

中糧嘉華實業有限公司

COFCO Jiahua Industrial Limited*

**Accountants' report on historical financial information
for the year ended 31 December 2021, 2022 and 2023
and the six months ended 30 June 2024**

**Accountants' report on Historical Financial Information of
COFCO Jiahua Industrial Limited* and its subsidiaries
To the directors of COFCO Joycome Foods Limited**

Introduction

We report on the historical financial information of COFCO Jiahua Industrial Limited* (中糧嘉華實業有限公司) (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages 5 to 59, which comprises the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (the "Relevant Periods") and material accounting policy information and other explanatory information (the "Historical Financial Information"). The Historical Financial Information set out on pages 5 to 59 forms an integral part of this report, which has been prepared for inclusion in the circular of COFCO Joycome Foods Limited (the "Company") dated 25 November 2024 (the "Circular") in connection with the proposed acquisition of 100% of equity interests of the Target Company by the Company (the "Proposed Acquisition").

Director's responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

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 (the "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.

**Accountants' report on Historical Financial Information of
COFCO Jiahua Industrial Limited* and its subsidiaries (continued)
To the directors of COFCO Joycome Foods Limited**

Reporting accountants' responsibility (continued)

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 set out in Note 3 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 sole director of the Target Company, 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 Target Group's financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2023 and other explanatory information (the "Stub Period Comparative Financial Information"). The sole director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative 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 inquiries, 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 Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

**Accountants' report on Historical Financial Information of
COFCO Jiahua Industrial Limited* and its subsidiaries (continued)
To the directors of COFCO Joycome Foods Limited**

**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 4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared or paid by the Target Company in respect of the Relevant Periods.



Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 25 November 2024

Wan Wing Ping

Practising certificate number P07471

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of 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 Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

(Expressed in Renminbi)

		Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(Unaudited)</i>	
Revenue	5	6,980,792	7,679,488	8,496,194	3,922,018	3,247,473
Cost of sales	10	<u>(6,437,997)</u>	<u>(7,219,467)</u>	<u>(7,861,607)</u>	<u>(3,658,202)</u>	<u>(2,968,886)</u>
Gross profit		542,795	460,021	634,587	263,816	278,587
Other income	7	9,480	7,146	20,941	9,523	11,383
Other gains and losses	8	4,187	4,955	(1,239)	1,409	1,507
Selling and distribution expenses		(220,650)	(200,307)	(266,639)	(121,688)	(118,123)
Administrative expenses		(166,873)	(144,988)	(172,617)	(85,371)	(72,491)
Share of results of associates		83	230	932	412	502
Finance costs	9	<u>(6,299)</u>	<u>(3,379)</u>	<u>(13,827)</u>	<u>(7,349)</u>	<u>(4,455)</u>
Profit before tax	10	162,723	123,678	202,138	60,752	96,910
Income tax expense	11	<u>(34,799)</u>	<u>(27,876)</u>	<u>(47,206)</u>	<u>(16,607)</u>	<u>(22,389)</u>
Profit and total comprehensive income for the year/period		<u>127,924</u>	<u>95,802</u>	<u>154,932</u>	<u>44,145</u>	<u>74,521</u>
Profit and total comprehensive income attributable to:						
Owners of the Target Company		125,361	94,450	144,130	42,899	65,417
Non-controlling interests		<u>2,563</u>	<u>1,352</u>	<u>10,802</u>	<u>1,246</u>	<u>9,104</u>
		<u>127,924</u>	<u>95,802</u>	<u>154,932</u>	<u>44,145</u>	<u>74,521</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		As at 31 December			As at
		2021	2022	2023	30 June
	Notes	RMB'000	RMB'000	RMB'000	2024
					RMB'000
Non-current assets					
Property, plant and equipment	16	596,244	673,883	694,240	691,760
Right-of-use assets	17	95,712	100,981	90,726	96,761
Intangible assets	18	29,042	24,977	21,817	19,884
Investments in associates	19	3,771	21,001	21,933	18,610
Prepayments for purchase of property, plant and equipment		2,741	2,083	1,137	1,648
Time deposits	26	–	500,000	–	–
Deferred tax assets	20	8,808	8,813	7,383	8,006
		<u>736,318</u>	<u>1,331,738</u>	<u>837,236</u>	<u>836,669</u>
Current assets					
Inventories	21	470,310	582,439	404,652	376,690
Account receivables	22	100,243	198,011	72,604	101,773
Prepayments, deposits and other receivables	23	95,450	54,849	41,314	62,726
Financial assets at fair value through profit or loss	24	10,623	–	–	–
Amounts due from related companies	25	159,163	185,504	412,349	315,615
Restricted bank deposits	26	4,216	2,390	–	–
Time deposits	26	–	–	500,000	500,000
Cash and bank balances	26	228,576	264,158	394,620	264,489
		<u>1,068,581</u>	<u>1,287,351</u>	<u>1,825,539</u>	<u>1,621,293</u>
Current liabilities					
Account and bills payables	27	271,247	449,518	321,328	270,700
Other payables, accruals and deposits received	28	216,347	193,671	261,715	263,808
Lease liabilities	29	12,002	11,371	3,261	2,447
Contract liabilities	30	118,928	106,191	77,819	80,897
Bank borrowings	31	500	516,010	455,340	284,173
Amounts due to related companies	25	39,879	63,458	104,136	109,732
Current tax liabilities		10,673	11,278	16,573	12,447
		<u>669,576</u>	<u>1,351,497</u>	<u>1,240,172</u>	<u>1,024,204</u>

		As at 31 December			As at
		2021	2022	2023	30 June
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Net current assets/(liabilities)		<u>399,005</u>	<u>(64,146)</u>	<u>585,367</u>	<u>597,089</u>
Total assets less current liabilities		<u>1,135,323</u>	<u>1,267,592</u>	<u>1,422,603</u>	<u>1,433,758</u>
Non-current liabilities					
Bank borrowings	31	–	20,277	–	–
Deferred income	32	2,431	2,286	1,154	1,078
Deferred tax liabilities	20	67	51	109	114
Lease liabilities	29	<u>9,967</u>	<u>9,029</u>	<u>2,052</u>	<u>1,718</u>
		<u>12,465</u>	<u>31,643</u>	<u>3,315</u>	<u>2,910</u>
Net assets		<u><u>1,122,858</u></u>	<u><u>1,235,949</u></u>	<u><u>1,419,288</u></u>	<u><u>1,430,848</u></u>
Capital and reserves					
Paid-in capital	33	303,000	303,000	303,000	303,000
Reserves		<u>806,882</u>	<u>901,332</u>	<u>1,047,293</u>	<u>1,038,560</u>
Equity attributable to the owners of the Target Company		1,109,882	1,204,332	1,350,293	1,341,560
Non-controlling interests		<u>12,976</u>	<u>31,617</u>	<u>68,995</u>	<u>89,288</u>
Total equity		<u><u>1,122,858</u></u>	<u><u>1,235,949</u></u>	<u><u>1,419,288</u></u>	<u><u>1,430,848</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Renminbi)

	Attributable to the owners of the Target Company					Non-	Total
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000 (Note)	Retained profits RMB'000	Total RMB'000	controlling interests RMB'000	equity RMB'000
At 1 January 2021	303,000	693,030	40,136	(51,645)	984,521	12,807	997,328
Profit and total comprehensive income for the year	–	–	–	125,361	125,361	2,563	127,924
Statutory reserve appropriation	–	–	10,196	(10,196)	–	–	–
Dividends paid to non- controlling interests	–	–	–	–	–	(2,394)	(2,394)
At 31 December 2021 and 1 January 2022	303,000	693,030	50,332	63,520	1,109,882	12,976	1,122,858
Profit and total comprehensive income for the year	–	–	–	94,450	94,450	1,352	95,802
Statutory reserve appropriation	–	–	7,850	(7,850)	–	–	–
Dividends paid to non- controlling interests	–	–	–	–	–	(2,311)	(2,311)
Capital injection from non-controlling interests of subsidiaries	–	–	–	–	–	19,600	19,600
At 31 December 2022 and 1 January 2023	303,000	693,030	58,182	150,120	1,204,332	31,617	1,235,949
Profit and total comprehensive income for the year	–	–	–	144,130	144,130	10,802	154,932
Statutory reserve appropriation	–	–	13,919	(13,919)	–	–	–
Dividends paid to non- controlling interests	–	–	–	–	–	(1,226)	(1,226)
Partial disposal of interests in a subsidiary without loss of control (Note 38)	–	1,831	–	–	1,831	27,802	29,633
At 31 December 2023	<u>303,000</u>	<u>694,861</u>	<u>72,101</u>	<u>280,331</u>	<u>1,350,293</u>	<u>68,995</u>	<u>1,419,288</u>

	Attributable to the owners of the Target Company					Non-	Total equity
	Paid-in capital	Capital reserve	Statutory reserve	Retained profits	Total	controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note)				
At 1 January 2024	303,000	694,861	72,101	280,331	1,350,293	68,995	1,419,288
Profit and total comprehensive income for the period	-	-	-	65,417	65,417	9,104	74,521
Dividend paid to non-controlling interests	-	-	-	-	-	(8,411)	(8,411)
Dividends recognised as distribution (Note 14)	-	-	-	(69,017)	(69,017)	-	(69,017)
Distribution to parent company	-	(5,133)	-	-	(5,133)	-	(5,133)
Capital injection from non-controlling interests of subsidiaries	-	-	-	-	-	19,600	19,600
At 30 June 2024	<u>303,000</u>	<u>689,728</u>	<u>72,101</u>	<u>276,731</u>	<u>1,341,560</u>	<u>89,288</u>	<u>1,430,848</u>
At 1 January 2023 (audited)	303,000	693,030	58,182	150,120	1,204,332	31,617	1,235,949
Profit and total comprehensive income for the period (unaudited)	-	-	-	42,899	42,899	1,246	44,145
Partial disposal of interests in a subsidiary without loss of control (unaudited)	-	1,831	-	-	1,831	27,802	29,633
At 30 June 2023 (unaudited)	<u>303,000</u>	<u>694,861</u>	<u>58,182</u>	<u>193,019</u>	<u>1,249,062</u>	<u>60,665</u>	<u>1,309,727</u>

Note: The amount mainly represents statutory reserve of the companies registered in The People's Republic of China (the "PRC"). According to the relevant laws in the PRC, companies established in the PRC are required to transfer their net profit after tax, as determined under the PRC accounting regulations, to a non-distributable reserve fund before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended 31 December 2023
(Expressed in Renminbi)

	<i>Notes</i>	Year ended 31 December			Six months ended	
		2021	2022	2023	30 June 2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Operating activities						
Profit for the year/period		127,924	95,802	154,932	44,145	74,521
Adjustments for:						
Income tax expense		34,799	27,876	47,206	16,607	22,389
Interest income	7	(5,892)	(4,108)	(16,570)	(7,906)	(8,600)
Finance costs	9	6,299	3,379	13,827	7,349	4,455
Depreciation of property, plant and equipment	10	48,443	51,847	63,933	30,419	33,862
Depreciation of right-of-use assets	10	14,858	13,641	14,479	6,962	4,692
Amortisation of intangible assets	10	4,994	4,941	4,947	2,475	2,585
Recognition of deferred income		(446)	(145)	(1,132)	(78)	(76)
Loss on disposal of property, plant and equipment, net	8	68	264	586	112	719
Impairment loss, net of reversal	8					
– account receivables, net		(4,232)	(550)	(2,410)	(59)	(50)
– other receivables, net		219	(3,593)	(114)	(79)	(68)
Waiver of account payables		–	(931)	(1,733)	(181)	(1,175)
Share of results of associates		(83)	(230)	(932)	(412)	(502)
Write-down/(reversal of write-down) of inventories to net realisable value	8	98	(9)	(913)	(737)	–
Unrealised gain on derivative financial instruments, net		10,623	–	–	3,587	–
Operating cash flows before movements in working capital		237,672	188,184	276,106	102,204	132,752
(Increase)/decrease in account receivables		(104,475)	(98,318)	122,997	100,453	(29,219)
(Increase)/decrease in prepayments, deposits and other receivables		(90,249)	44,593	13,534	(69,209)	(21,412)
(Increase)/decrease in inventories		(82,759)	(112,138)	176,874	156,902	27,962
(Increase)/decrease in amounts due from related companies		(159,163)	(26,341)	(226,845)	(231,233)	96,734
Increase/(decrease) in account and bills payables		271,247	202,049	(115,769)	(118,598)	(49,453)
Increase/(decrease) in other payables, accruals and deposits received		211,811	(23,903)	56,958	43,191	(1,763)
Increase in amounts due to related companies		39,879	21,614	42,989	35,417	5,596
Increase/(decrease) in contract liabilities		114,465	(12,737)	(28,371)	(19,669)	3,078
Changes in derivative financial instruments		5,949	(10,623)	–	–	–
Cash generated from/(used in) operations		444,377	172,380	318,473	(542)	164,275
Income tax paid		(29,933)	(27,292)	(40,896)	(17,054)	(27,133)
Net cash generated from/(used in) operating activities		414,444	145,088	277,577	(17,596)	137,142

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Investing activities					
Interest received	5,892	4,108	16,570	7,906	8,600
Payments for property, plant and equipment	(81,299)	(126,114)	(72,466)	(26,342)	(29,084)
Capital injection on investments in associates	–	(17,000)	–	–	–
Payments for right-of-use assets	–	(21,971)	(8,875)	(36)	(12,027)
Payments for intangible assets	–	(876)	(1,787)	(312)	(652)
Proceeds from disposal of property, plant and equipment	2,952	340	793	310	488
Placement of time deposits with original maturity over three months	–	(500,000)	–	–	–
Placement of restricted bank deposits	(4,216)	–	–	–	–
Withdrawal of restricted bank deposits	–	1,826	2,390	2,390	–
Net cash used in investing activities	(76,671)	(659,687)	(63,375)	(16,084)	(32,675)
Financing activities					
Dividend paid to non-controlling interests	(2,394)	–	(3,538)	–	(8,411)
Dividend paid	–	–	–	–	(69,017)
Interest paid	(4,899)	(2,651)	(12,821)	(6,798)	(4,455)
New bank borrowings	–	536,287	–	184,790	–
Repayments of bank borrowings	(249,267)	(500)	(80,947)	–	(170,528)
Repayments of lease liabilities	(26,634)	(2,549)	(16,093)	(4,902)	(1,787)
Loans from related companies	–	70,000	–	–	–
Repayments of loans from related companies	–	(70,000)	–	–	–
Partial disposal of interest in a subsidiary without losing control	–	–	29,633	29,633	–
Capital injection from non-controlling interests	–	19,600	–	–	19,600
Net cash (used in)/generated from financing activities	(283,194)	550,187	(83,766)	202,723	(234,598)
Net increase/(decrease) in cash and cash equivalents	54,579	35,588	130,436	169,043	(130,131)
Cash and cash equivalents at beginning of the year/period	174,219	228,576	264,158	264,158	394,620
Effect of foreign exchange rate changes	(222)	(6)	26	–	–
Total cash and cash equivalents at end of the year/period	228,576	264,158	394,620	433,201	264,489
Analysis of the balances of cash and cash equivalents					
Cash and bank balances at end of the year/period	26	228,576	264,158	433,201	264,489

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

(Expressed in Renminbi)

1 GENERAL INFORMATION

The Target Company was established in the PRC as a limited liability company on 3 January 2018. Its registered office is located at Room 1803, No. 8, Chao Yang Men South Street, Chao Yang District, Beijing, the PRC.

The Target Group is principally engaged in manufacture and sales of feed products in the PRC.

The Target Group is controlled by COFCO Industry Investment Co., Ltd.* (中糧產業投資有限公司) (“COFCO Industry”), a subsidiary of COFCO Corporation, which is a state-owned enterprise registered in the PRC. The sole director of the Target Company regards COFCO Industry and COFCO Corporation as the immediate and ultimate holding company of the Target Company.

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently adopted the HKFRSs issued by the HKICPA which are effective for the Target Group's financial period beginning on 1 January 2024 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendment to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁴

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

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

The sole director of the Target Company anticipates that the application of the above new and amendments to HKFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Company Ordinance.

The Historical Financial Information has been prepared under the historical cost convention.

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

3.2 Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Target Group's interests in existing subsidiaries

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

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

When the Target Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Target Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly

disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates

An associate is an entity over which the Target Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the associate. When the Target Group's share of losses of an associate exceeds the Target Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Target Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Target Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Target Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Target Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Target Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Target Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate. When a Target Group entity transacts with an associate of the Target Group, profits and losses resulting from the transactions with the associate are recognised in the Historical Financial Information only to the extent of interests in the associate that are not related to the Target Group.

Revenue from contracts with customers

Information about the Target Group's accounting policies relating to contracts with customers is provided in Notes 5, 22 and 30.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

The Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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

Short-term leases

The Target Group applies the short-term lease recognition exemption to leases of lands, offices, warehouses and dormitories that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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

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

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

Lease modifications

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

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

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

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

Foreign currencies

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

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

Borrowing costs

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

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

Government grants

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit costs

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

The employees of the Target Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Target Group's PRC entities are required to contribute certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

Short-term employee benefits

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

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

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies HKAS 12 Income Taxes requirements to the lease liabilities and the related assets separately. The Target Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purposes (other than construction in progress, as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress, which represents assets in the course of construction for production, supply of goods and services or administrative purposes, is carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs recognised in accordance with the Target Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Target Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

Cash and cash equivalents

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Group must incur to make the sale.

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees

and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Target Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including account receivables, deposits, other receivables, amounts due from related companies and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Target Group always recognises lifetime ECL for account receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other gains and losses" line item (Note 8) as part of the foreign exchange gains/(losses), net;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other gains and losses" line item as part of the gain/(loss) from realised and unrealised gain/(loss) on fair value changes in respect of commodity futures contracts, net (Note 8).

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or it is designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including account and bills payables, other payables, bank borrowings and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other gains and losses" line item in profit or loss (Note 8) as part of foreign exchange gains/(losses), net for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of property, plant and equipment and right-of-use assets

The carrying values of property, plant and equipment and right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable or events previously causing the impairment no longer exist in accordance with the accounting policies as disclosed in the relevant parts in Note 3. The recoverable amounts of the property, plant and equipment and right-of-use assets are the higher of the fair value less costs of disposal and value in use.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Target Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the fair value less costs of disposal or the value in use, i.e. the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the carrying amounts of property, plant and equipment are RMB596,244,000, RMB673,883,000, RMB694,240,000 and RMB691,760,000 respectively.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the carrying amounts of right-of-use assets are RMB95,712,000, RMB100,981,000, RMB90,726,000 and RMB96,761,000 respectively.

5 REVENUE

Disaggregation of revenue from contracts with customers:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Types of goods					
Sales of feed	<u>6,980,792</u>	<u>7,679,488</u>	<u>8,496,194</u>	<u>3,922,018</u>	<u>3,247,473</u>
Geographical market					
Mainland China	<u>6,980,792</u>	<u>7,679,488</u>	<u>8,496,194</u>	<u>3,922,018</u>	<u>3,247,473</u>
Timing of revenue recognition					
A point in time	<u>6,980,792</u>	<u>7,679,488</u>	<u>8,496,194</u>	<u>3,922,018</u>	<u>3,247,473</u>

Performance obligations for contracts with customers and revenue recognition policies

The Target Group sells feed in the Mainland China. Revenue is recognised when control of the goods has transferred, being at the point when the goods have been delivered to the customers at the locations agreed between the Target Group and the customers.

Except for certain reputable customers, the Target Group requires full prepayments from customers. For credit sales, the normal credit term is within 180 days from delivery.

All contracts are for periods of one year or less. As permitted by HKFRS 15, the transaction price allocated to the unsatisfied performance obligations is not disclosed.

6 SEGMENT INFORMATION

Information reported to the sole director of the Target Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods provided. The CODM of the Target Company reviews revenue by respective products and the consolidated financial statements of the Target Group prepared in accordance with HKFRSs as a whole. No further discrete financial information is available. Accordingly, no operating segments information is presented other than entity-wide disclosures.

Geographical information

All of the revenue of the Target Group is derived from Mainland China based on location of the operations for years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024.

All the Target Group's non-current assets (excluding deferred tax assets) as at 31 December 2021, 2022 and 2023 and 30 June 2024 are located in the Mainland China based on geographical location of the assets.

Information about major customers

No revenue from transactions with any single external customer amounted to 10% or more of the Target Group's revenue for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024.

7 OTHER INCOME

An analysis of the Target Group's other income is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest income from banks	5,887	1,238	13,313	6,681	6,653
Interest income from a related company*	5	2,870	3,257	1,225	1,947
	<u>5,892</u>	<u>4,108</u>	<u>16,570</u>	<u>7,906</u>	<u>8,600</u>
Government grants**	3,588	3,038	4,371	1,617	2,783
	<u>9,480</u>	<u>7,146</u>	<u>20,941</u>	<u>9,523</u>	<u>11,383</u>

* The amount represents interest income for deposits placed in a non-banking financial institution, COFCO Finance Corporation Limited ("COFCO Finance"), a subsidiary of COFCO Corporation. Details of the deposits are set out in Note 26 and Note 43.

** Government grants related to acquisition of lands use rights and acquisition/construction of property, plant and equipment projects are included in deferred income and are credited to profit or loss on a systematic basis over the useful lives of the related assets. Further details are disclosed in Note 32. Included in the above balances are government grants released from deferred income of RMB446,000, RMB145,000, RMB1,132,000, RMB78,000 and RMB76,000 for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024 respectively.

8 OTHER GAINS AND LOSSES

An analysis of the Target Group's other gains and losses is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Exchange (loss)/gain, net	(222)	(6)	26	–	–
Loss on disposal of property, plant and equipment, net	(68)	(264)	(586)	(112)	(719)
(Write-down)/reversal of write-down of inventories to net realisable value	(98)	9	913	737	–
Reversal of provision of impairment on account receivables, net	4,232	550	2,410	59	50
(Provision of)/reversal of provision of impairment on other receivables, net	(219)	3,593	114	79	68
Waiver of account payables	–	931	1,733	181	1,175
Provision for litigation (Note 46)	–	–	(6,910)	–	–
Insurance claims	340	116	977	434	613
Others	222	26	84	31	320
	<u>4,187</u>	<u>4,955</u>	<u>(1,239)</u>	<u>1,409</u>	<u>1,507</u>

9 FINANCE COSTS

An analysis of the Target Group's finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on:					
Bank borrowings	4,899	2,305	12,821	6,798	3,816
Loans from related companies (Note 25)	—	346	—	—	—
Lease liabilities from related companies	443	227	335	221	—
Lease liabilities from third parties	957	753	671	330	639
	<u>6,299</u>	<u>3,631</u>	<u>13,827</u>	<u>7,349</u>	<u>4,455</u>
Total borrowing costs	6,299	3,631	13,827	7,349	4,455
Less: Borrowing costs capitalised in the cost of qualifying assets	—	(252)	—	—	—
	<u>6,299</u>	<u>3,379</u>	<u>13,827</u>	<u>7,349</u>	<u>4,455</u>

Borrowing costs capitalised during the year ended 31 December 2022 arose on the specific borrowings with interest rates ranging from 3.45% to 3.9% per annum.

10 PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of inventories recognised as expenses	6,460,194	7,241,917	7,868,378	3,658,314	2,980,118
Realised and unrealised gain on fair value changes in respect of commodity futures contracts, net	(22,197)	(22,450)	(6,771)	(112)	(11,232)
	<u>6,437,997</u>	<u>7,219,467</u>	<u>7,861,607</u>	<u>3,658,202</u>	<u>2,968,886</u>
Total cost of sales	6,437,997	7,219,467	7,861,607	3,658,202	2,968,886
Employee benefits expenses (including the director's emoluments as disclosed in Note 12):					
Salaries and other allowances	328,757	323,169	377,884	193,095	161,624
Retirement benefit schemes contributions	23,631	25,852	28,785	12,912	15,402
Less: Capitalised in construction in progress	(1,052)	(1,553)	(599)	(187)	(355)
	<u>351,336</u>	<u>347,468</u>	<u>406,070</u>	<u>205,820</u>	<u>176,671</u>

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation of property, plant and equipment	48,443	51,847	63,933	30,419	33,862
Depreciation of right-of-use assets	14,858	13,641	14,479	6,962	4,692
Amortisation of intangible assets	4,994	4,941	4,947	2,475	2,585
Total depreciation and amortisation	68,295	70,429	83,359	39,856	41,139
Auditors' remuneration	599	700	682	–	–

11 INCOME TAX EXPENSE

An analysis of the Target Group's income tax expense is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current tax:					
PRC Enterprise Income Tax (the "EIT")	35,979	29,600	47,135	19,636	23,575
Over provision in prior years/periods:					
PRC Enterprise Income Tax	(1,373)	(1,703)	(1,417)	(1,975)	(568)
	34,606	27,897	45,718	17,661	23,007
Deferred tax:					
Current year/period (Note 20)	193	(21)	1,488	(1,054)	(618)
	34,799	27,876	47,206	16,607	22,389

No provision for Hong Kong Profits Tax has been made as the Target Group had no assessable profit generated in Hong Kong for the years ended 31 December 2021, 2022, 2023 and six months ended 30 June 2023 and 2024.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the years ended 31 December 2021, 2022, 2023 and six months ended 30 June 2023 and 2024.

Certain subsidiaries were granted lower tax rates by the state tax bureau in accordance with the EIT Law and the corresponding transitional tax concession policy and "The notice of tax policies relating to the implementation of the western China development strategy" during the years ended 31 December 2021, 2022, 2023 and six months ended 30 June 2023 and 2024.

Income tax expense for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	162,723	123,678	202,138	60,752	96,910
Tax at the domestic income tax rate of 25%*	40,681	30,919	50,535	15,187	24,227
Effect of tax concessions	(1,278)	(1,901)	(5,614)	(127)	(170)
Effect of expenses not deductible for tax purpose	197	2,536	2,181	1,196	836
Tax effect of income not taxable for tax purpose	(897)	(760)	(1,093)	(404)	(696)
Tax effect of share of results of associates	(21)	(57)	(233)	(103)	(125)
Tax losses utilised from previous periods	(3,257)	(1,158)	(3,470)	(73)	(1,115)
Tax effect of tax losses not recognised	747	–	6,317	2,906	–
Over provision in prior years	(1,373)	(1,703)	(1,417)	(1,975)	(568)
Income tax expense for the year/period	34,799	27,876	47,206	16,607	22,389

* The domestic tax rate (which is the EIT rate) in the jurisdiction where the operation of the Target Group is substantially based is used.

12 DIRECTOR'S EMOLUMENTS

Director's emoluments for the years/periods, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Directors' fees	Salaries and other allowances	Other emoluments Retirement benefit scheme contributions	Bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021					
QING Lijun (note (a))	–	–	–	–	–
DONG Shungang (note (b))	–	875	167	796	1,838
	–	875	167	796	1,838
Year ended 31 December 2022					
DONG Shungang	–	874	186	1,600	2,660

	Directors' fees <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Other emoluments	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
			Retirement benefit scheme contributions <i>RMB'000</i>		
Year ended					
31 December 2023					
DONG Shungang	–	729	193	1,479	2,401

	Directors' fees <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Other emoluments	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
			Retirement benefit scheme contributions <i>RMB'000</i>		
Six months ended					
30 June 2023					
(Unaudited)					
DONG Shungang	–	363	103	960	1,426

	Directors' fees <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Other emoluments	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
			Retirement benefit scheme contributions <i>RMB'000</i>		
Six months ended					
30 June 2024					
DONG Shungang	–	360	90	–	450

The director's emoluments shown above were for his services in connection with the management of the affairs of the Target Company and the Target Group.

Notes:

- (a) QING Lijun was resigned as a director of the Target Company on 25 February 2021.
- (b) DONG Shungang was appointed as a director of the Target Company on 25 February 2021.

Bonus, including annual performance bonus and tenure incentive, is determined by reference to the market, individual performance and director's respective contribution to the Target Group. For the years ended 31 December 2021, 2022, 2023 and six months ended 30 June 2023 and 2024, the Target Company focused on the payment of tenure incentive.

During the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, no director of the Target Company waived or agreed to waive any emoluments, and no emoluments was paid to the sole director of the Target Company as an inducement to join or upon joining the Target Group or as compensation for loss of office.

13 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Target Group for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024 included 1, 1, 1, 1 and nil director of the Target Company, details of whose emoluments are set out in Note 12 above. Details of the emoluments of the 4, 4, 4, 4 and 5 highest paid employees for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024 who are not the sole director of the Target Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Salaries, allowances and benefits in kind	1,823	1,836	1,009	478	816
Bonus	3,639	3,858	4,612	3,300	3,699
Retirement benefit schemes contributions	218	229	156	53	142
	<u>5,680</u>	<u>5,923</u>	<u>5,777</u>	<u>3,831</u>	<u>4,657</u>

The number of the highest paid employees who are not the sole director of the Target Company whose emoluments fell within the following bands is as follows:

	Number of individual			Six months ended 30 June	
	Year ended 31 December 2021	2022	2023	2023	2024
	(Unaudited)				
Hong Kong Dollar ("HKD") Nil to HKD1,000,000	–	–	–	1	1
HKD1,000,001 to HKD1,500,000	2	2	3	3	4
HKD1,500,001 to HKD2,000,000	1	1	1	–	–
HKD2,000,001 to HKD2,500,000	1	1	–	–	–
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>

14 DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Dividends recognised as distributions during the year/period	–	–	–	–	69,017

15 EARNINGS PER SHARE

No earnings per share information for the Relevant Periods are presented as its inclusion, for the purpose of this report, is not meaningful.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2021	441,937	9,548	337,829	46,776	25,043	415	861,548
Additions	4,604	5,427	22,490	6,164	8,447	32,068	79,200
Disposal	(36)	(1,034)	(2,110)	(7,052)	(3,744)	–	(13,976)
At 31 December 2021 and 1 January 2022	446,505	13,941	358,209	45,888	29,746	32,483	926,772
Additions	5,270	4,688	25,316	7,394	2,518	84,904	130,090
Transfer	85,816	–	31,264	–	–	(117,080)	–
Disposals	–	(2,249)	(607)	(834)	(683)	(138)	(4,511)
At 31 December 2022 and 1 January 2023	537,591	16,380	414,182	52,448	31,581	169	1,052,351
Additions	9,996	6,280	34,866	11,023	2,412	21,092	85,669
Transfer	11,479	–	85	–	–	(11,564)	–
Disposals	(350)	(899)	(2,267)	(4,067)	(1,575)	–	(9,158)
At 31 December 2023 and 1 January 2024	558,716	21,761	446,866	59,404	32,418	9,697	1,128,862
Additions	1,558	2,510	8,758	2,504	126	17,133	32,589
Transfer	–	–	2,066	–	–	(2,066)	–
Disposals	(1,166)	(225)	(2,556)	(568)	(1,515)	–	(6,030)
At 30 June 2024	559,108	24,046	455,134	61,340	31,029	24,764	1,155,421
Depreciation and impairment:							
At 1 January 2021	113,251	2,667	131,506	30,037	15,580	–	293,041
Depreciation charge for the year	15,110	2,414	23,425	5,235	2,259	–	48,443
Eliminated on disposals	(32)	(962)	(1,475)	(5,264)	(3,223)	–	(10,956)
At 31 December 2021 and 1 January 2022	128,329	4,119	153,456	30,008	14,616	–	330,528
Depreciation charge for the year	15,274	4,122	24,472	4,829	3,150	–	51,847
Eliminated on disposals	–	(2,209)	(319)	(754)	(625)	–	(3,907)
At 31 December 2022 and 1 January 2023	143,603	6,032	177,609	34,083	17,141	–	378,468
Depreciation charge for the year	19,432	5,157	29,833	5,851	3,660	–	63,933
Eliminated on disposals	(39)	(899)	(1,615)	(3,801)	(1,425)	–	(7,779)
At 31 December 2023 and 1 January 2024	162,996	10,290	205,827	36,133	19,376	–	434,622
Depreciation charge for the period	9,937	3,096	16,214	3,060	1,555	–	33,862
Eliminated on disposals	(470)	(225)	(2,172)	(540)	(1,416)	–	(4,823)
At 30 June 2024	172,463	13,161	219,869	38,653	19,515	–	463,661

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Carrying values:							
At 31 December 2021	318,176	9,822	204,753	15,880	15,130	32,483	596,244
At 31 December 2022	393,988	10,348	236,573	18,365	14,440	169	673,883
At 31 December 2023	395,720	11,471	241,039	23,271	13,042	9,697	694,240
At 30 June 2024	386,645	10,885	235,265	22,687	11,514	24,764	691,760

The above items of property, plant and equipment, except for construction in progress, after taking into account any residual value, are depreciated on a straight-line basis at the following rates per annum:

Buildings	1.8% to 19%
Leasehold improvements	10% to 25% (over the shorter of the term of the lease and estimated useful life)
Equipment	4.5% to 47.5%
Furniture and fixtures	9% to 19%
Motor vehicles	9% to 19%

17 RIGHT-OF-USE ASSETS

	Lands RMB'000	Properties RMB'000	Total RMB'000
Carrying amounts			
As at 31 December 2021	75,557	20,155	95,712
As at 31 December 2022	79,455	21,526	100,981
As at 31 December 2023	83,369	7,357	90,726
As at 30 June 2024	92,434	4,327	96,761
Depreciation charges			
For the year ended 31 December 2021	3,163	11,695	14,858
For the year ended 31 December 2022	3,332	10,309	13,641
For the year ended 31 December 2023	3,529	10,950	14,479
For six months ended 30 June 2023	1,668	5,294	6,962
For six months ended 30 June 2024	1,662	3,030	4,692

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	3,103	4,282	4,250	4,381	3,367
Variable lease payments not included in the measurement of lease liabilities	10,445	12,326	12,156	3,697	3,583
Total cash outflow for leases	26,635	51,099	25,499	10,898	7,302
Additions to right-of-use assets	–	21,971	8,875	36	12,027

The Target Group leases lands and buildings for its operations. Lease contracts are entered into for fixed term of 1 to 50 years for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Target Group owns several industrial buildings where its feed storage facilities are primarily located and office buildings. The Target Group is the registered owner of these property interests, including the underlying leasehold lands. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Target Group regularly entered into short-term leases for buildings. As 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases of industrial buildings and office buildings contain variable lease payments that are based on production volume. The payment terms are common in industrial buildings and office buildings in the PRC where the Target Group operates. The overall financial effect of using variable payment terms is that higher rental costs are incurred by feed storage facilities with higher production volume. Variable rent expenses are expected to continue to represent a similar proportion of production volume in future years.

18 INTANGIBLE ASSETS

The Target Group's intangible assets comprise purchased computer software.

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Cost:				
At beginning of the reporting period	52,754	51,964	52,840	54,627
Additions	–	876	1,787	652
Disposals	(790)	–	–	–
At end of the reporting period	51,964	52,840	54,627	55,279
Accumulated amortisation:				
At beginning of the reporting period	18,032	22,922	27,863	32,810
Amortisation provided during the year/period	4,994	4,941	4,947	2,585
Eliminated on disposals	(104)	–	–	–
At end of the reporting period	22,922	27,863	32,810	35,395
Carrying values:				
At end of the reporting period	29,042	24,977	21,817	19,884

Purchased computer software is stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 10 years.

19 INVESTMENTS IN ASSOCIATES

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Cost of investments in associates	8,500	25,500	25,500	17,000
Share of undistributed post-acquisition reserves	(4,729)	(4,499)	(3,567)	1,610
	<u>3,771</u>	<u>21,001</u>	<u>21,933</u>	<u>18,610</u>

Details of the Target Group's associates as at the end of each reporting period are as follows:

Attributable Interest held by the Target Group						
Name of entity	Place of incorporation/ establishment and principal country of operations	At 31 December			At	Principal activities
		2021	2022	2023	30 June	
中糧生物科技(北京)有限公司 (COFCO Biotechnology (Beijing) Co., Ltd.*)	PRC/PRC	37.78%	37.78%	37.78%	– (Note (ii))	Technology development of feed products
現代飼料(天津)有限公司 Modern Feed (Tianjin) Co., Ltd.*)	PRC/PRC	–	34.00% (Note (i))	34.00%	34.00%	Sales of feed

Notes:

- (i) Modern Feed (Tianjin) Co., Ltd. was incorporated in 2022. The Target Group injected capital of RMB17,000,000 and held 34.00% equity interest of Modern Feed (Tianjin) Co., Ltd.
- (ii) On 27 June 2024, the Target Group's equity interest 37.78% of COFCO Biotechnology (Beijing) Co., Ltd. was disposed of to a fellow subsidiary through gratuitous transfer.

The above associates were not individually material to the Target Group.

20 DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Deferred tax assets	8,808	8,813	7,383	8,006
Deferred tax liabilities	<u>67</u>	<u>51</u>	<u>109</u>	<u>114</u>

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during each reporting period:

	Impairment for account and other receivables RMB'000	Tax losses RMB'000	Fair value adjustment RMB'000	Others RMB'000	Write-down of inventories RMB'000	Right-of- use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	6,641	1,224	–	1,069	–	(3,361)	3,361	8,934
Credited/(charged) to profit or loss	(1,986)	(1,044)	(51)	2,827	–	77	(16)	(193)
At 31 December 2021 and 1 January 2022	4,655	180	(51)	3,896	–	(3,284)	3,345	8,741
Credited/(charged) to profit or loss	1,598	(180)	51	(1,413)	39	(39)	(35)	21
At 31 December 2022 and 1 January 2023	6,253	–	–	2,483	39	(3,323)	3,310	8,762
Credited/(charged) to profit or loss	(2,123)	–	–	440	279	(26)	(58)	(1,488)
At 31 December 2023 and 1 January 2024	4,130	–	–	2,923	318	(3,349)	3,252	7,274
Credited/(charged) to profit or loss	–	271	–	15	348	(11)	(5)	618
At 30 June 2024	4,130	271	–	2,938	666	(3,360)	3,247	7,892

The Target Group has unrecognised tax losses of RMB335,376,000, RMB120,303,000, RMB73,071,000 and RMB66,176,000 for the years ended 31 December 2021, 2022, 2023 and six-months ended 30 June 2024 in the PRC which will expire during the financial years 2024 to 2029 and unrecognised deductible temporary differences in relation to impairment of account receivables, other receivables and write-down of inventories to net realisable values of RMB4,654,000, RMB6,293,000, RMB4,450,000 and RMB4,796,000 available for offset against future taxable income for the years ended 31 December 2021, 2022, 2023 and six-months ended 30 June 2024.

As at 31 December 2021, 2022, 2023 and 30 June 2024, deferred tax assets of RMB3,345,000, RMB3,310,000, RMB3,252,000 and RMB3,247,000 have been recognised in respect of deductible temporary differences associated with lease liabilities. As at 31 December 2021, 2022, 2023 and 30 June 2024, no deferred tax assets have been recognised in respect of the tax losses and deductible temporary differences, as they have arisen in subsidiaries that it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2021, 2022, 2023 and as at 30 June 2024, deferred tax liabilities of RMB51,000, RMBNil, RMBNil and RMBNil has been recognised in respect of taxable temporary differences on fair value adjustment on derivative financial instruments, deferred tax liabilities of RMB16,000, RMB51,000, RMB109,000 and RMB114,000 has been recognised in respect of taxable temporary differences associated with right-of-use assets and deferred tax assets of RMB180,000, RMBNil, RMBNil and RMB271,000 has been recognised in respect of the tax losses and deductible temporary differences.

The unrecognised tax losses will expire in the following years:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
To be expired on:				
31 December 2022	102,114	—	—	—
31 December 2023	126,964	67,409	—	—
31 December 2024	80,561	37,920	35,167	32,449
31 December 2025	19,162	9,520	9,520	6,184
31 December 2026	6,575	2,949	1,925	1,084
31 December 2027	—	2,505	1,191	1,191
31 December 2028	—	—	25,268	25,268
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total unused tax losses not recognised as deferred tax assets	335,376	120,303	73,071	66,176
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

21 INVENTORIES

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Raw materials and consumables	362,742	435,358	281,617	273,202
Work in progress	8,014	11,863	6,690	5,583
Finished goods	99,554	135,218	116,345	97,905
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	470,310	582,439	404,652	376,690
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

22 ACCOUNT RECEIVABLES

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Account receivables from contracts with customers	142,005	239,223	98,072	127,191
Less: Allowance for credit losses	(41,762)	(41,212)	(25,468)	(25,418)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total account receivables	100,243	198,011	72,604	101,773
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at 1 January 2021, account receivables from contracts with customers amounted to RMB116,200,000 (net of allowance for credit losses of RMB45,994,000).

An aged analysis of the account receivables as at the end of the reporting period, based on the delivery dates and net of allowance for credit losses, is as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Within 90 days	97,085	198,008	71,630	96,545
90 to 180 days	3,158	–	–	60
180 days to 1 year	–	3	–	5,168
Over 1 year	–	–	974	–
	<u>100,243</u>	<u>198,011</u>	<u>72,604</u>	<u>101,773</u>

As at 31 December 2021, 2022, 2023 and 30 June 2024, included in the Target Group's account receivables balance are debtors with aggregate carrying amount of RMBNil, RMB3,000, RMB974,000 and RMB5,168,000 which are past due as at the reporting date respectively. Out of the past due balances, RMBNil, RMB3,000, RMB974,000 and RMB5,168,000 has been past due 90 days or more and is not considered as in default taking into account the historical repayment records from the customer respectively. The Target Group does not hold any collateral over these balances.

Details of impairment assessment of account receivables are set out in Note 41.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

An analysis of the prepayments, deposits and other receivables are as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Value-added tax recoverable	3,206	1,365	1,699	996
Prepayments	42,856	43,428	22,252	25,032
Other receivables	63,696	30,200	35,745	43,196
Deposits	<u>11,293</u>	<u>1,864</u>	<u>3,432</u>	<u>15,248</u>
	121,051	76,857	63,128	84,472
Less: Allowance for credit losses	<u>(25,601)</u>	<u>(22,008)</u>	<u>(21,814)</u>	<u>(21,746)</u>
	<u>95,450</u>	<u>54,849</u>	<u>41,314</u>	<u>62,726</u>

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Commodity futures contracts (Note)	<u>10,623</u>	<u>–</u>	<u>–</u>	<u>–</u>

Note: The Target Group has entered into commodity futures contracts to manage its price exposures in future price risks for corn and soybean meal. These futures are measured at FVTPL. Net fair value gain on commodity futures contracts for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024 amounting of RMB22,197,000, RMB22,450,000, RMB6,771,000, RMB112,000 and RMB11,232,000, respectively was recognised in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income during the Relevant Periods.

25 BALANCES WITH RELATED COMPANIES

Included in amounts due from related companies as at 31 December 2021, 2022 and 2023 and 30 June 2024 were receivables in trade nature of RMB1,376,000, RMB98,623,000, RMB343,997,000 and RMB244,401,000 respectively. These receivables are unsecured, interest-free and repayable according to the relevant sales contracts. An aged analysis of these receivables as at the end of the reporting period, based on the delivery dates and net allowance for credit losses, is as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Within 90 days	89,644	98,323	343,697	242,455
90 days to 1 year	450	—	—	1,646
Over 1 year	300	300	300	300
	<u>90,394</u>	<u>98,623</u>	<u>343,997</u>	<u>244,401</u>

The remaining balances of amounts due from related companies include prepayments in connection with the purchase of inventories and current account balances, which are unsecured, interest-free and repayable on demand.

Details of impairment assessment of amounts due from related companies (excluding prepayments to related companies) for the years ended 31 December 2021, 2022, 2023 and six months ended 30 June 2024 are set out in Note 41.

Amounts due to related companies include interest payable in respect of loans from related companies and current account balances, which are unsecured, interest-free and repayable on demand.

26 RESTRICTED BANK DEPOSITS, TIME DEPOSITS AND CASH AND BANK BALANCES

(a) Restricted bank deposits

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Restricted bank deposit for court case (Note (i))	2,218	2,390	—	—
Restricted bank deposit for issue of bank acceptance note (Note (ii))	1,998	—	—	—
	<u>4,216</u>	<u>2,390</u>	<u>—</u>	<u>—</u>

Notes:

- (i) The amount represents cash held at banks as security in relation to the court cases between COFCO Feed Co., Ltd., COFCO Jiahua Industrial Limited and/or certain vendors, which carried interest at rates ranging from 0% to 1.73% per annum for the years ended 31 December 2021 and 2022.
- (ii) The amount represents deposits pledged as guarantee deposit for issuance of bank acceptance notes to suppliers, which carried interest at rates ranging from 0% to 1.73% per annum and had maturity within 1 year.

(b) Cash and bank balances and time deposits

Cash and bank balances

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Cash and bank balances	12,426	42,206	6,202	3,213
Deposits with a non-banking financial institution*	216,150	221,952	388,418	261,276
	<u>228,576</u>	<u>264,158</u>	<u>394,620</u>	<u>264,489</u>

* The amount represents deposits placed with COFCO Finance, and earns interest at market rates.

Time deposits

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Time deposits with original maturity over three months when acquired	–	500,000	500,000	500,000
Less: amount included under current assets	–	–	(500,000)	(500,000)
	<u>–</u>	<u>500,000</u>	<u>–</u>	<u>–</u>

As at 31 December 2021, 2022, 2023 and 30 June 2024, cash at banks earns interest at rates based on daily bank deposit rates ranging from 0% to 1.73% respectively. As at 31 December 2022, 2023 and 30 June 2024, time deposits are made for varying periods depending on the immediate cash requirements of the Target Group, and earn interest at a market rate at 2.65%, 2.65% and 2.65%. The bank balances and time deposits are deposited with creditworthy banks with no history of default.

27 ACCOUNT AND BILLS PAYABLES

An analysis of account and bills payables is as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Account payables	271,247	429,518	288,328	270,700
Bills payables	–	20,000	33,000	–
	<u>271,247</u>	<u>449,518</u>	<u>321,328</u>	<u>270,700</u>

The account payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bills payables are normally repayable within 180 days.

An aged analysis of the account payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Within 1 year	258,670	425,185	287,731	270,474
1 to 2 years	11,181	2,948	182	215
Above 2 years	1,396	1,385	415	11
	<u>271,247</u>	<u>429,518</u>	<u>288,328</u>	<u>270,700</u>

28 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

An analysis of other payables, accruals and deposits received is as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Construction costs payables	3,603	6,323	10,770	19,769
Deposits received	17,973	15,142	25,546	31,827
Salaries and wages payables	70,986	69,878	100,974	90,986
Accruals	119,335	96,959	112,687	109,806
Other tax payables	4,450	5,369	4,828	4,510
Provision for litigation (Note 46)	—	—	6,910	6,910
	<u>216,347</u>	<u>193,671</u>	<u>261,715</u>	<u>263,808</u>

29 LEASE LIABILITIES

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Lease liabilities payable:				
Within one year	12,002	11,371	3,261	2,447
Within a period of more than one year but not more than two years	5,711	7,311	2,052	1,718
Within a period of more than two years but not more than five years	4,256	1,718	—	—
	<u>21,969</u>	<u>20,400</u>	<u>5,313</u>	<u>4,165</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(12,002)</u>	<u>(11,371)</u>	<u>(3,261)</u>	<u>(2,447)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>9,967</u>	<u>9,029</u>	<u>2,052</u>	<u>1,718</u>

As at 31 December 2021, 2022, 2023 and 30 June 2024, the weighted average incremental borrowing rates applied to lease liabilities range from 3.65% to 4.9% respectively.

30 Contract liabilities

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Sales of feed	118,928	106,191	77,819	80,897
Total – current	118,928	106,191	77,819	80,897

As at 1 January 2021, contract liabilities amounted to RMB152,882,000.

The following table shows the amount of the revenue recognised in the Relevant Periods relates to carried-forward contract liabilities. Generally, contract liabilities are recognised as revenue within 1 year.

For the year ended 31 December 2021	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	152,882
For the year ended 31 December 2022	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	118,928
For the year ended 31 December 2023	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	106,191
For the period ended 30 June 2024	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	77,819

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

For sales of feed, the Target Group may grant credits to certain reputable corporate customers and requires 100% advance payments from the remaining customers before the Target Group delivers the products. The advance payments schemes result in contract liabilities being recognised when the advance payments are received but the controls of the goods have not been transferred.

31 BANK BORROWINGS

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Unsecured bank loans	500	536,287	455,340	284,173
The carrying amounts of the above borrowings are repayable*:				
Within one year**	500	516,010	455,340	284,173
Within a period of more than five years	–	20,277	–	–
	500	536,287	455,340	284,173
Less: Amounts due within one year shown under current liabilities	(500)	(516,010)	(455,340)	(284,173)
Amounts shown under non-current liabilities	–	20,277	–	–

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

** As at 31 December 2021, 2022, 2023 and 30 June 2024, the bank loan balances include bank loans from a designated bank as set out in Note 26 amounting to RMB500,000, RMB536,287,000, RMB455,340,000 and RMB284,173,000 respectively, which bear interest from 2.05% to 3.85%, from 1.9% to 3.9%, from 1.9% to 2.7% and from 1.9% to 2.7% per annum respectively.

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

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Fixed-rate borrowings	500	536,287	455,340	284,173

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

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Effective interest rate:				
Fixed-rate borrowings	2.05% to 3.85%	1.9% to 3.9%	1.9% to 2.7%	1.9% to 2.7%

32 DEFERRED INCOME

Deferred income represents PRC government subsidies obtained in relation to acquisition of land use rights and property, plant and equipment and certain logistics and technology improvement projects, which is included in the consolidated statement of financial position as deferred income and is credited to profit or loss on a systematic basis over the useful lives of the related assets.

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
At beginning of the reporting period	2,877	2,431	2,286	1,154
Credited to profit or loss during the year	(446)	(145)	(1,132)	(76)
At end of the reporting period	<u>2,431</u>	<u>2,286</u>	<u>1,154</u>	<u>1,078</u>

33 PAID-IN CAPITAL

	RMB'000
At 1 January 2021, 31 December 2022, 2023 and 30 June 2024	<u>303,000</u>

34 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE TARGET COMPANY

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Non-current assets				
Investments in subsidiaries	938,441	938,441	954,196	954,196
Intangible assets	–	–	780	741
Investment properties	17,630	16,512	–	–
Time deposits	–	180,000	–	–
	<u>956,071</u>	<u>1,134,953</u>	<u>954,976</u>	<u>954,937</u>
Current assets				
Amounts due from subsidiaries	75,745	667,121	383,777	361,000
Cash and bank balances	<u>214,375</u>	<u>219,525</u>	<u>568,417</u>	<u>441,097</u>
	<u>290,120</u>	<u>886,646</u>	<u>952,194</u>	<u>802,097</u>
Current liabilities				
Bank borrowings	–	500,000	280,148	180,000
Amounts due to subsidiaries	287,892	561,736	647,673	402,711
Other payables, accruals and deposits received	–	60	17,249	1,172
Current tax liabilities	<u>1</u>	<u>238</u>	<u>266</u>	<u>524</u>
	<u>287,893</u>	<u>1,062,034</u>	<u>945,336</u>	<u>584,407</u>

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Net current assets/(liabilities)	2,227	(175,388)	6,858	217,690
Net assets	958,298	959,565	961,834	1,172,627
Capital and reserves				
Paid-in capital	303,000	303,000	303,000	303,000
Reserves	655,298	656,565	658,834	869,627
Total equity	958,298	959,565	961,834	1,172,627

Movements of reserves of the Target Company are as follows:

	Capital reserve RMB'000	Statutory reserve RMB'000	(Accumulated losses)/retained profits RMB'000	Total RMB'000
At 1 January 2021	655,296	–	(1,259)	654,037
Profit and total comprehensive income for the year	–	–	1,261	1,261
At 31 December 2021 and 1 January 2022	655,296	–	2	655,298
Profit and total comprehensive income for the year	–	–	1,267	1,267
Statutory reserve appropriation	–	127	(127)	–
At 31 December 2022 and 1 January 2023	655,296	127	1,142	656,565
Profit and total comprehensive income for the year	–	–	2,269	2,269
Statutory reserve appropriation	–	227	(227)	–
At 31 December 2023 and 1 January 2024	655,296	354	3,184	658,834
Profit and total comprehensive income for the period	–	–	210,793	210,793
At 30 June 2024	655,296	354	213,977	869,627

	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	(Accumulated losses)/retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2023 (audited)	655,296	127	1,142	656,565
Profit and total comprehensive income for the period	—	—	502	502
At 30 June 2023 (unaudited)	<u>655,296</u>	<u>127</u>	<u>1,644</u>	<u>657,067</u>

35 CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for in respect of:				
Purchase of property, plant and equipment	<u>59,302</u>	<u>159,914</u>	<u>25,188</u>	<u>29,180</u>

36 RETIREMENT BENEFIT SCHEME

The employees of the Target Group in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The Target Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit plan is to make the specified contributions. For the years ended 31 December 2021, 2022, 2023 and six months ended 30 June 2023 and 2024, the total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB23,631,000, RMB25,852,000, RMB28,785,000, RMB12,912,000 and RMB15,402,000 respectively.

37 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	At 1 January 2021 <i>RMB'000</i>	Financing cash flows <i>RMB'000</i>	Interest accrual <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Bank borrowings*	249,767	(254,166)	4,899	500
Lease liabilities	<u>47,203</u>	<u>(26,634)</u>	<u>1,400</u>	<u>21,969</u>
	<u>296,970</u>	<u>(280,800)</u>	<u>6,299</u>	<u>22,469</u>

	At 1 January 2022 RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	At 31 December 2022 RMB'000
Bank borrowings*	500	533,482	2,305	536,287
Loans from related companies	–	(346)	346	–
Lease liabilities	21,969	(2,549)	980	20,400
	<u>22,469</u>	<u>530,587</u>	<u>3,631</u>	<u>556,687</u>

	At 1 January 2023 RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	At 31 December 2023 RMB'000
Bank borrowings*	536,287	(93,768)	12,821	455,340
Lease liabilities	20,400	(16,093)	1,006	5,313
	<u>556,687</u>	<u>(109,861)</u>	<u>13,827</u>	<u>460,653</u>

	At 1 January 2024 RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	At 30 June 2024 RMB'000
Bank borrowings*	455,340	(174,983)	3,816	284,173
Lease liabilities	5,313	(1,787)	639	4,165
	<u>460,653</u>	<u>(176,770)</u>	<u>4,455</u>	<u>288,338</u>

	At 1 January 2023 RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	At 30 June 2023 RMB'000
Bank borrowings*	536,287	177,992	6,798	721,077
Lease liabilities	20,400	(4,902)	551	16,049
	<u>556,687</u>	<u>173,090</u>	<u>7,349</u>	<u>737,126</u>

* balances include both the principals and interests accrued.

38 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In 2022, 現代牧業(集團)有限公司, a non-controlling shareholder, and the Target Group jointly established COFCO Feed (Hohhot) Co., Ltd.. 現代牧業(集團)有限公司 invested RMB19,600,000 and held 49% equity interest of COFCO Feed (Hohhot) Co., Ltd..

In 2023, 現代牧業(集團)有限公司 invested RMB29,633,000 to acquire 49% of the equity of COFCO Feed (Yinchuan) Co., Ltd. held by the Target Group. After the transaction, 現代牧業(集團)有限公司 share the net assets of COFCO Feed (Yinchuan) Co., Ltd. amounting of RMB27,802,000, and the Target Group share of RMB1,831,000 of capital reserve.

In 2024, 現代草業有限公司, a subsidiary of 現代牧業(集團)有限公司, and the Target Group jointly established COFCO Feed (Xinji) Co., Ltd.. 現代草業有限公司 invested RMB19,600,000 and held 49% equity interest in COFCO Feed (Xinji) Co., Ltd..

39 CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Target Group's overall strategy remains unchanged from prior years.

The capital structure of the Target Group consists of net debt, which includes bank borrowings disclosed in Note 31, net of cash and bank balances and equity attributable to owners of the Target Company, comprising issued paid-in capital and reserves as disclosed in consolidated statements of changes in equity.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Target Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debts.

40 CATEGORIES OF FINANCIAL INSTRUMENTS

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

	As at 31 December			As at 30
	2021	2022	2023	June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Financial assets				
Financial assets at FVTPL	10,623	--	--	--
Financial assets at amortised cost	555,894	693,491	1,401,825	1,206,909
	<u>566,517</u>	<u>693,491</u>	<u>1,401,825</u>	<u>1,206,909</u>
Financial liabilities				
Financial liabilities at amortised cost	375,495	1,111,456	943,597	740,724

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's major financial instruments include derivative financial instruments, account receivables, deposits and other receivables, account and bills payables, other payables, lease liabilities, bank borrowings, loans from related companies, amounts due from/to related companies, restricted bank deposits and cash and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Target Group's activities expose the Target Group primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Currency risk

The Target Group has most sales and purchases, bank balances and bank borrowings denominated as RMB which expose the Target Group has minimal foreign currency risk.

No sensitivity analysis has been presented for the exposure to foreign currencies as the management of the Target Group considers that, taking into account that the fluctuation in exchange rates on foreign currencies is minimal, the impact on profit or loss for each of the reporting periods is insignificant.

Interest rate risk

The Target Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 31 for details of these borrowings) and lease liabilities (see Note 29 for details). The Target Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and deposits (see Note 26 for details). The Target Group's cash flow interest rate risk relates primarily to the Target Group's bank balances (see Note 26 for details). The Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Target Group considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact on profit or loss for the Relevant Periods is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Target Group's counterparties default on their contractual obligations resulting in financial losses to the Target Group. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Target Group's credit risk is primarily attributable to its account receivables, deposits and other receivables, amounts due from related companies, restricted bank deposits and bank balances. The Target Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis with the result that the Target Group's exposure to bad debts is not significant.

Account receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Target Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Target Group uses an internal system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group performs impairment assessment under lifetime ECL model on trade balances based on provision matrix. In this regard, the sole director of the Target Company considers that the Target Group's credit risk is significantly reduced.

The Target Group's account receivables relate to a large number of diversified customers, there is no significant concentration of credit risk by geographical location.

Deposits and other receivables/amounts due from related parties/other current assets/bank balances

For deposits and other receivables and amounts due from related companies, the sole director of the Target Company make periodic individual or collective assessment on the recoverability of the deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The sole director of the Target Company believes that there is no significant increase in credit risk of these amounts since initial recognition and the Target Group provided impairment based on 12m ECL. For the years ended 31 December 2021, 2022 and 2023, and the six months ended 30 June 2023 and 2024, the Target Group assessed the ECLs for these financial assets and recorded an additional on ECLs of RMB219,000, a net of reversal on ECLs of RMB3,593,000, RMB114,000, RMB79,000 and RMB68,000, respectively.

The credit risks of the Target Group's restricted bank deposits and bank balances are limited as these balances are placed with reputable financial institutions.

The tables below detail the credit risk exposures of the Target Group's financial assets, which are subject to ECL assessment:

31 December 2021	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs		
Other receivables	12-month ECL	63,696
Related companies	12-month ECL	162,671
Account receivables	Lifetime ECL (not credit impaired) (provision matrix)	142,005
31 December 2022	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs		
Other receivables	12-month ECL	43,428
Related companies	12-month ECL	188,971
Account receivables	Lifetime ECL (not credit impaired) (provision matrix)	239,223

31 December 2023	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs		
Other receivables	12-month ECL	22,252
Related companies	12-month ECL	415,856
Account receivables	Lifetime ECL (not credit impaired) (provision matrix)	98,072
30 June 2024	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs		
Other receivables	12-month ECL	25,032
Related companies	12-month ECL	319,123
Account receivables	Lifetime ECL (not credit impaired) (provision matrix)	127,191

Note: For account receivables, the Target Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Target Group determines the ECL on these items by using a provision matrix, grouped by debtors' aging.

For bank balances, the expected credit risk exposures are very low.

Provision matrix – debtors' aging

As part of the Target Group's credit risk management, the Target Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. During the years ended 31 December 2021, 2022, 2023 and six months ended 30 June 2024, the Target Group provided RMB4,232,000, RMB550,000, RMB2,410,000 and RMB50,000 impairment allowance for account receivables, based on the provision matrix. The average loss rate of the Target Group's account receivable is very low and is not significant to the Target Group.

The Target Group writes off an account receivable or other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Liquidity risk

In the management of liquidity risk, the Target Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Target Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2021, 2022, 2023 and 30 June 2024, the Target Group has available unutilised short-term bank loan facilities of approximately RMB1,950,590,000, RMB1,987,820,000, RMB1,866,530,000 and RMB1,897,759,000, respectively.

The following table details the Target Group's remaining contractual maturity for its financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

Liquidity tables

	Effective interest rate %	On demand or within 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2021						
Account and bills payables	–	271,247	–	–	271,247	271,247
Other payables, accruals and deposits received	–	41,900	–	–	41,900	41,900
Bank borrowings	2.05%- 3.85%	503	–	–	503	500
Amounts due to related companies	–	39,879	–	–	39,879	39,879
Lease liabilities	3.65%- 4.9%	12,002	11,773	–	23,775	21,969
		<u>365,531</u>	<u>11,773</u>	<u>–</u>	<u>377,304</u>	<u>375,495</u>
	Effective interest rate %	On demand or within 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2022						
Account and bills payables	–	449,518	–	–	449,518	449,518
Other payables, accruals and deposits received	–	44,104	–	–	44,104	44,104
Bank borrowings	1.9%- 3.9%	525,838	–	25,551	551,389	536,287
Amounts due to related companies	–	61,147	–	–	61,147	61,147
Lease liabilities	3.65%- 4.9%	11,371	10,051	–	21,422	20,400
		<u>1,091,978</u>	<u>10,051</u>	<u>25,551</u>	<u>1,127,580</u>	<u>1,111,456</u>
	Effective interest rate %	On demand or within 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2023						
Account and bills payables	–	321,328	–	–	321,328	321,328
Other payables, accruals and deposits received	–	57,480	–	–	57,480	57,480
Bank borrowings	1.9%- 2.7%	458,640	–	–	458,640	455,340
Amounts due to related companies	–	104,136	–	–	104,136	104,136
Lease liabilities	3.65%- 4.9%	3,261	2,376	–	5,637	5,313
		<u>944,845</u>	<u>2,376</u>	<u>–</u>	<u>947,221</u>	<u>943,597</u>

	Effective interest rate %	On demand or within 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 30 June 2024						
Account and bills payables	–	270,700	–	–	270,700	270,700
Other payables, accruals and deposits received	–	71,954	–	–	71,954	71,954
Bank borrowings	1.9%- 2.7%	286,894	–	–	286,894	284,173
Amounts due to related companies	–	109,732	–	–	109,732	109,732
Lease liabilities	3.65%- 4.9%	2,447	1,898	–	4,345	4,165
		<u>741,727</u>	<u>1,898</u>	<u>–</u>	<u>743,625</u>	<u>740,724</u>

The following table details the Target Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Target Group's derivative financial instruments is prepared based on the contractual settlement dates as the management of the Target Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Inflow/(outflow)		
	On demand or within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount assets/ (liabilities) RMB'000
At 31 December 2021			
Derivatives – net settlement			
Commodity futures contracts	10,623	10,623	10,623

42 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Target Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Target Group uses market-observable data to the extent it is available. The management reports to the sole director of the Target Group semi-annually to explain the cause of significant fluctuations in the fair value.

Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Target Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2021				
<i>Financial assets at FVTPL</i>				
Commodity futures contracts	10,623	–	–	10,623

Financial assets/ financial liabilities	Fair value as at 31 December			Fair value as at 30 June 2024	Fair value hierarchy	Valuation technique(s) and key input(s)
	2021	2022	2023	2024		
1) Commodity futures contracts	Assets – RMB10,623,000 Liabilities – RMBnil	Assets – RMBnil Liabilities – RMBnil	Assets – RMBnil Liabilities –RMBnil	Assets – RMBnil Liabilities – RMBnil	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1, 2 and 3 fair value during the Relevant Periods.

The sole director of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statements of financial position approximate their respective fair values at the end of each reporting period.

43 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Target Group had the following material transactions with related parties during the year:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Transactions with COFCO Corporation and its subsidiaries:					
Sales of goods	825,368	1,176,105	1,252,835	349,624	343,448
Purchases of goods	1,979,758	1,945,086	2,262,955	1,095,947	1,016,990
Short-term warehouse rental expense	13,629	23,875	18,693	9,257	9,603
Interest income	5	2,870	3,257	1,225	1,947
Interest expense	—	346	—	—	—
Administrative expense	—	3,302	6,644	—	5
	<u>1,372</u>	<u>542,614</u>	<u>1,969,012</u>	<u>795,092</u>	<u>833,960</u>
Transactions with an associate					
	<u>1,372</u>	<u>542,614</u>	<u>1,969,012</u>	<u>795,092</u>	<u>833,960</u>

The interest expense to related companies arose from the loans advanced therefrom. Details of the terms of these loans are set out in Note 25.

The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

In addition, certain deposits included in cash and bank balances are placed with COFCO Finance, which is a non-banking financial institution regulated by the People's Bank of China ("PBC") and the China Banking and Insurance Regulatory Commission. In the PRC, deposit rates are set by the PBC which is applicable to all financial institutions. The interest rates offered by COFCO Finance are the same as the rates promulgated by the PBC. As at 31 December 2021, 2022, 2023 and 30 June 2024, the deposits placed with COFCO Finance by the Target Group amounted to RMB216,150,000, RMB221,952,000, RMB388,418,000 and RMB261,276,000, see Note 26.

Transactions with other government-related entities in the PRC

The Target Group is ultimately controlled by COFCO Corporation (see Note 1), which is a state-owned enterprise in the PRC. In addition, the Target Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with related companies controlled by COFCO Corporation as disclosed above and balances with them as disclosed in respective notes, the Target Group also conducts businesses with other PRC government-related entities in the ordinary course of business. Certain of the Target Group's bank deposits and bank borrowings are entered into with certain banks, which are PRC government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the sole director of the Target Company is of the opinion that separate disclosures would not be meaningful. In addition, the Target Group entered into various transactions, including sales of goods, purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are PRC government-related entities or not. In the opinion of the management of the Target Group, the above transactions are collectively significant transactions of the Target Group with PRC government-related entities.

Compensation of key management personnel of the Target Group

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Salaries, allowances and other benefits	1,671	2,474	2,208	1,323	360
Retirement benefit scheme contributions	<u>167</u>	<u>186</u>	<u>193</u>	<u>103</u>	<u>90</u>
	<u><u>1,838</u></u>	<u><u>2,660</u></u>	<u><u>2,401</u></u>	<u><u>1,426</u></u>	<u><u>450</u></u>

The key management personnel of the Target Group includes the sole director of the Target Company and top executives of the Target Company. Further details of emoluments of the Target Company's directors are included in Note 12.

८५

Particulars of the principal subsidiaries as at 31 December 2021, 2022, 2023 and 30 June 2022

			As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
			Proportion of ownership interest	Proportion of ownership interest	Proportion of ownership interest	Proportion of ownership interest
Name of subsidiaries	Place of incorporation/ establishment and principal country of operations	Issue and fully paid up capital	Held by the Target Company subsidiaries	Held by the Target Company subsidiaries	Held by the Target Company subsidiaries	Held by the Target Company subsidiaries
中糧飼料有限公司 (COFCO Feed Co., Ltd.*)	PRC/PRC	RMB1,068,245,280	100%	-	100%	100%
中糧(北京)飼料科技有限公司 (COFCO (Beijing) Feed Technology Co., Ltd.*)	PRC/PRC	RMB90,000,000	-	100%	-	100%
中糧東大(黑龍江)飼料科技有限公司 (COFCO DongDa (Heilongjiang) Feed Technology Co., Ltd.*)	PRC/PRC	RMB30,000,000	-	67%	-	67%
中糧飼料(茂名)有限公司 (COFCO Feed (Maoming) Co., Ltd.*)	PRC/PRC	RMB2,000,000	-	100%	-	100%
中糧飼料(张家港)有限公司 (COFCO Feed (Zhangjiagang) Co., Ltd.*)	PRC/PRC	RMB10,000,000	-	100%	-	100%
中糧飼料(銀川)有限公司 (COFCO Feed (Yinchuan) Co., Ltd.*)	PRC/PRC	RMB50,000,000	-	100%	-	51%
中糧飼料(孝感)有限公司 (COFCO Feed (Xiaogan) Co., Ltd.*)	PRC/PRC	RMB39,724,000	-	100%	-	100%

Name of subsidiaries	Place of incorporation/ establishment and principal country of operations	Issue and fully paid up capital	As at 31 December 2021		As at 31 December 2022		As at 31 December 2023		As at 30 June 2024	
			Proportion of ownership interest	Held by the Target Company	Proportion of ownership interest	Held by the Target Company	Proportion of ownership interest	Held by the Target Company	Proportion of ownership interest	Held by the Target Company
				subsidiaries		subsidiaries		subsidiaries		subsidiaries
										Principal activities
中糧飼料(日照)有限公司 (COFCO Feed (Rizhao) Co., Ltd. *)	PRC/PRC	RMB10,000,000	-	100%	-	100%	-	100%	-	100% Manufacture and sale of feed
中糧飼料(荊州)有限公司 (COFCO Feed (Jingzhou) Co., Ltd. *)	PRC/PRC	RMB10,000,000	-	100%	-	100%	-	100%	-	100% Manufacture and sale of feed
中糧飼料(佛山)有限公司 (COFCO Feed (Foshan) Co., Ltd. *)	PRC/PRC	RMB26,604,600	-	100%	-	100%	-	100%	-	100% Manufacture and sale of feed
中糧飼料(成都)有限公司 (COFCO Feed (Chengdu) Co., Ltd. *)	PRC/PRC	RMB10,000,000	-	100%	-	100%	-	100%	-	100% Manufacture and sale of feed
中糧飼料(巢湖)有限公司 (COFCO Feed (ChaoHu) Co., Ltd. *)	PRC/PRC	RMB10,000,000	-	100%	-	100%	-	100%	-	100% Manufacture and sale of feed
中糧飼料(黃岡)有限公司 (COFCO Feed (Huanggang) Co., Ltd. *)	PRC/PRC	RMB10,000,000	-	100%	-	100%	-	100%	-	100% Manufacture and sale of feed
中糧飼料(呼和浩特)有限公司 (COFCO Feed (Hohhot) Co., Ltd. *)	PRC/PRC	RMB40,000,000	-	-	-	51%	-	51%	-	51% Manufacture and sale of feed
中糧飼料(唐山)有限公司 (COFCO Feed (Tangshan) Co., Ltd. *)	PRC/PRC	RMB52,500,000	-	100%	-	100%	-	100%	-	100% Manufacture and sale of feed

Name of subsidiaries	Place of incorporation/ establishment and principal country of operations	Issue and fully paid up capital	As at 31 December 2021		As at 31 December 2022		As at 31 December 2023		As at 30 June 2024	
			Proportion of ownership interest		Proportion of ownership interest		Proportion of ownership interest		Proportion of ownership interest	
			Held by the Target Company	Held by the Target Company subsidiaries	Held by the Target Company	Held by the Target Company subsidiaries	Held by the Target Company	Held by the Target Company subsidiaries	Held by the Target Company	Held by the Target Company subsidiaries
中糧飼料(沛縣)有限公司 (COFCO Feed (Peixian) Co., Ltd.*)	PRC/PRC	RMB35,120,400	-	100%	-	100%	-	100%	-	100%
中糧飼料(東台)有限公司 (COFCO Feed (Dongtai) Co., Ltd.*)	PRC/PRC	RMB62,500,000	-	100%	-	100%	-	100%	-	100%
中糧飼料(新沂)有限公司 (COFCO Feed (Xinyi) Co., Ltd.*)	PRC/PRC	RMB38,465,200	-	100%	-	100%	-	100%	-	100%
中糧飼料(黃石)有限公司 (COFCO Feed (Huangshi) Co., Ltd.*)	PRC/PRC	RMB37,978,200	-	100%	-	100%	-	100%	-	100%

* The English names of the Chinese companies marked with “*” are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translations.

Note: Except for COFCO Feed Co., Ltd., all subsidiaries were indirectly held by the Target Company as at 31 December 2021, 2022, 2023 and 30 June 2024.

The above table lists the subsidiaries which, in the opinion of the sole director of the Target Company, principally affected the results or assets of the Target Group. To give details of other subsidiaries would, in the opinion of the sole director of the Target Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

In the opinion of the sole director, the Target Group has no material non-controlling interests and the summarised financial information about these subsidiaries is not disclosed.

45 SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2024.

46 CONTINGENT LIABILITIES AND PROVISIONS

A subsidiary of the Target Group (as “defendant”) has been involved in a sales and purchases dispute with an independent third party (as “plaintiff”). The Target Group has engaged a competent legal adviser to act for its interest in respect of the litigation. On 27 September 2023, the Target Group received a judgment from Guangxi Zhuang Autonomous Region High People’s Court and ordered that the Target Group is required to pay a sum of approximately RMB6,910,000. The related costs of approximately RMB97,000 was recorded in other payables. A provision of claim in the amount of approximately RMB6,910,000 was made as at 31 December 2023 and at 30 June 2024 under provision.

* English translation, as the case may be, is for identification only.