of lease rental paid	–	–	–	(55,239)	(55,239)
Interest element of lease rentals paid	–	–	–	(101,359)	(101,359)
Other interests paid	–	(269,916)	–	–	(269,916)
<b>Total changes from financing cash flows</b>	<u>1,808,729</u>	<u>(269,916)</u>	<u>(10,000)</u>	<u>(156,598)</u>	<u>1,372,215</u>
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the year	–	–	–	843,681	843,681
Interest expenses <i>(Note 6(a))</i>	–	273,329	–	101,359	374,688
Total other changes	<u>–</u>	<u>273,329</u>	<u>–</u>	<u>945,040</u>	<u>1,218,369</u>
<b>At 31 December 2021</b>	<u><u>5,968,159</u></u>	<u><u>8,150</u></u>	<u><u>24,200</u></u>	<u><u>2,081,083</u></u>	<u><u>8,081,592</u></u>

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	<b>Interest bearing borrowings</b> <i>RMB'000</i> <i>(Note 26)</i>	<b>Interest payable</b> <i>RMB'000</i> <i>(Note 25)</i>	<b>Other non-current liabilities</b> <i>RMB'000</i> <i>(Note 31)</i>	<b>Lease liabilities</b> <i>RMB'000</i> <i>(Note 27)</i>	<b>Total</b> <i>RMB'000</i>
<b>At 1 January 2022</b>	5,968,159	8,150	24,200	2,081,083	8,081,592
<b>Changes from financing cash flows:</b>					
Proceeds from interest-bearing borrowings	4,396,003	–	–	–	4,396,003
Repayment of non-interest bearing government loans	–	–	(20,000)	–	(20,000)
Repayment of interest-bearing borrowings	(3,468,381)	–	–	–	(3,468,381)
Capital element of lease rental paid	–	–	–	(149,630)	(149,630)
Interest element of lease rentals paid	–	–	–	(149,780)	(149,780)
Other interests paid	–	(294,424)	–	–	(294,424)
<b>Total changes from financing cash flows</b>	<u>927,622</u>	<u>(294,424)</u>	<u>(20,000)</u>	<u>(299,410)</u>	<u>313,788</u>
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the year	–	–	–	192,522	192,522
Interest expenses <i>(Note 6(a))</i>	–	294,236	–	149,780	444,016
Total other changes	<u>–</u>	<u>294,236</u>	<u>–</u>	<u>342,302</u>	<u>636,538</u>
<b>At 31 December 2022</b>	<u>6,895,781</u>	<u>7,962</u>	<u>4,200</u>	<u>2,123,975</u>	<u>9,031,918</u>
	<b>Interest bearing borrowings</b> <i>RMB'000</i> <i>(Note 26)</i> <i>(unaudited)</i>	<b>Interest payable</b> <i>RMB'000</i> <i>(Note 25)</i> <i>(unaudited)</i>	<b>Other non-current liabilities</b> <i>RMB'000</i> <i>(Note 31)</i> <i>(unaudited)</i>	<b>Lease liabilities</b> <i>RMB'000</i> <i>(Note 27)</i> <i>(unaudited)</i>	<b>Total</b> <i>RMB'000</i> <i>(unaudited)</i>
<b>At 1 January 2022</b>	5,968,159	8,150	24,200	2,081,083	8,081,592
<b>Changes from financing cash flows:</b>					
Proceeds from interest-bearing borrowings	2,557,020	–	–	–	2,557,020
Repayment of interest-bearing borrowings	(1,712,056)	–	–	–	(1,712,056)
Capital element of lease rental paid	–	–	–	(13,772)	(13,772)
Interest element of lease rentals paid	–	–	–	(56,698)	(56,698)
Other interests paid	–	(109,116)	–	–	(109,116)

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	<b>Interest bearing borrowings</b> <i>RMB’000</i> <i>(Note 26)</i> <i>(unaudited)</i>	<b>Interest payable</b> <i>RMB’000</i> <i>(Note 25)</i> <i>(unaudited)</i>	<b>Other non- current liabilities</b> <i>RMB’000</i> <i>(Note 31)</i> <i>(unaudited)</i>	<b>Lease liabilities</b> <i>RMB’000</i> <i>(Note 27)</i> <i>(unaudited)</i>	<b>Total</b> <i>RMB’000</i> <i>(unaudited)</i>
<b>Total changes from financing cash flows</b>	844,964	(109,116)	–	(70,470)	665,378
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the period	–	–	–	105,642	105,642
Interest expenses <i>(Note 6(a))</i>	–	125,976	–	56,698	182,674
Total other changes	–	125,976	–	162,340	288,316
<b>At 31 May 2022</b>	<b>6,813,123</b>	<b>25,010</b>	<b>24,200</b>	<b>2,172,953</b>	<b>9,035,286</b>
	<b>Interest bearing borrowings</b> <i>RMB’000</i> <i>(Note 26)</i>	<b>Interest payable</b> <i>RMB’000</i> <i>(Note 25)</i>	<b>Other non- current liabilities</b> <i>RMB’000</i> <i>(Note 31)</i>	<b>Lease liabilities</b> <i>RMB’000</i> <i>(Note 27)</i>	<b>Total</b> <i>RMB’000</i>
<b>At 1 January 2023</b>	6,895,781	7,962	4,200	2,123,975	9,031,918
<b>Changes from financing cash flows:</b>					
Proceeds from interest- bearing borrowings	2,356,096	–	–	–	2,356,096
Repayment of non-interest bearing government loans	–	–	(4,200)	–	(4,200)
Repayment of interest- bearing borrowings	(2,215,569)	–	–	–	(2,215,569)
Capital element of lease rental paid	–	–	–	(61,640)	(61,640)
Interest element of lease rentals paid	–	–	–	(71,166)	(71,166)
Other interests paid	–	(106,110)	–	–	(106,110)
<b>Total changes from financing cash flows</b>	140,527	(106,110)	(4,200)	(132,806)	(102,589)
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the period	–	–	–	238,318	238,318
Interest expenses <i>(Note 6(a))</i>	–	128,318	–	71,166	199,484
Total other changes	–	128,318	–	309,484	437,802
<b>At 31 May 2023</b>	<b>7,036,308</b>	<b>30,170</b>	<b>–</b>	<b>2,300,653</b>	<b>9,367,131</b>

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**(c) Total cash outflow for leases**

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

	Year ended 31 December			Five months ended 31 May	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 (unaudited)	2023 RMB’000
Within operating cash flows	1,188	16,799	14,681	7,618	5,006
Within investing cash flows	–	38,822	4,792	4,792	42,546
Within financing cash flows	130,635	156,598	299,410	70,470	132,806
	<u>131,823</u>	<u>212,219</u>	<u>318,883</u>	<u>82,880</u>	<u>180,358</u>

These amounts relate to the following:

	Year ended 31 December			Five months ended 31 May	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 (unaudited)	2023 RMB’000
Lease rentals paid	131,823	173,397	314,091	78,088	137,812
Additions of land use rights	–	38,822	4,792	4,792	42,546
	<u>131,823</u>	<u>212,219</u>	<u>318,883</u>	<u>82,880</u>	<u>180,358</u>

**(d) Net cash inflow arising from the disposal of subsidiaries**

The disposal of subsidiaries during the year ended 31 December 2021 and 2022 had the following effects on the Group’s assets and liabilities on the disposal dates:

	2021 RMB’000	2022 RMB’000
Non-current assets	–	2,192
Current assets	4,265	784
Current liabilities	(307)	–
	<u>3,958</u>	<u>2,976</u>
Less: non-controlling interests	(396)	(298)
Net assets	<u>3,562</u>	<u>2,678</u>

Net gain/(loss) on disposal of interests in subsidiaries arising from the disposal has been recognised as follows:

	2021 RMB’000	2022 RMB’000
Considerations received	4,500	1,826
Net assets	(3,562)	2,678
Net gain/(loss) on disposal of interests in subsidiaries	<u>938</u>	<u>(852)</u>



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An analysis of the cash flows in respect of the disposal of the subsidiaries is as follows:

	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>
Consideration	4,500	1,826
Cash and cash equivalents disposed of	(4,106)	(784)
Net cash inflow included in investing activities	<u>394</u>	<u>1,042</u>

**24 TRADE AND BILLS PAYABLES**

**The Group**

	<b>At 31 December</b>			<b>At 31 May</b>
	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB’000</i>
Trade payables due to:				
– related parties	17,149	82,093	34,823	68,702
– third parties	591,213	1,119,102	1,453,187	1,439,849
	<u>608,362</u>	<u>1,201,195</u>	<u>1,488,010</u>	<u>1,508,551</u>
Bills payables	20,000	–	–	197,956
	<u>628,362</u>	<u>1,201,195</u>	<u>1,488,010</u>	<u>1,706,507</u>

As of the end of each reporting period, the ageing analysis of trade and bills payables of the Group, based on the invoice date, is as follows:

	<b>At 31 December</b>			<b>At 31 May</b>
	<b>2020</b> <i>RMB’000</i>	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB’000</i>
Within 1 year	620,144	1,187,379	1,457,579	1,680,219
1-2 years	7,349	11,276	21,610	17,249
2-3 years	118	2,323	6,850	6,654
Over 3 years	751	217	1,971	2,385
	<u>628,362</u>	<u>1,201,195</u>	<u>1,488,010</u>	<u>1,706,507</u>

As at 31 December 2020, 2021, and 2022 and 31 May 2023 all trade and bills payables of the Group are or expected to be settled within one year or are payable on demand.

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**25 ACCRUALS AND OTHER PAYABLES**

**The Group**

	<b>At 31 December</b>			<b>At 31 May</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payables for staff related cost	240,423	178,561	233,144	180,093
Deposits received	737,103	1,283,210	2,396,340	2,457,256
Other taxes payable	3,859	4,710	7,621	6,621
Interest payable	4,737	8,150	7,962	30,170
Payables relating to purchase of property, plant and equipment				
– related parties	1,647	1,645	–	–
– third parties	295,352	242,144	233,522	130,171
Contract liabilities	46,239	35,273	68,505	56,749
Interest-free loans	13,000	14,571	34,129	28,329
Others	35,671	67,562	79,683	70,161
	<u>1,378,031</u>	<u>1,835,826</u>	<u>3,060,906</u>	<u>2,959,550</u>

*Notes:*

- (a) All of the accruals and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.
- (b) Movements in contract liabilities

	<b>Year ended 31 December</b>			<b>Five months ended</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>31 May 2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	15,655	46,239	35,273	68,505
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(15,655)	(46,239)	(35,273)	(68,505)
Increase in contract liabilities as a result of receipt in advance of transferring goods	46,239	35,273	68,505	56,749
At 31 December/31 May	<u>46,239</u>	<u>35,273</u>	<u>68,505</u>	<u>56,749</u>

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26 INTEREST-BEARING BORROWINGS

(a) The interest-bearing borrowings comprise:

	The Group				The Company			
	At 31 December		2022	At	At 31 December		2022	At
	2020	2021		31 May	2020	2021		31 May
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans								
– Guaranteed by a company controlled by the ultimate controlling party	–	–	–	39,300	–	–	–	–
– Guaranteed by a company controlled by the ultimate controlling party, ultimate controlling party, spouse of the ultimate controlling party and a company controlled by the spouse of the ultimate controlling party	1,912,000	1,527,700	1,698,100	2,125,800	1,912,000	1,527,700	1,698,100	2,125,800
– Guaranteed by a company controlled by the ultimate controlling party, ultimate controlling party and a company controlled by the spouse of the ultimate controlling party	699,500	889,000	980,000	770,000	699,500	699,000	980,000	770,000
– Guaranteed by ultimate controlling party	165,403	464,958	377,698	362,134	–	–	–	–
– Guaranteed by a company controlled by one of the Directors of a subsidiary	92,000	74,440	56,880	45,600	–	–	–	–
– Guaranteed by a company controlled by the ultimate controlling party and ultimate controlling party	–	–	–	100,000	–	–	–	100,000
– Secured by property, plant and equipment	–	–	–	131,000	–	–	–	–
– Unsecured and unguaranteed	766,528	1,825,343	2,089,649	1,874,602	–	–	–	–
Total bank loans	<u>3,635,431</u>	<u>4,781,441</u>	<u>5,202,327</u>	<u>5,448,436</u>	<u>2,611,500</u>	<u>2,226,700</u>	<u>2,678,100</u>	<u>2,995,800</u>
Government loans								
– Unsecured and unguaranteed Loans from discounted bills	41,494	35,509	15,300	15,300	–	–	–	–
– Guaranteed by a company controlled by the ultimate controlling party, ultimate controlling party and a company controlled by the spouse of the ultimate controlling party	200,000	550,000	200,000	100,000	150,000	400,000	200,000	100,000
– Secured by restricted deposits and guaranteed by a company controlled by the ultimate controlling party, ultimate controlling party and a company controlled by the spouse of the ultimate controlling party	133,000	150,000	200,000	257,000	133,000	150,000	200,000	257,000
– Secured by restricted deposits	75,000	100,000	357,000	300,000	75,000	100,000	357,000	300,000
– Unsecured and unguaranteed	–	–	90,000	90,000	–	–	90,000	90,000
Loans from other financial institutions								
– Guaranteed by ultimate controlling party	–	98,954	525,876	512,895	–	–	97,700	86,389
– Secured by property, plant and equipment and guaranteed by a company controlled by one of the shareholders	12,505	–	–	–	–	–	–	–
– Unsecured and unguaranteed	–	200,255	253,278	260,677	–	–	33,210	55,985
Loans from non-controlling shareholders of subsidiaries								
– Unsecured and unguaranteed	62,000	52,000	52,000	52,000	–	–	–	–
Total other loans	<u>523,999</u>	<u>1,186,718</u>	<u>1,693,454</u>	<u>1,587,872</u>	<u>358,000</u>	<u>650,000</u>	<u>977,910</u>	<u>889,374</u>
	<u>4,159,430</u>	<u>5,968,159</u>	<u>6,895,781</u>	<u>7,036,308</u>	<u>2,969,500</u>	<u>2,876,700</u>	<u>3,656,010</u>	<u>3,885,174</u>

All the guarantees provided by related parties in connection with loans as at 31 May 2023 will be released before [REDACTED].

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**(b) The interest-bearing borrowings were repayable as follows:**

	The Group				The Company			
	At 31 December			At	At 31 December			At
	2020	2021	2022	31 May	2020	2021	2022	31 May
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	2,445,481	3,214,308	4,455,510	4,994,910	2,158,000	2,565,600	3,350,560	3,843,485
After 1 year but within 2 years	738,451	906,712	1,186,842	931,100	565,500	311,100	305,450	41,637
After 2 years but within 5 years	837,212	1,576,038	1,167,981	970,635	246,000	–	–	52
After 5 years	138,286	271,101	85,448	139,663	–	–	–	–
Total non-current loans	<u>1,713,949</u>	<u>2,753,851</u>	<u>2,440,271</u>	<u>2,041,398</u>	<u>811,500</u>	<u>311,100</u>	<u>305,450</u>	<u>41,689</u>
	<u>4,159,430</u>	<u>5,968,159</u>	<u>6,895,781</u>	<u>7,036,308</u>	<u>2,969,500</u>	<u>2,876,700</u>	<u>3,656,010</u>	<u>3,885,174</u>

**(c) The interest-bearing borrowings were secured by assets of the Group as follows:**

	The Group				The Company			
	At 31 December			At	At 31 December			At
	2020	2021	2022	31 May	2020	2021	2022	31 May
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	18,423	–	–	335,137	–	–	–	–
Restricted deposits for interest-bearing borrowings	88,300	150,000	377,100	377,100	88,300	150,000	377,100	377,100
	<u>106,723</u>	<u>150,000</u>	<u>377,100</u>	<u>712,237</u>	<u>88,300</u>	<u>150,000</u>	<u>377,100</u>	<u>377,100</u>

**27 LEASE LIABILITIES**

The lease liabilities of the Group were repayable as follows:

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	44,265	71,264	76,925	83,324
After 1 year but within 2 years	41,748	67,212	72,163	78,165
After 2 years but within 5 years	96,020	154,587	166,987	180,878
After 5 years	1,110,608	1,788,020	1,807,900	1,958,286
	<u>1,248,376</u>	<u>2,009,819</u>	<u>2,047,050</u>	<u>2,217,329</u>
	<u>1,292,641</u>	<u>2,081,083</u>	<u>2,123,975</u>	<u>2,300,653</u>

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**28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS**

On 29 June 2019, a share incentive scheme (“First Restricted Share Award Scheme”) was approved at the Company’s first extraordinary general meeting of 2019. The Company issued 3,807,107 restricted shares to an employee (the “Employee”) at a subscription price of RMB4.00 each and 7,814,213 restricted shares to eligible directors and employees through an employee shareholding platform at a subscription price of RMB9.85 each under First Restricted Share Award Scheme.

On 15 December 2019, a share incentive scheme (“Second Restricted Share Award Scheme”) was approved at the Company’s fifth extraordinary general meeting of 2019. The Company issued 1,422,221 restricted shares to the eligible directors and employees through another employee shareholding platform at a subscription price of RMB30.11 each under Second Restricted Share Award Scheme.

**(a) The terms and conditions of the grants are as follows:**

	<b>Number of instruments</b>	<b>Vesting conditions</b>
<b>Restricted shares granted to directors:</b>		
– On 29 June 2019 under First Restricted Share Award Scheme	2,281,219	Service period conditions apply (Note (i))
– 15 December 2019 under Second Restricted Share Award Scheme	391,593	Service period conditions apply (Note (i))
<b>Restricted shares granted to employees:</b>		
– On 29 June 2019 under First Restricted Share Award Scheme	3,807,107	Vested upon granted
– On 29 June 2019 under First Restricted Share Award Scheme	5,532,994	Service period conditions apply (Note (i))
– 15 December 2019 under Second Restricted Share Award Scheme	1,030,628	Service period conditions apply (Note (i))
	<hr/>	
Total Restricted shares granted	<u><u>13,043,541</u></u>	

*Note:*

- (i) The restricted shares will vest over a three-year period, with 33%, 33% and 34% of total restricted shares vesting on the first trading day after the first, second and third anniversary date from the date of the registration of grant, respectively, upon meeting the vesting conditions with reference to the service period of grantees.

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**(b) Set out below are details of the movements of the restricted shares:**

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Outstanding at the beginning of the year/period	9,237	6,189	3,141	–
Vested during the year/period	(3,048)	(3,048)	(3,141)	–
Outstanding at the end of the year/period	<u>6,189</u>	<u>3,141</u>	<u>–</u>	<u>–</u>

**(c) Fair value of share-based compensation**

The fair value of share-based compensation in respect of restricted shares granted to the Employee and other grantees on 30 April 2019 and the grantees on 15 December 2019 was estimated to be RMB7.07 per share, RMB1.22 per share, and RMB5.19 per share, respectively. The fair value is estimated based on the difference between the market price of the ordinary share at the grant date and the proceeds received from the grantees.

The Group has recognised share-based payment expenses of RMB5,567,000, RMB5,633,000, RMB3,579,000, RMB2,121,000 (unaudited) and RMB nil for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively.

**29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	487	383	118	118	560
Provision for the year/period	666	1,986	681	346	435
Income tax paid	(770)	(2,251)	(239)	(201)	(199)
At the end of the year/period	<u>383</u>	<u>118</u>	<u>560</u>	<u>263</u>	<u>796</u>

**(b) Deferred tax assets and recognised:**

*Movement of deferred tax assets*

	Year ended 31 December			Five months ended 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1	1	1	2
Charged to profit or loss	–	–	1	–
At the end of the year/period	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

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### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of tax losses and other temporary difference of RMB336,491,000, RMB324,186,000, RMB469,448,000 and RMB512,381,000 during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Such cumulative tax losses will be carried forward and expire in years as follows:

	Year ended 31 December			Five months
	2020	2021	2022	ended 31 May
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Year of 2021	27,787	–	–	–
Year of 2022	9,203	9,194	–	–
Year of 2023	58,237	58,237	58,227	58,226
Year of 2024	130,444	130,444	130,444	127,595
Year of 2025	110,820	110,310	110,070	110,070
Year of 2026	–	16,001	15,341	10,534
Year of 2027	–	–	155,366	152,815
Year of 2028	–	–	–	53,141
	<u>336,491</u>	<u>324,186</u>	<u>469,448</u>	<u>512,381</u>

### 30 DEFERRED INCOME

#### The Group

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	303,460	385,543	527,719	660,738
New grant	123,105	193,755	207,061	50,081
Credit to profit or loss	(41,022)	(51,579)	(74,042)	(29,386)
At 31 December/31 May	<u>385,543</u>	<u>527,719</u>	<u>660,738</u>	<u>681,433</u>

Deferred income mainly represents government grants relating to construction of property, plant and equipment, which are recognised as income on a straight-line basis over the expected useful life of relevant assets.

### 31 OTHER NON-CURRENT LIABILITIES

The other non-current liabilities represented non-interest-bearing government loans and were repayable as follows:

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
After 1 year but within 2 years	10,000	20,000	4,200	–
After 2 years but within 5 years	24,200	4,200	–	–
	<u>34,200</u>	<u>24,200</u>	<u>4,200</u>	<u>–</u>

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**32 CAPITAL, RESERVES AND DIVIDENDS**

**(a) Movements in components of equity**

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company’s individual components of equity between the beginning and the end of each reporting period are set out below:

	<i>Note</i>	<b>Share capital</b> <i>RMB’000</i>	<b>Capital reserve</b> <i>RMB’000</i>	<b>Statutory surplus reserve</b> <i>RMB’000</i>	<b>Retained earnings</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>Balance at 1 January 2020</b>		290,384	567,010	14,330	(69,254)	802,470
<b>Changes in equity for 2020:</b>						
Total comprehensive income for the year		–	–	–	424,566	424,566
Issue of ordinary shares	32(c)	6,701	293,299	–	–	300,000
Appropriation to reserves	32(d)	–	–	30,522	(30,522)	–
Recognition of share-based payments	28	–	5,567	–	–	5,567
Capitalisation issue	32(c)	62,915	–	–	(62,915)	–
Dividends declared and paid during the year	32(b)	–	–	–	(80,000)	(80,000)
<b>Balance at 31 December 2020 and 1 January 2021</b>		360,000	865,876	44,852	181,875	1,452,603
<b>Changes in equity for 2021:</b>						
Total comprehensive income for the year		–	–	–	738,969	738,969
Issue of ordinary shares	32(c)	1,964	118,036	–	–	120,000
Appropriation to reserves	32(d)	–	–	73,816	(73,816)	–
Recognition of share-based payments	28	–	5,633	–	–	5,633
<b>Balance at 31 December 2021</b>		361,964	989,545	118,668	847,028	2,317,205
<b>Balance at 1 January 2022</b>		361,964	989,545	118,668	847,028	2,317,205
<b>Changes in equity for 2022:</b>						
Total comprehensive income for the year		–	–	–	75,280	75,280
Appropriation to reserves	32(d)	–	–	7,528	(7,528)	–
Recognition of share-based payments	28	–	3,579	–	–	3,579
<b>Balance at 31 December 2022</b>		361,964	993,124	126,196	914,780	2,396,064



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	<i>Note</i>	<b>Share capital</b> <i>RMB’000</i>	<b>Capital reserve</b> <i>RMB’000</i>	<b>Statutory surplus reserve</b> <i>RMB’000</i>	<b>Retained earnings</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>Balance at 1 January 2022</b>		361,964	989,545	118,668	847,028	2,317,205
<b>Changes in equity for five months ended 31 May 2022 (unaudited):</b>						
Total comprehensive income for the period (unaudited)		–	–	–	4,470	4,470
Recognition of share-based payments (unaudited)	28	–	2,121	–	–	2,121
<b>Balance at 31 May 2022 (unaudited)</b>		<u>361,964</u>	<u>991,666</u>	<u>118,668</u>	<u>851,498</u>	<u>2,323,796</u>
	<i>Note</i>	<b>Share capital</b> <i>RMB’000</i>	<b>Capital reserve</b> <i>RMB’000</i>	<b>Statutory surplus reserve</b> <i>RMB’000</i>	<b>Retained earnings</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
<b>Balance at 1 January 2023</b>		361,964	993,124	126,196	914,780	2,396,064
<b>Changes in equity for five months ended 31 May 2023:</b>						
Total comprehensive income for the period		–	–	–	(13,176)	(13,176)
<b>Balance at 31 May 2023</b>		<u>361,964</u>	<u>993,124</u>	<u>126,196</u>	<u>901,604</u>	<u>2,382,888</u>

**(b) Dividends**

Dividends declared during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023.

	<b>Year ended 31 December</b>			<b>Five months ended 31 May</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Dividend declared during the year	<u>80,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Dividend per ordinary share (RMB)	<u>0.27</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

In October 2020, the Company declared dividends to its shareholders with amounts of RMB80,000,000, which was fully settled in cash in October 2020.

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**(c) Share capital**

	<b>Number of ordinary shares '000</b>	<b>Amount RMB'000</b>
<b>Issued and fully paid:</b>		
1 January 2020	290,384	290,384
Issuance of ordinary shares ( <i>Note (i)</i> )	6,701	6,701
Capitalisation issue ( <i>Note (ii)</i> )	62,915	62,915
At 31 December 2020 and 1 January 2021	360,000	360,000
Issuance of ordinary shares ( <i>Note (iii)</i> )	1,964	1,964
At 31 December 2021, 31 December 2022 and 31 May 2023	<u>361,964</u>	<u>361,964</u>

*Notes:*

- (i) On 21 April 2020, the shareholders’ meeting of the Company approved the investment agreement with an independent investor, pursuant to which the investor subscribed 6,701,000 shares of the Company at a consideration of RMB300,000,000.
- (ii) On 30 October 2020, pursuant to the resolution passed by the equity shareholders of the Company, the Company converted RMB62,915,000 from retained earnings to share capital.
- (iii) On 24 December 2021, the Company issued 1,963,636 shares to an investor at a consideration of RMB120,000,000.

**(d) Nature and purpose of reserves**

**(i) Capital reserve**

The capital reserve comprises the following:

- the proceeds in excess of the par value upon shares issuance received by the Company as disclosed in Note 32(c).
- the portion of the grant date fair value of unvested shares granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(s)(ii); and

**(ii) PRC statutory reserve**

Pursuant to the Articles of Association of the Company and the Company’s subsidiaries in the PRC, appropriations to statutory surplus reserve were made at a certain percentage of after-tax profit (after offsetting prior year losses) determined in accordance with the accounting rules and regulations of the PRC until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The PRC statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiaries and is non-distributable other than in liquidation.

**(iii) Other reserve**

Other reserve represents the changes in the Group’s interests in subsidiaries that do not result in a loss of control, whereby adjustments made to the amounts of non-controlling interests within consolidated equity to reflect the change in relative interests.

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### (e) Capital management

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

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

The Group monitors its capital based on the total equity reported in the statement of changes in equity.

### 33 ACQUISITIONS OF SUBSIDIARIES

#### Xishui Runkang Livestock Breeding Co., Ltd.

In April 2020, the Group acquired 85% of the total equity interest in Xishui Runkang Livestock Breeding Co., Ltd. (“Xishui Runkang Livestock”) from a third party at a consideration of RMB17,000,000. Xishui Runkang Livestock has become the Company’s non-wholly owned subsidiary thereon. Xishui Runkang Livestock is mainly engaged in pig farming. Consideration for the acquisition was fully settled in 2020. There was no transaction cost incurred.

The fair values of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition are set out as follow:

	<i>RMB’000</i>
Property, plant and equipment	27,610
Other non-current assets	279
Prepayments, deposits and other receivables	19,272
Cash and cash equivalents	737
Accruals and other payables	(27,806)
	<hr/>
Total identifiable net assets at fair value	20,092
Non-controlling interests	(3,092)
	<hr/>
Total consideration	17,000
	<hr/> <hr/>
Satisfied by cash	(17,000)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<b>Year ended</b> <b>31 December 2020</b> <i>RMB’000</i>
Cash consideration	17,000
Cash and cash equivalents acquired	(737)
	<hr/>
Net cash outflow included in investing activities	16,263
	<hr/> <hr/>

The values of assets and liabilities recognised on acquisition are their fair values. In determining the fair values of property, plant and equipment, the directors of the Group have referenced the fair value adjustments to valuation reports issued by independent valuers.

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The fair values of property, plant and equipment located in PRC is determined by replacement cost approach, where based on the prevailing market prices for reconstruction of the properties of equal quality/repurchasing of the same equipment, adjusting with the useful life.

The fair value of measurement of property, plant and equipment fall into level 3 of the fair value hierarchy.

**(i) Revenue and profit contribution**

Since the acquisition, Xishui Runkang Livestock contributed RMB1,284,000 to the Group’s revenue, and a loss of RMB2,996,000 to the consolidated net profit for the year ended 31 December 2020.

Had the business combinations taken place on 1 January 2020, the revenue and the net loss of the Group would have been RMB8,145,349,000 and RMB3,608,222,000, respectively for the year ended 31 December 2020.

**34 CHANGES IN NON-CONTROLLING INTERESTS**

The information of changes in the non-controlling interests during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023 are as follows:

**Year ended 31 December 2020**

Subsidiaries	Ownership before acquisition	Ownership after acquisition	Carrying amount of non- controlling interests acquired RMB’000	Consideration paid to non-controlling interests RMB’000	A (decrease)/ increase in total equity attributable to equity shareholders of the Group RMB’000
Jiangsu Dekon Animal Husbandry Technology Co., Ltd. 江蘇德康農牧科技有限公 司 (i)	55%	65%	(3,182)	–	(3,182)
Chongqing Wanzhou Dekon Agriculture and Animal Husbandry Technology Co., Ltd. 重慶萬州德康農牧科技有 限公司	60%	76%	1,017	(3,201)	(2,184)
Chongqing Hechuang Dekon Pig Farming Co., Ltd. 重慶市合川區德康生豬養 殖有限公司	90%	100%	6,062	(3,500)	2,562
			<u>3,897</u>	<u>(6,701)</u>	<u>(2,804)</u>

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**Year ended 31 December 2021**

<b>Subsidiaries</b>	<b>Ownership before acquisition</b>	<b>Ownership after acquisition</b>	<b>Carrying amount of non-controlling interests acquired RMB'000</b>	<b>Consideration paid to non-controlling interests RMB'000</b>	<b>A (decrease)/ increase in total equity attributable to equity shareholders of the Group RMB'000</b>
Zhongxian Dekon Agricultural Co., Limited 忠縣德康農牧有限公司	68%	80%	303	(1,707)	(1,404)
Xuanwei Dekon Pig Farming Co., Limited 宣威德康生豬養殖有限公司	98%	100%	3,488	(2,696)	792
Luoding Guying Agricultural Co., Limited 羅定市穀盈畜牧業有限公司	85%	93%	(694)	–	(694)
			<u>3,097</u>	<u>(4,403)</u>	<u>(1,306)</u>

**Year ended 31 December 2022**

<b>Subsidiary</b>	<b>Ownership before disposal/ acquisition</b>	<b>Ownership after disposal/ acquisition</b>	<b>Carrying amount of non-controlling interests disposed/ acquired RMB'000</b>	<b>Consideration received from/(paid to) non-controlling interests RMB'000</b>	<b>An increase/ (decrease) in total equity attributable to equity shareholders of the Group RMB'000</b>
Yangchun Dekon Agricultural Co., Limited 陽春德康農牧有限公司	100%	70%	(1,010)	2,400	1,390
Luoding Guying Agricultural Co., Limited 羅定市穀盈畜牧業有限公司	93%	100%	1,914	(3,000)	(1,086)
			<u>904</u>	<u>(600)</u>	<u>304</u>

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**Five months ended 31 May 2023**

Subsidiaries	Ownership before disposal/ acquisition	Ownership after disposal/ acquisition	Carrying amount of non- controlling interests disposed/ acquired <i>RMB'000</i>	Consideration received from non-controlling interests <i>RMB'000</i>	An increase in total equity attributable to equity shareholders of the Group <i>RMB'000</i>
Luoding Guying Agricultural Co., Limited 羅定市穀盈畜牧業有限公司	100%	74%	(19,645)	26,000	6,355
Xingan Dekon Agriculture and Animal Husbandry Co., Limited. 興安德康農牧有限公司	100%	70%	956	–	956
Jilin Dekon Investment Co., Limited 吉林德康投資有限公司 (ii)	69%	70%	2,889	–	2,889
			<u>(15,800)</u>	<u>26,000</u>	<u>10,200</u>

*Notes:*

- (i) The acquisition of non-controlling interest of Jiangsu Dekon Animal Husbandry Technology Co., Ltd. 江蘇德康農牧科技有限公司 includes its subsidiary Sihong Dekon Farming and Technology Co., Ltd. 泗洪德康農牧科技有限公司.
- (ii) The acquisition of non-controlling interest of Jilin Dekon Investment Co., Ltd. 吉林德康投資有限公司 includes its subsidiary Horqin Right Front Banner Dekon Agriculture and Animal Husbandry Co., Ltd. 科爾沁右翼前旗德康農牧有限公司, Baotou Dekon Agriculture and Animal Husbandry Co., Ltd. 包頭德康農牧有限公司, SongYuan Dekon Agriculture and Animal Husbandry Co., Ltd. 松原德康農牧有限公司, Horqin Right Front Banner Dekon Feed Co., Ltd. 科爾沁右翼前旗德康飼料有限公司.

**35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

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

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade and other receivables. The Group’s exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of the Group, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 37, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 37.

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*Trade receivables*

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is distinguished between the Group’s different customer bases.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables at 31 December 2020, 2021 and 2022 and 31 May 2023:

	<b>At 31 December 2020</b>		
	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	<i>%</i>	<i>RMB’000</i>	<i>RMB’000</i>
Less than 1 year	0.1%	1,436	1
1 to 2 years	2.9%	159	5
2 to 3 years	37.3%	3	1
Over 3 years	100.0%	–	–
		1,598	7
		1,598	7

	<b>At 31 December 2021</b>		
	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	<i>%</i>	<i>RMB’000</i>	<i>RMB’000</i>
Less than 1 year	0.0%	5,706	2
1 to 2 years	1.1%	30	–
2 to 3 years	15.4%	6	1
Over 3 years	100.0%	3	3
		5,745	6
		5,745	6

	<b>At 31 December 2022</b>		
	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>
	<i>%</i>	<i>RMB’000</i>	<i>RMB’000</i>
Less than 1 year	0.0%	9,961	2
1 to 2 years	0.1%	3,477	4
2 to 3 years	25.4%	3	1
Over 3 years	100.0%	1	1
		13,442	8
		13,442	8

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	Expected loss rate %	At 31 May 2023 Gross carrying amount RMB’000	Loss allowance RMB’000
Less than 1 year	0.0%	14,017	1
1 to 2 years	0.1%	1,053	1
2 to 3 years	2.7%	129	3
Over 3 years	100.0%	1	1
		<u>15,200</u>	<u>6</u>

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

Movement in the loss allowance account in respect of trade receivables during the year/period is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 (unaudited)	2023 RMB’000
Balance at 1 January	6	7	6	6	8
Impairment loss recognised/(reversed) during the year/period	<u>1</u>	<u>(1)</u>	<u>2</u>	<u>2</u>	<u>(2)</u>
Balance at 31 December/31 May	<u>7</u>	<u>6</u>	<u>8</u>	<u>8</u>	<u>6</u>

Movement in the loss allowance account in respect of other receivables during the year/period is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000 (unaudited)	2023 RMB’000
Balance at 1 January	17,682	19,921	25,839	25,839	39,169
Impairment loss recognised during the year/period	<u>2,239</u>	<u>5,918</u>	<u>13,330</u>	<u>5,799</u>	<u>302</u>
Balance at 31 December/31 May	<u>19,921</u>	<u>25,839</u>	<u>39,169</u>	<u>31,638</u>	<u>39,471</u>



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(b) Liquidity risk

The following tables show the remaining contractual maturities at 31 December 2020, 2021, and 2022 and 31 May 2023 of the Group’s non-derivative financial liabilities and derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2020					Carrying amount RMB’000
	Contractual undiscounted cash outflow	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	Within 1 year or on demand RMB’000	More than 1 year but less than 2 years RMB’000	More than 2 years but less than 5 years RMB’000	More than 5 years RMB’000	Total RMB’000	
Interest-bearing borrowings	2,578,840	810,082	912,405	149,963	4,451,290	4,159,430
Lease liabilities	63,346	58,579	135,036	1,199,455	1,456,416	1,292,641
Trade and bill payables	628,362	–	–	–	628,362	628,362
Accruals and other payables	1,331,792	–	–	–	1,331,792	1,331,792
Other non-current liabilities	–	10,000	24,200	–	34,200	34,200
	<u>4,602,340</u>	<u>878,661</u>	<u>1,071,641</u>	<u>1,349,418</u>	<u>7,902,060</u>	<u>7,446,425</u>
<b>Financial guarantees issued:</b>						
Maximum amount guaranteed (Note 37)	<u>76,855</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>76,855</u>	<u>–</u>

	At 31 December 2021					Carrying amount RMB’000
	Contractual undiscounted cash outflow/inflow	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	Within 1 year or on demand RMB’000	More than 1 year but less than 2 years RMB’000	More than 2 years but less than 5 years RMB’000	More than 5 years RMB’000	Total RMB’000	
Interest-bearing borrowings	3,394,510	1,010,096	1,710,587	289,697	6,404,890	5,968,159
Lease liabilities	194,560	157,855	332,183	2,735,291	3,419,889	2,081,083
Trade and bill payables	1,201,195	–	–	–	1,201,195	1,201,195
Accruals and other payables	1,800,553	–	–	–	1,800,553	1,800,553
Other non-current liabilities	–	20,000	4,200	–	24,200	24,200
Derivative financial liabilities settled net	342	–	–	–	342	342
	<u>6,591,160</u>	<u>1,187,951</u>	<u>2,046,970</u>	<u>3,024,988</u>	<u>12,851,069</u>	<u>11,075,532</u>

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	<b>At 31 December 2022</b>					
	<b>Contractual undiscounted cash outflow</b>					
	<b>Within</b>	<b>More than</b>	<b>More than</b>			
	<b>1 year or</b>	<b>1 year but</b>	<b>2 years but</b>	<b>More than</b>	<b>Total</b>	<b>Carrying</b>
<b>on demand</b>	<b>less than</b>	<b>less than</b>	<b>5 years</b>		<b>amount</b>	
<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest-bearing borrowings	4,618,292	1,261,934	1,239,669	95,669	7,215,564	6,895,781
Lease liabilities	169,900	200,145	347,876	2,544,814	3,262,735	2,123,975
Trade and bill payables	1,488,010	–	–	–	1,488,010	1,488,010
Accruals and other payables	2,992,401	–	–	–	2,992,401	2,992,401
Other non-current liabilities	–	4,200	–	–	4,200	4,200
Derivative financial liabilities settled net	2,485	–	–	–	2,485	2,485
	<u>9,271,088</u>	<u>1,466,279</u>	<u>1,587,545</u>	<u>2,640,483</u>	<u>14,965,395</u>	<u>13,506,852</u>

	<b>At 31 May 2023</b>					
	<b>Contractual undiscounted cash outflow</b>					
	<b>Within</b>	<b>More than</b>	<b>More than</b>			
	<b>1 year or</b>	<b>1 year but</b>	<b>2 years but</b>	<b>More than</b>	<b>Total</b>	<b>Carrying</b>
<b>on demand</b>	<b>less than</b>	<b>less than</b>	<b>5 years</b>		<b>amount</b>	
<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest-bearing borrowings	5,265,608	997,863	1,034,074	143,146	7,440,691	7,036,308
Lease liabilities	242,867	235,068	418,893	2,637,310	3,534,138	2,300,653
Trade and bill payables	1,706,507	–	–	–	1,706,507	1,706,507
Accruals and other payables	2,902,801	–	–	–	2,902,801	2,902,801
Derivative financial liabilities settled net	25,743	–	–	–	25,743	25,743
	<u>10,143,526</u>	<u>1,232,931</u>	<u>1,452,967</u>	<u>2,780,456</u>	<u>15,609,880</u>	<u>13,972,012</u>

**(c) Interest rate risk**

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

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(i) *Interest rate risk profile*

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group’s borrowings at 31 December 2020, 2021, and 2022 and 31 May 2023:

	At 31 December 2020		At 31 December 2021		At 31 December 2022		At 31 May 2023	
	Effective interest rate %	Amounts RMB’000	Effective interest rate %	Amounts RMB’000	Effective interest rate %	Amounts RMB’000	Effective interest rate %	Amounts RMB’000
<b>Fixed rate borrowings</b>								
Lease liabilities	6.53% 2.05%-	1,292,641	6.07% 3.55%-	2,081,083	5.80% 2.10%-	2,123,975	6.23% 2.10%-	2,300,653
Bank loans	5.98% 2.45%-	1,467,458	5.98% 2.64%-	1,299,993	5.98% 1.90%-	1,743,087	5.70% 1.70%-	2,376,195
Other loans	8.50%	523,999	8.50%	1,046,719	8.50%	1,390,072	8.50%	1,318,593
<b>Total fixed rate borrowings</b>		<u>3,284,098</u>		<u>4,427,795</u>		<u>5,257,134</u>		<u>5,995,441</u>
<b>Variable rate borrowings</b>								
Bank loans	2.05% 6.18%	2,167,973	3.85% 6.18%	3,481,448	3.35% 5.39%	3,479,240	3.35% 5.39%	3,072,241
Other loans		–	4.00%	139,999	7.02% 7.85%	283,382	7.02% 7.85%	269,279
<b>Total variable rate borrowings</b>		<u>2,167,973</u>		<u>3,621,447</u>		<u>3,762,622</u>		<u>3,341,520</u>
<b>Total borrowings</b>		<u>5,452,071</u>		<u>8,049,242</u>		<u>9,019,756</u>		<u>9,336,961</u>
Fixed rate borrowings as a percentage of total borrowings		<u>60%</u>		<u>55%</u>		<u>58%</u>		<u>64%</u>

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**(ii) Sensitivity analysis**

At 31 December 2020, 2021 and 2022 and 31 May 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group’s profit after tax and retained profits by approximately RMB21,689,000, RMB36,214,000, RMB37,626,000 and RMB13,923,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group’s profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period. The impact on the Group’s profit after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023.

**(d) Fair value measurement**

**(i) Financial assets and liabilities measured at fair value**

*Fair value hierarchy*

The fair value measurement of derivative financial instruments fall into level 1 of the fair value hierarchy and the fair values of derivative financial instruments are determined by quoted prices in active markets. The fair value measurement of RMB wealth management products and unlisted equity investment fall into level 3 of the fair value hierarchy.

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

*Information about Level 3 fair value measurements*

The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method. The main level 3 inputs used by the Group for RMB wealth management products are the expected rates of return. At 31 December 2020, 2021, and 2022 and 31 May 2023, if the expected rate of return of the investment in RMB wealth management products held by the Group had been one percentage point higher/lower, the Group’s profit for the year/period and retained profits would have been RMB1,793,000, RMB97,000, RMB531,000 and RMB961,000 higher/lower respectively.

The movements during the year/period in the balance of Level 3 fair value measurements are as follows:

	Year ended 31 December			Five months
	2020	2021	2022	ended 31 May
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
RMB wealth management products (Note 21):				
At 1 January	60,066	655,198	50,283	351,341
Additions in investments	6,080,000	2,975,029	1,530,000	990,000
Change in fair value recognised in profit or loss during the year/period	19,338	13,307	6,063	5,228
Disposal of financial assets	(5,504,206)	(3,593,251)	(1,235,005)	(953,928)
At 31 December/31 May	<u>655,198</u>	<u>50,283</u>	<u>351,341</u>	<u>392,641</u>

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The Group’s change in the fair value of the unlisted equity investment held is measured on the basis of the profit and loss and shareholding ratio of the investee company’s financial statements

	Year ended 31 December			Five months
	2020	2021	2022	ended 31 May
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Unlisted equity investment (Note 21):				
At 1 January	–	–	1,500	1,380
Additions in investments	–	1,500	–	–
Change in fair value recognised in profit or loss during the year/period	–	–	(120)	(368)
	<u>–</u>	<u>–</u>	<u>(120)</u>	<u>(368)</u>
At 31 December/31 May	<u>–</u>	<u>1,500</u>	<u>1,380</u>	<u>1,012</u>

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

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020, 2021 and 2022 and 31 May 2023.

**36 COMMITMENTS**

Capital commitments outstanding at respective reporting period end dates not provided for in the Historical Financial Information were as follows:

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted for	1,104,512	1,256,395	873,270	735,819
Authorised but not contracted for	355,150	273,684	286,681	350,218
	<u>1,459,662</u>	<u>1,530,079</u>	<u>1,159,951</u>	<u>1,086,037</u>

**37 CONTINGENT LIABILITIES**

At 31 December 2020, the Group guaranteed the bank loans drawn by the contract farmers of the Group. As at 31 December 2020, the directors of the Company do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2020 under the guarantees issued is the outstanding amount of the bank loans of the contract farmers of RMB76,855,000.

The directors do not believe it probable that the contract farmers will default on the contract and fail to make payment when due, and the Group will make specified payments to reimburse the beneficiary of the guarantee for a loss the bank incurs.

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38 MATERIAL RELATED PARTY TRANSACTIONS

- (a) Names and relationships of the related parties that had material transactions with the Group during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023:

Name of related party	Relationship
Mr. Wang Degen 王德根	Ultimate Controlling Party
Ms. Zhang Qiang 張強	Spouse of the Ultimate Controlling Party
Sichuan Desheng Ronghe Industrial Group Co., Ltd. 四川德盛榮和實業集團有限公司	A company controlled by the Ultimate Controlling Party
Sichuan Tequ Investment Group Co., Ltd. (“Sichuan Tequ”) 四川特驅投資集團有限公司 (note ii)	A company controlled by the Ultimate Controlling Party
Sichuan Tequ Agriculture and Animal Husbandry Technology Group Co., Ltd. 四川特驅農牧科技集團有限公司	A subsidiary of Sichuan Tequ
Sichuan Lvkepuhua Trading Co., Ltd. 四川綠科普華商貿有限公司	A subsidiary of Sichuan Tequ
Zhanjiang Tequ Feed Co., Ltd. 湛江特驅飼料有限公司	A subsidiary of Sichuan Tequ
Baoding Wanqian Feed Co., Ltd. 保定萬千飼料有限公司	A subsidiary of Sichuan Tequ
Kunming Tequ Feed Co., Ltd. 昆明特驅飼料有限公司	A subsidiary of Sichuan Tequ
Chengdu Tequ Agriculture and Animal Husbandry Technology Co., Ltd. 成都特驅農牧科技有限公司	A subsidiary of Sichuan Tequ
Xinjin Bond Technology Co., Ltd. 新津邦得科技有限公司	A subsidiary of Sichuan Tequ
Yibin Tequ Feed Co., Ltd. 宜賓特驅飼料有限公司	A subsidiary of Sichuan Tequ
Chongqing Shengbo Feed Co., Ltd. 重慶生搏飼料有限公司	A subsidiary of Sichuan Tequ
Deyang Tequ Feed Co., Ltd. 德陽特驅飼料有限公司	A subsidiary of Sichuan Tequ
Guiyang Tequ Hope Agricultural Technology Co., Ltd. 貴陽特驅希望農業科技有限公司	A subsidiary of Sichuan Tequ
Guanghan Tequ Agriculture and Animal Husbandry Technology Co., Ltd. 廣漢特驅農牧科技有限公司	A subsidiary of Sichuan Tequ
Chongqing Tequ Feed Co., Ltd. 重慶特驅飼料有限公司	A subsidiary of Sichuan Tequ
Xishui Xianyuan Honggu Tea Tree Tea Industry Co., Ltd. 習水仙源紅古茶樹茶業有限公司	A subsidiary of Sichuan Tequ
Chongqing Lvke Xianggang Logistics Co., Ltd. 重慶綠科祥港物流有限公司	A subsidiary of Sichuan Tequ
Chongqing JinTianTequ Feed Co., Ltd. 重慶今天特驅飼料有限公司	A subsidiary of Sichuan Tequ
Beijing Tequxiwang Feed Co., Ltd. 北京特驅希望飼料有限公司	A subsidiary of Sichuan Tequ
Chengdu Chuannongniu Technology Co., Ltd. 成都川農牛科技有限公司	A subsidiary of Sichuan Tequ
Deyang Tequ Feed Co., Ltd. 德陽特驅飼料有限公司	A subsidiary of Sichuan Tequ
Qian Southwest Hope Agriculture and Husbandry Co., Ltd. 黔西南希望農牧有限公司	A subsidiary of Sichuan Tequ
Guigang Wanqian Feed Co., Ltd. 貴港市萬千飼料有限責任公司	A company controlled by one of the shareholders
Xichang Wanqian Feed Co., Ltd. 西昌萬千飼料有限責任公司	A company controlled by one of the shareholders
Guiyang Huawu Benchu Food Co., Ltd. 貴陽花舞笨廚食品有限公司 (note iii)	A company controlled by one of the shareholders
Chengdu Jiayuan International Hotel Co., Ltd. 成都家園國際酒店有限公司	A company controlled by one of the shareholders
Guang’an Wanqian Group Co., Ltd. 廣安萬千集團有限公司	A company controlled by one of the shareholders
Sichuan Puhua Agricultural Technology Development Co., Ltd. 四川普華農業科技發展有限公司	A company controlled by the spouse of the Ultimate Controlling Party

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<b>Name of related party</b>	<b>Relationship</b>
Da’an Jinlongfeng Agriculture and Animal Husbandry Co., Ltd. 大安市金隆豐農牧有限公司	Associate
Sichuan Zhenghu Wisdom Technology Co., Ltd. 四川正狐智慧科技有限公司	Fellow subsidiary
Jilin Huixin Tiancheng Investment Co., Ltd. 吉林匯鑫天成投資有限公司	Non-controlling shareholder of a subsidiary
Leshan Jinxin Agricultural Development Co., Ltd. 樂山錦鑫農業發展有限責任公司	Non-controlling shareholder of a subsidiary
Guangzhou Minghao Industrial Co., Ltd. 廣州市明豪實業有限公司	Non-controlling shareholder of a subsidiary

*Notes:*

- (i) The official names of these entities are in Chinese. The English translation is for identification purpose only.
- (ii) In May 2022, the controlling party of Sichuan Tequ Investment Group Co., Ltd. was changed from Chen YUXIN (陳育新) to Wang Degen (王德根), so the relationship changed from a company controlled by one of the shareholders to a company controlled by the Ultimate Controlling Party.
- (iii) In March 2021, the controlling shareholder of Guiyang Huawu Benchu Food Co., Ltd. 貴陽花舞笨廚食品有限公司 disposed the shares of the company. Therefore the company is no longer a company controlled by one of the Shareholders since then.

**(b) Transactions with related parties**

	<b>Year ended 31 December</b>			<b>Five months ended 31 May</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(unaudited)</i>	
Sales of goods to a company controlled by one of the shareholders	901	342	770	570	2,421
Sales of goods to an associate	11,832	27,095	22,169	–	10,491
Sales of goods to companies controlled by the Ultimate Controlling Party	–	–	2,025	260	14
Purchase of goods from companies controlled by one of the shareholders	210,003	377,257	365,126	311,625	53,206
Purchase of goods from fellow subsidiary	1,645	6,480	198	–	–
Purchase of goods from companies controlled by the Ultimate Controlling Party	–	–	353,147	78,864	200,387
Proceeds of interest-bearing borrowings from non-controlling shareholders of subsidiaries	62,000	–	–	–	–
Repayments of interest-bearing borrowings from non-controlling shareholder of a subsidiary	–	10,000	–	–	–
Interest payables to non-controlling shareholders of subsidiaries	1,899	3,953	4,420	1,842	1,842

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As disclosed in Note 26, certain of the Group’s interest-bearing borrowings were guaranteed by certain related parties of the Group.

**(c) Balances with related parties**

The balances with related parties as at the end of each reporting period are as follows:

The Group

	<i>Notes</i>	<b>At 31 December</b>			<b>At 31 May</b>
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade in nature:					
– Trade receivables	19	–	–	–	217
– Trade and bills payables	24	17,149	82,093	34,823	68,702
Non-trade in nature:					
– Accruals and other payables		1,647	1,645	–	2,000
Interest-bearing borrowings from certain non-controlling shareholders of subsidiaries*	26	62,000	52,000	52,000	52,000

\* The interest-bearing borrowings from certain non-controlling shareholders of subsidiaries are repayable on demand and will be settled on receiving repayment notice from non-controlling shareholders.

The Company

		<b>At 31 December</b>			<b>At 31 May</b>
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-trade in nature:					
Non-current assets					
– Amounts due from subsidiaries		1,292,850	414,093	493,842	483,985
Current assets					
– Amounts due from subsidiaries		2,834,681	4,063,375	4,054,492	4,781,332
Current liabilities					
– Amounts due to subsidiaries		2,287,317	1,539,176	2,074,805	2,090,096

The Company provides loans to subsidiaries for normal business activities and also collect excess funds from subsidiaries according to its funds management policy. As at 31 December 2020, 2021 and 2022 and 31 May 2023, the amounts due from subsidiaries include interest-bearing borrowings of RMB2,894,510,000 (effective interest rate: 3.50%-12.0%), RMB3,365,492,000 (effective interest rate: 3.50%-8.50%), RMB3,218,174,000 (effective interest rate: 3.50%-8.50%) and RMB3,522,156,100 (effective interest rate:4.20%-8.50%), respectively and the rest are interest-free. All the amounts due from subsidiaries are unsecured except that the amounts due from non-wholly owned subsidiaries are secured by the non-controlling shareholders in proportion to respective shareholdings in the company. The current portion of amounts due from subsidiaries are repayable on demand and the non-current portion of amounts due from subsidiaries are repayable based on the repayment schedule set out in the loan agreements.



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**(d) Key management personnel remuneration**

Remuneration for key management personnel of the Group, representing the amounts paid to the Company’s directors and supervisors as disclosed in Note 8, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Salaries and other emoluments	3,817	4,907	4,995	1,718	2,419
Discretionary bonuses	2,151	2,568	1,145	–	–
Retirement scheme contributions	5	210	219	90	105
Share-based payments	1,571	1,590	993	597	–
	<u>7,544</u>	<u>9,275</u>	<u>7,352</u>	<u>2,405</u>	<u>2,524</u>

**39 SUBSEQUENT EVENTS**

According to the special shareholder resolution dated 26 December 2022, the Company may declare a possible distribution of RMB300 million undistributed profits. As detailed in the section headed “Summary – Special Shareholder Resolution”, such potential distribution shall be subject to the approval by a separate resolution at the general meeting of shareholders after receiving hearing notice and before formal hearing.

According to the special board resolution dated 20 June 2023, the Company proposed to convert an additional [REDACTED] domestic shares (increased from [REDACTED] domestic shares to [REDACTED] domestic shares) to H Shares and applied for the granting of the [REDACTED] of and permission to [REDACTED] the H shares on the Main Board of the Hong Kong Stock Exchange.

**40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING 1 JANUARY 2023**

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on 1 January 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 7 and IFRS 7, <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

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

**SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 May 2023.