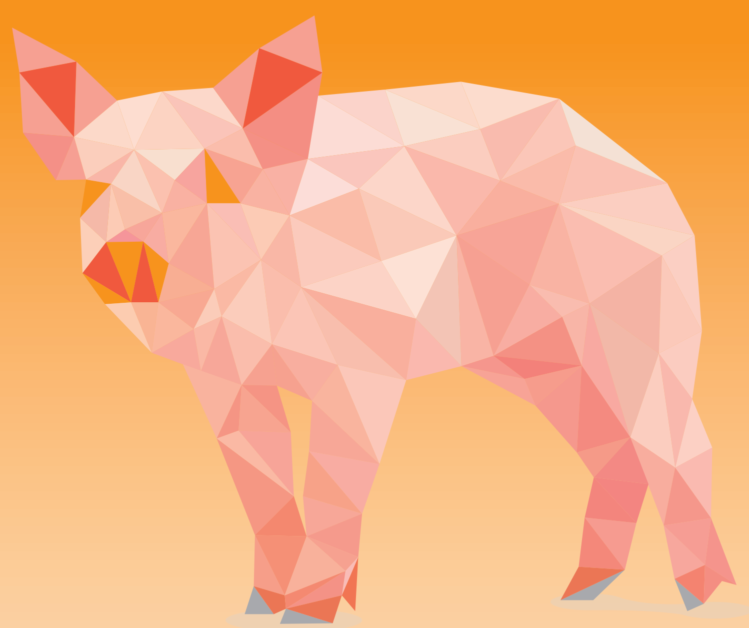
天兆猪业
TIANZOW BREEDING

# 四川天兆豬業股份有限公司
# Sichuan Tianzow Breeding Technology Co., Ltd

(A joint stock company incorporated in the People's Republic of China with limited liability)

**Stock Code: 1248**



# GLOBAL OFFERING

Sole Sponsor

富強金融資本
FORTUNE FINANCIAL CAPITAL

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

富強證券
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Joint Bookrunners and Joint Lead Managers

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華盛証券 Valuable Capital Limited
中泰國際 ZHONGTAI INTERNATIONAL
光大证券 EVERBRIGHT SECURITIES
寶新金融 GLORY SUN FINANCIAL
國信證券(香港) GUOSEN SECURITIES (HK)
浦銀國際 SPDB INTERNATIONAL

Joint Lead Managers

華邦證券有限公司 Huabang Securities Limited
阿尔法国际证券 ALPHA INTERNATIONAL SECURITIES
博威環球證券 Blackwell Global Securities
富元证券 FUYUAN SECURITIES
瑞豐國際 HTF SECURITIES LIMITED

*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

# Sichuan Tianzow Breeding Technology Co., Ltd
# 四川天兆豬業股份有限公司

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

## GLOBAL OFFERING

| | |
|---|---|
| **Number of Offer Shares under the Global Offering** | **: 38,626,000 H Shares (subject to the Over-allotment Option)** |
| **Number of Hong Kong Offer Shares** | **: 3,862,600 H Shares (subject to reallocation)** |
| **Number of International Placing Shares** | **: 34,763,400 H Shares (subject to reallocation and the Over-allotment Option)** |
| **Maximum Offer Price** | **: HK$38.80 per H Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)** |
| **Nominal value** | **: RMB1.00 per H Share** |
| **Stock code** | **: 1248** |

**Sole Sponsor**

**Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager**

**Joint Bookrunners and Joint Lead Managers**

**Joint Lead Managers**

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in "Risk factors" in this prospectus.

The Offer Price is expected to be determined by an agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Friday, 6 November 2020 or such later date as may be agreed between the parties, but in any event no later than Friday, 13 November 2020. The Offer Price will not be more than HK$38.80 per each Offer Share and is currently expected to be not less than HK$26.00 per each Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$38.80 for each Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$38.80. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and we are unable to reach an agreement on the Offer Price on or before Friday, 13 November 2020, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice of such reduction will be published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.tianzow.com**, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk factors", "Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" in Appendix IV to this prospectus and "Summary of the Articles of Association" in Appendix V to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or purchase, and to procure applicants for the subscriptions or purchase of, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

Thursday, 29 October 2020

*If there is any change to the following expected timetable, we will publish announcement on the Stock Exchange's website and our Company's website.*

| | **2020**[1] |
|---|---|
| Latest time for completing electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] | 11:30 a.m. on Friday, 6 November |
| Application lists open[3] | 11:45 a.m. on Friday, 6 November |
| Latest time for lodging **WHITE** and **YELLOW** Application Forms | 12:00 noon on Friday, 6 November |
| Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) | 12:00 noon on Friday, 6 November |
| Latest time for giving **electronic application instructions** to HKSCC[4] | 12:00 noon on Friday, 6 November |
| Application lists close[3] | 12:00 noon on Friday, 6 November |
| Expected Price Determination Date[5] | Friday, 6 November |
| Announcement of the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk**[6] and our Company at **www.tianzow.com**[7] on or before | Friday, 13 November |
| Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at **www.hkexnews.hk**[6] and our Company at **www.tianzow.com**[7] (See "How to apply for Hong Kong Offer Shares – 11. Publication of results" in this prospectus) from | Friday, 13 November |

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . . . . . . . . . . . . . . . . . . . . Friday, 13 November

Despatch/collection of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before(8)&(10) . . . . . . . . . . . . . . . . Friday, 13 November

Despatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before(9)&(10) . . . . . . . . . . . Friday, 13 November

Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . . . . . . . . . . . . . . . . . Monday, 16 November

The application for the Hong Kong Offer Shares will commence on Thursday, 29 October 2020 through Friday, 6 November 2020. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fee, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Friday, 13 November 2020. Prospective investors should be aware that the Price Determination Date is expected to be on or about Friday, 6 November 2020 and, in any event, no later than Friday, 13 November 2020 and the dealings in H Shares on the Stock Exchange are expected to commence on Monday, 16 November 2020.

*Notes:*

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 November 2020, the application lists will not open or close on that day. Please refer to "How to apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Friday, 6 November 2020 and, in any event, not later than Friday, 13 November 2020. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us by Friday, 13 November 2020, the Global Offering will not proceed and will lapse.

(6) The announcement will be available for viewing on the "Main Board – New Listings – Announcements, Prospectuses & Allotment Results" page on the Stock Exchange's website at **www.hkexnews.hk**.

(7) Neither our Company's website nor any of the information contained on our Company's website forms part of this prospectus.

(8) H Share certificates will only become valid at 8:00 a.m. on Monday, 16 November 2020 provided that the Global Offering has become unconditional in all respects and the right of termination described in "Underwriting" in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid to do so at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(10) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or H Share certificates in person from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 November 2020 or such other date as notified by our Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not collect their H Share certificates as such H Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for the collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus for details. Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to that bank account in the form of e-Refund payment instructions.

Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

**The above expected timetable is a summary only. You should refer to "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus for details of the structure and conditions of the Global Offering, including the conditions of the Global Offering and the procedures for application for the Hong Kong Offer Shares.**

## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with, or authorisation by, the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and Joint Lead Managers and any of the Underwriters, any of our or their respective directors, advisers, officers, employees, agents, affiliates or representatives or any other persons or parties involved in the Global Offering. The information contained in our website at* ***www.tianzow.com*** *does not form part of this prospectus.*

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section entitled "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

## OVERVIEW

We are a pig farming company aimed to provide high-quality breeding stock. We generate our revenue from (i) providing high-quality breeding stock and market hogs; (ii) providing ancillary products and services such as compound premix and pig farming services; and (iii) sales of fresh meat (which has been temporarily suspended since April 2020). For FY2017, FY2018, FY2019 and 4M2020, our revenue from selling breeding stock to external customers were RMB198.3 million, RMB76.6 million, RMB224.5 million and RMB90.8 million, representing 41.8%, 17.1%, 28.6% and 25.8% of our total revenue, respectively; our revenue from selling market hogs and market hogs (small) to external customers were RMB251.5 million, RMB276.3 million, RMB469.6 million and RMB242.6 million, representing 53.0%, 61.6%, 59.9% and 68.9% of our total revenue, respectively. For FY2017, FY2018, FY2019 and 4M2020, our gross profit of the breeding stock sub-segment were RMB120.5 million, RMB41.6 million, RMB174.8 million and RMB79.3 million, representing 69.7%, 40.8%, 45.5% and 34.2% of our gross profit before biological assets fair value adjustment, respectively; our gross profit of the market hogs sub-segment and market hogs (small) segment were RMB41.4 million, RMB31.1 million, RMB178.3 million and RMB150.5 million, representing 23.9%, 30.5%, 46.4% and 64.9% of our gross profit before biological assets fair value adjustment, respectively. We believe we are positioned to benefit from the recent market drivers of the pig farming industry such as recovery of production capacity, pursuit of higher-quality breeding stock, rise of large-scale pig farming and the need to comply with increasingly stringent safety control and environmental regulations. According to the CIC report, both breeding stock and market hogs markets are highly fragmented with massive numbers of small-scale personal pig farmers in China, we ranked the first, the fourth and the second among all breeding stock farming companies in terms of breeding stock sales revenue in 2019, 2018 and 2017, with a market share of 0.34%, 0.12% and 0.25%, respectively, in the PRC. We were also among the top 50 market hogs companies in the PRC in 2019, with a market share of 0.04%.

### Pig genetic resources and pig production

We imported breeding stock, pig breeding system and pig genetic resources from Canada and France-based pig breeding companies. Based on the research and development results of these breeding stock companies and through our own continually probing and selection for genetic improvement purpose, we have gradually owned our pig genetics resources and pig farming know-how. After purchasing GGP breeding stock including Duroc, Pietrain, Yorkshire and Landrace from overseas pig breeding companies, we adopt a systematic breeding program to breed our purebreds. These purebreds will be used as our own breeding nucleus for future pig breeding or for sale. We aim to provide high-quality breeding stock and raise purebreds and two-breed crossbreed pigs. Our production chain starts from pig selection. We select part of our pigs as breeding stock candidates according to our standard selection procedures. We choose elite pigs with good physical characteristics, fast growth rate without hereditary diseases to be our breeding stock candidates. These breeding stock candidates are mainly female purebred and two-breed crossbreed pigs. The pigs not been selected as breeding stock candidates will be raised and sold as market hogs. Those breeding stock candidates finally not been sold as breeding stock will also be sold as market hogs, which are pigs primarily held for trading and production of pork products. As at the Latest Practicable Date, we were operating 47 pig farms located in the PRC. The majority of which were located in Chongqing municipality and Sichuan province, the remaining pig farms were located in the Heilongjiang, Gansu, Jiangsu and Guizhou provinces. We had an annual maximum output capacity of approximately 0.3 million pigs as of 1 January 2020. We sold approximately 238.1 thousand, 224.7 thousand, 277.4 thousand pigs and 73.8 thousand pigs to our customers for FY2017, FY2018, FY2019 and 4M2020, respectively. We generally raise our breeding stock candidates in our own pig farms and engage contract farms to raise our market hogs in order to expand our maximum output while focusing on our core competency of pig genetic resources and modern pig farming. For more details, please refer to the section headed "Business – Our business model – Contract farms" in this prospectus. We have implemented stringent quality control measures for our pig breeding and pig farming process to ensure the safety and quality of our products.

**Modern pig farming**

We have extensive experience of modern pig farming. For example, we use data driven approach to conduct continuous analyses on the production data of pig farms; we have a veterinarian team specialising in pig health management; and we use batch production for systematic pig production. Over the years, we received a number of recognitions from various authorities in the PRC, including Agriculture Industrialisation National Key Enterprise (農業產業化國家重點龍頭企業) and National Nucleus Pig Breeding Farm (國家生豬核心育種場). As a result, we become the partner of choice of the market players in the pig farming industry value chain such as other pig farms, slaughtering houses, pig dealers and food companies in the PRC. Leveraging on our pig farming know-how, our pig genetic resources and our extensive experience in the pig farms management, we invest in pig farming companies to expand rapidly throughout the country. Through providing breeding stock resources, pig farming know-how and ancillary products and services to these pig farming companies to support their efficient pig farming, we gain sales revenue, service fees and share of profits in return. We have a vision to help the pig farming value chain improve operating efficiency through modern pig farming.

**Other business segments**

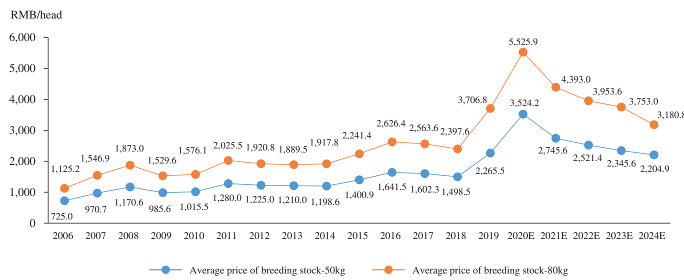
Through the acquisition of Guang'an Tianzow, we commenced slaughtering and sales of fresh meat which mainly includes the wholesale of whole pig carcasses, heads, intestines and other internal organs of pigs. We temporarily suspended our sales of fresh meat business since April 2020. For details, please refer to the section headed "Business – Our business model – Sales of fresh meat". We also provide ancillary services and products which mainly include the sale of compound premix to mixed feeding stuff manufacturers and provision of pig farming services to pig farming companies we invest in.

**The pig cycle and the impacts of the African Swine Fever on the pig cycle**

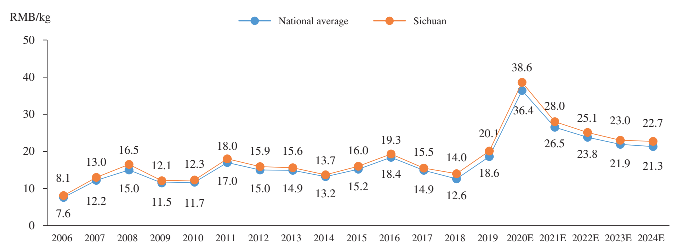
Pork is one of the major protein sources for Chinese people and one of the most important commodities in the PRC, which accounts for around 60% – 70% of total meat consumption of Chinese people. The demand of pork in the PRC is stable, therefore, the pork price in the PRC is mainly determined by the market supply of pig. The cyclic pig price in the PRC, referred as the pig cycle, reflects fluctuations in market supply of pigs. A pig cycle operates as: pork price increases – number of sows increases – market hog supply increases – pork price decreases – number of sows decreases – market hog supply decreases – pork price increases. A full pig cycle in the PRC usually lasts around 4 years. From 2006 to 2018, China experienced three pig cycles (pork price from valley to valley): cycle one in 2006 – 2010, cycle two in 2010 – 2014, and cycle three in 2014 – 2018.

In the last pig cycle from 2014 to 2018, the pig price was generally up in 2014 and 2015, reaching the peak in 2016, and subsequently dropped in 2017 and 2018. In August 2018, China's first African Swine Fever was discovered in the Northeast China. The epidemic subsequently spread from north to south. As in January 2019, African Swine Fever was discovered in a total of 24 provinces. As in April 2019, all provinces, municipalities and autonomous regions of China had reported African Swine Fever cases. Since the spread of the African Swine Fever, the supply of finishers gradually decreased due to the negative impact of the African Swine Fever. However, during the fourth quarter of 2018 and the first half of 2019, many live pigs were sold by pig farms and peasants ahead of schedule when such pigs were still growing, to minimize the potential risk of loss of biological assets; therefore, the market supply of pigs fluctuated little and the pig price was still low in the first half of 2019. Due to the further aggravation of the African Swine Fever and the low volume of pigs raised in the stock, there was a sharp drop in supply of pigs in the second half of 2019, resulting in a rapid surge of pig prices since the second half of 2019. Due to the lack of effective treatment or vaccine for the African Swine Fever and the high contagious nature of the disease, the outbreak of the African Swine Fever in the PRC caused a sharp decrease of market hogs and sows in the stock in volume; therefore, it is expected that pig supply will take a longer period of time to recover and the time length of current pig cycle will be extended. The average selling price of market hogs and breeding stock peaked in the fourth quarter of 2019 and the first quarter of 2020 and slightly dropped in the second quarter of 2020. The average selling prices are expected to decrease gradually from 2020 to 2024 when the gap of demand and supply narrows. The average selling prices from 2020 to 2024 are still expected to be higher than that in the past 10 years, because the imbalance between the supply and demand of pigs caused by the African Swine Fever is expected to last for years. The following tables illustrate the average annual selling price of breeding stock and market hogs from 2006 to 2019, and the average estimated annual selling price of breeding stock and market hogs from 2020 to 2024. For details, please refer to the section headed "Industry Overview".

**Average annual selling price of breeding stock, China, 2006-2024E**




**Average annual selling price of market hogs, China, 2006-2024E**

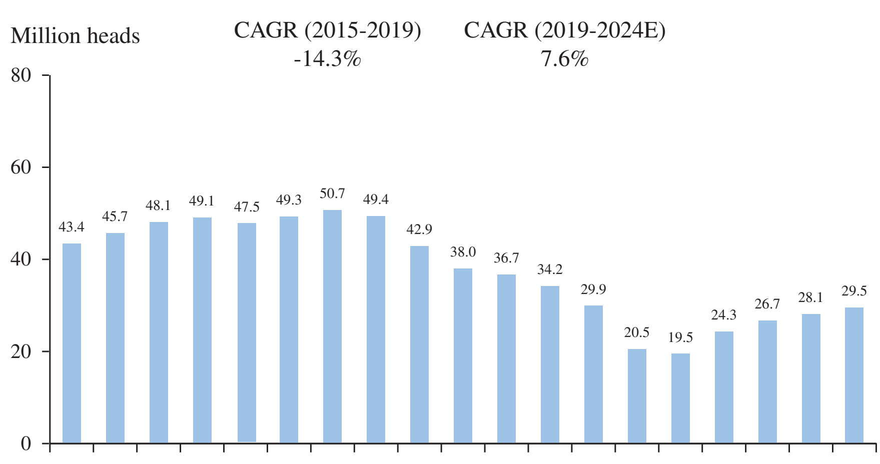



*Source: CIC*

## The stock of sows

Due to the better farm management and the improvement of breeding technology, sow's key reproduction performance such as pigs weaned per sow per year continuously improved. Besides, chinese pig farms have taken better disease prevention measures and adopted better formulated feeding stuff with the industrialization of pig farming and such actions have resulted in healthier pigs with higher survival rate. Thus, pig farms need less sows for reproduction purpose and the stock of sows in China decreased from approximately 50.7 million heads in 2012 to 34.2 million heads in 2017. The decrease in stock of sows is inconsistent with the pig cycle. Due to the outbreak of the African Swine Fever, the stock of sows in China dropped significantly in 2018 and 2019, and such number is expected to recover, with the help of recovery of supply of breeding stock, supportive policies and large-scale pig farming companies' capacity expansion after the African Swine Fever gradually subsided, according to the CIC. The higher pig prices and the sharp decrease of stock of sows as a result of the African Swine Fever increased the demand for breeding stock according to CIC. The following diagram illustrates the stock of sows in China from 2006 to 2019 and the estimated stock of sows in China from 2020 to 2024.

**The stock of sows, China, 2006-2024E**




*Source: CIC*

## Our revenue and gross profit

The following table sets forth a breakdown of our revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the years/periods indicated:

| | FY2017 | | FY2018 | | FY2019 | | 4M2019 | | 4M2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Segment/ sub-segment revenue[(1)] | % of Segment/ sub-segment revenue | Segment/ sub-segment revenue[(1)] | % of Segment/ sub-segment revenue | Segment/ sub-segment revenue[(1)] | % of Segment/ sub-segment revenue | Segment/ sub-segment revenue[(1)] | % of Segment/ sub-segment revenue | Segment/ sub-segment revenue[(1)] | % of Segment/ sub-segment revenue |
| | *(RMB in thousands, except the percentage)* | | | | | | | | | |
| Pig selling | | | | | | | | | | |
| Breeding stock | 198,305 | 40.6% | 76,623 | 15.1% | 224,480 | 26.5% | 25,543 | 12.2% | 90,759 | 24.4% |
| Market hogs | 229,311 | 47.0% | 302,513 | 59.7% | 473,245 | 55.7% | 138,746 | 66.3% | 216,643 | 58.3% |
| Market hogs (small)[(2)] | 22,221 | 4.6% | 9,756 | 1.9% | 27,093 | 3.2% | 4,858 | 2.3% | 31,865 | 8.6% |
| Ancillary products and services | 38,043 | 7.8% | 65,034 | 12.8% | 70,337 | 8.3% | 21,580 | 10.3% | 23,552 | 6.3% |
| Sales of fresh meat[(3)] | – | – | 53,282 | 10.5% | 53,205 | 6.5% | 18,431 | 8.8% | 8,757 | 2.4% |
| **Total** | 487,880 | 100% | 507,208 | 100% | 848,360 | 100% | 209,158 | 100% | 371,576 | 100% |
| Elimination of inter-segment sales | (13,355) | | (58,342) | | (64,242) | | (19,258) | | (19,651) | |
| **Revenue** | 474,525 | | 448,866 | | 784,118 | | 189,900 | | 351,925 | |

*Notes:*

(1) Represents the revenue of each business segment or sub-segment before any inter-segment elimination.

(2) Represents market hogs weighing under 30kg.

(3) We temporarily suspended our sales of fresh meat business since April 2020. For details, please refer to the section headed "Business – Our business model – Sales of fresh meat".

The following table sets forth a breakdown of our gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the years/periods indicated:

| | FY2017 | | FY2018 | | FY2019 | | 4M2019 | | 4M2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Segment/ sub-segment gross profit[(1)] | Segment/ sub-segment gross profit margin[(2)] | Segment/ sub-segment gross profit[(1)] | Segment/ sub-segment gross profit margin[(2)] | Segment/ sub-segment gross profit[(1)] | Segment/ sub-segment gross profit margin[(2)] | Segment/ sub-segment gross profit[(1)] | Segment/ sub-segment gross profit margin[(2)] | Segment/ sub-segment gross profit[(1)] | Segment/ sub-segment gross profit margin[(2)] |
| | *(RMB in thousands, except the percentages)* | | | | | | | | | |
| Pig selling | | | | | | | | | | |
| Breeding stock | 120,483 | 60.8% | 41,575 | 54.3% | 174,817 | 77.9% | 16,671 | 65.3% | 79,332 | 87.4% |
| Market hogs | 35,030 | 15.3% | 30,727 | 10.2% | 161,343 | 34.1% | 26,532 | 19.1% | 125,907 | 58.1% |
| Market hogs (small)[(3)] | 6,340 | 28.5% | 369 | 3.8% | 16,975 | 62.7% | 2,319 | 47.7% | 24,568 | 77.1% |
| Ancillary products and services | 14,400 | 37.9% | 34,369 | 52.8% | 37,323 | 53.1% | 12,638 | 58.6% | 12,495 | 53.1% |
| Sales of fresh meat | – | – | 434 | 0.8% | 3,448 | 6.5% | 1,088 | 5.9% | 315 | 3.6% |
| Elimination of inter-segment gross profit | (3,369) | N/A | (5,463) | N/A | (9,443) | N/A | (6,061) | N/A | (10,610) | N/A |
| **Subtotal gross profit and gross profit margin before biological assets fair value adjustment** | 172,884 | 36.4% | 102,011 | 22.7% | 384,463 | 49.0% | 53,187 | 28.0% | 232,007 | 65.9% |
| Biological assets fair value adjustments | – | N/A | (2,809) | N/A | (4,896) | N/A | (1,011) | N/A | (3,570) | N/A |
| **Total gross profit and gross profit margin[(4)]** | 172,884 | 36.4% | 99,202 | 22.1% | 379,567 | 48.4% | 52,176 | 27.5% | 228,437 | 64.9% |

*Notes:*

(1) Calculated based on the revenue of each segment or sub-segment (before any inter-elimination) minus the cost of sales of such segment or sub-segment (before any inter-segment elimination).

(2) Calculated based on the gross profit of each segment or sub-segment calculated according to note (1) divided by the revenue of such segment or sub-segment (before any inter-segment elimination).

(3) Represents market hogs weighing less than 30 kg.

(4) Total gross profit equals total revenue (being the revenue reflected on our consolidated statements of profit or loss and other comprehensive income) minus total cost of sales (being the cost of sales reflected on our consolidated statements of profit or loss and other comprehensive income). Overall gross profit margin equals total gross profit divided by total revenue.

Please refer to the section headed "Financial information – Period-to-period comparison of results of operations" in this prospectus for details of our gross profit and gross profit margin.

The table below set forth our sales volume, average selling price (external sales only) and average gross profit by products for the years/periods indicated:

| | FY2017 | | | FY2018 | | | FY2019 | | | 4M2019 | | | 4M2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | External Sales volume | Average selling price | Average gross profit | External Sales volume | Average selling price | Average gross profit | External Sales volume | Average selling price | Average gross profit | External Sales volume | Average selling price | Average gross profit | External Sales volume | Average selling price | Average gross profit |
| | | *RMB/head* | *RMB/head* | | *RMB/head* | *RMB/head* | | *RMB/head* | *RMB/head* | | *RMB/head* | *RMB/head* | | *RMB/head* | *RMB/head* |
| Breeding stock | 70,863 | 2,798 | 1,700 | 30,495 | 2,513 | 1,363 | 58,216 | 3,856 | 3,003 | 9,646 | 2,648 | 1,728 | 12,701 | 7,146 | 6,246 |
| Market hogs | 138,427 | 1,657 | 253 | 175,035 | 1,523 | 156 | 197,319 | 2,242 | 753 | 76,841 | 1,671 | 316 | 45,007 | 4,682 | 2,725 |
| Market hogs (small) | 28,837 | 771 | 220 | 19,200 | 508 | 19 | 21,909 | 1,237 | 775 | 5,888 | 825 | 394 | 16,106 | 1,978 | 1,525 |
| Total | 238,127 | | | 224,730 | | | 277,444 | | | 92,375 | | | 73,814 | | |

*Note:* Average selling price represents the revenue for the year/period divided by the external sales volume of the product category for the respective year/period. Average gross profit represents the segment gross profit for the year/period divided by the total sales volume of the product category for the respective year/period.

**Average selling price, changes in product mix and gross profit margin**

Our products mainly fall into two categories, being breeding stock and market hogs. Our breeding stock are purchased by our customers located in a wide range of areas all over the PRC for their pig farming, while our market hogs are ultimately slaughtered and used for production of pork products in the region around our pig farms. As breeding stock are the key resources for market hog production in the pig farming, (i) the market price and market demand of breeding stock fluctuate with the market price of market hogs; (ii) the market price of breeding stock is usually higher than the market price of market hogs; and (iii) the gross profit margin derived from sales of breeding stock are generally higher than the gross profit margin derived from sales of market hogs.

We sell our products at the prevailing market price, which fluctuates along with the pig cycles. Our total output volume of pigs and our cost of pig farming during the Track Record Period were stable. Therefore, our revenue and profitability during the Track Record Period were mainly determined by the pig price and product mix.

Our average selling price of market hogs dropped in FY2018 as compared to that of FY2017, from RMB1,657/head to RMB1,523/head, representing a decline phase in the last pig cycle. Our average selling price of breeding stock also dropped from RMB2,798/head to RMB2,513/head in the same period along with the drop of market hog price. Our product mix also affected by the pig cycle and the outbreak of the African Swine Fever. The percentage of breeding stock segment sales in volume decreased from 29.8% to 12.3% from FY2017 to FY2018 while the percentage of market hogs segment sales increased from 58.1% to 79.9% for the year. More pigs were sold as market hogs instead of breeding stock in FY2018, primarily because (i) the market demand for breeding stocks declined significantly, due to the fall of pork price in FY2018 in the pig cycle and (ii) the restriction on inter-provincial transport of pigs due to the African Swine Fever in FY2018, which mainly negatively impact the delivery of breeding stock, because our customers for breeding stock are located in a wide range of areas all over the PRC which requires interprovincial transportation for delivery purpose, while our market hogs are sold to the region near our pig farms. As a result of the foregoing, our revenue decreased by RMB25.6 million or 5.4% from RMB474.5 million for FY2017 to RMB448.9 million for FY2018. Our total gross profit decreased by 42.6% or 73.7 million from RMB172.9 million for FY2017 to RMB99.2 million for FY2018. Our overall gross profit margin decreased from 36.4% for FY2017 to 22.1% for FY2018.

Our average selling price of market price of breeding stock and market hogs surged to RMB3,856/head and RMB2,242/head for FY2019. In the first half of 2019, many live pigs were sold by pig farms and peasants ahead of schedule when such pigs were still growing, to minimize the potential risk of loss of biological assets caused by the African Swine Fever; therefore, the market supply of pigs fluctuated little and the pig price did not rise significantly. Due to the further aggravation of the African Swine Fever and the low volume of pigs raised in the stock, there was a sharp drop in supply of pigs in the second half of 2019, resulting in a rapid increase in pig prices since the second half of 2019. In addition, the percentage of breeding stock segment sales increased from 12.3% to 19.8% in volume from FY2018 to FY2019 while the percentage of market hogs segment sales decreased from 79.9% to 72.8% for the year. The percentage of breeding stock segment sales gradually recovered, mainly because (i) the market demand for breeding stocks gradually recovered, due to the surge of pork price in late 2019 and (ii) the restriction on inter-provincial transport of pigs in various provinces were gradually lifted with the gradual improvement of the African Swine Fever epidemic. As a result of the foregoing, our revenue increased by RMB335.2 million or 74.7% from RMB448.9 million for FY2018 to RMB784.1 million for FY2019. Our total gross profit increased by 282.7% or RMB280.4 million from RMB99.2 million for FY2018 to RMB379.6 million for FY2019. Our overall gross profit margin increased from 22.1% for FY2018 to 48.4% for FY2019.

The outbreak of COVID-19 in the PRC negatively impacted our sales volume of pigs in the first quarter of 2020. Our sales volume to the external customers decreased by approximately 18.6 thousand pigs or 20.1% from approximately 92.4 thousand pigs for 4M2019 to approximately 73.8 thousand pigs for 4M2020. Such decrease of sales volume is mainly attributable to the decrease of sale volume of market hogs in the first quarter in 2020, mainly resulting from the temporary shutdown of slaughterhouses in late January to early March 2020. However, the average selling price of breeding stock and market hogs maintained at a high level, which were RMB7,146/head and RMB4,682/head, respectively. As a result of the foregoing, our revenue increased by RMB162.0 million or 85.3% from RMB189.9 million for 4M2019 to RMB351.9 million for 4M2020. Our total gross profit increased by 337.8% or RMB176.2 million from RMB52.2 million for 4M2019 to RMB228.4 million for 4M2020. Our overall gross profit margin was 27.5% and 64.9% for 4M2019 and 4M2020, respectively.

## RECENT DEVELOPMENTS

Since 1 May 2020 and up to the Latest Practicable Date, our operations have continued to remain stable and our overall revenue continued to grow despite the African Swine Fever and COVID-19 outbreak.

### Impact of African Swine Fever and other swine diseases

#### *Impact of African Swine Fever and other swine diseases on our operation*

*Demand of live pigs and pork products –*

There is no material change in the demand for market hogs. Due to the African Swine Fever epidemic, the stocks of live pigs fell sharply, the speed and scale of restocking pigs could not keep up, which led to the shortage of pigs in the market. Further, the government adopted restrictions in the transport of pigs to prevent and control African Swine Fever, resulting in an imbalance between the supply and demand of pigs among regions. For details of the restrictions in the transport of pigs, please refer to the section headed "Regulatory Overview – Prevention and control of African Swine Fever".

*Pig farms operation –*

We have taken measures to ensure the compliance with all applicable laws and regulations in relation to the African Swine Fever. We have strengthened our measures to control the African Swine Fever. In light of the fact that no pig raised in our pig farms has been depopulated due to the African Swine Fever from 1 January 2020 to the Latest Practicable Date and the number of pigs in the stock in the PRC was recovering, our Directors believe and the Sole Sponsor concurs that (i) our strengthened biosecurity measures are adequate and effective at this stage and (ii) the outbreak of the African Swine Fever had subsided since late 2019 in the PRC and no material impact caused by the African Swine Fever is expected on the Group going forward. Porcine reproductive and respiratory syndrome (the "**PRRS**") and porcine epidemic diarrhea (the "**PED**") are two widespread swine diseases in the PRC, resulting in direct losses to pig farming through mortality and loss of productivity. The outbreaks of the PRRS during 2006 to 2009 and the PED during 2011 to 2014 in the PRC caused the significant mortality of the pigs in the PRC. The outbreaks of the PRRS and the PED in the PRC subsided since 2014, after the pig farming industry in the PRC has strengthened the prevention and control of the swine infectious diseases. The PRRS and the PED had no material impact on our business operation and financial performance during the Track Record Period and up to the Latest Practicable Date, because we have adopted stringent biosecurity measures for prevention of infectious swine diseases and we use vaccine for PRRS to protect our pigs. Our pig farms had no material infection cases of porcine reproductive and respiratory syndrome and porcine epidemic diarrhea, and we did not depopulate any pig farm due to such two swine diseases during the Track Record Period and up to the Latest Practicable Date. Please refer to the section headed "Business – Recent Development – Impact of African Swine Fever and other swine diseases on our operation" for details.

***Impact of African Swine Fever and other swine diseases on our financial performance***

*Pig output and sales volume –*

Our total pig output increased during the Track Record Period, which were 238.1 thousand, 247.0 thousand and 294.4 thousand for FY2017, FY2018 and FY2019, respectively. We still achieved an increase in the number of total pig output in FY2019 during the outbreak and the spread of the African Swine Fever in the PRC, which outperformed the industry, primarily because (i) our production capacity for FY2019 increased as compared to that for FY2018 according to our expansion plan and (ii) our biosecurity system were sufficient and only several pig farms suffered from the African Swine Fever in the FY2019.

*Average selling price –*

We sell our products at the prevailing market price, which fluctuates along with the pig cycles. Our average selling price of market hogs dropped in FY2018 as compared to that of FY2017, from RMB1,657/head to RMB1,523/head, representing a decline phase in the last pig cycle. Our average selling price of breeding stock also dropped from RMB2,798/head to RMB2,513/head in the same period along with the drop of market hog price. Due to the further aggravation of the African Swine Fever and the low volume of pigs raised in the stock, there was a sharp drop in supply in the second half of 2019, resulting in a rapid increase in pig prices since the second half of 2019. Our average selling price of market price of breeding stock and market hogs thus surged to RMB3,856/head and RMB2,242/head for FY2019. The pig price still maintained at the high level due to the shortage of supply caused by the African Swine Fever. The average selling price of breeding stock and market hogs maintained at a high level, which were RMB7,146/head and RMB4,682/head, respectively. For details of our average selling price by product, please refer to the section headed "Business – Recent Development – Impact of African Swine Fever and other swine diseases on our financial performance".

*Gross profit margin –*

Our overall gross profit margin decreased from 36.4% for FY2017 to 22.1% FY2018 primarily due to decrease in pig price. Our overall gross profit margin increased from 22.1% for FY2018 to 48.4% for FY2019 and 64.9% for 4M2020, due to the significant surge of the pig price resulting from the shortage of pig supply caused by the outbreak of African Swine Fever. For details of our gross profit margin by product, please refer to the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin".

*Changes in product mix –*

The percentage of breeding stock segment sales decreased from 29.8% to 12.3% from FY2017 to FY2018 while the percentage of market hogs segment sales increased from 58.1% to 79.9% for the year. More pigs were sold as market hogs instead of breeding stock in FY2018, primarily because (i) the market demand for breeding stocks declined significantly, due to the fall of pork price in FY2018 and (ii) the restriction on inter-provincial transport of pigs due to the African Swine Fever in FY2018, which mainly negatively impact the delivery of breeding stock, because our customers for breeding stock are located in a wide range of areas all over the PRC which requires inter-provincial transport of pigs for delivery purpose, while our market hogs are ultimately slaughtered in the region around our pig farms. The percentage of breeding stock segment sales increased from 12.3% to 19.8% in volume from FY2018 to FY2019 while the percentage of market hogs segment sales decreased from 79.9% to 72.8% for the year. The percentage of breeding stock segment sales gradually recovered, mainly because (i) the market demand for breeding stocks gradually recovered, due to the surge of pork price in late 2019 and (ii) the restriction on inter-provincial transport of pigs in various provinces were gradually lifted with the gradual improvement of the African Swine Fever epidemic and fully lifted in September 2019.

*Net loss on disposal of biological assets –*

To avoid the spread of contagious swine diseases, we have to depopulate the pigs raised in the infected pig farms and disinfect the entire area of the infected pig farms. For FY2019, we decided to depopulate the pigs raised in six of our farms and six of our contract farms affected by contagious swine diseases. Approximately 29.4 thousand pigs, including approximately 2.9 thousand sows were depopulated, accounting for approximately 15% of the number of sows in the stock as at 1 January 2019. We did not depopulate the pigs raised in any of our farm or contract farms for 4M2020. As a result, for FY2019, we recorded a net loss on disposal of biological assets due to virulent disease for an amount of RMB31.2 million. We have disinfected the entire area of our pig farms suffering from the African Swine Fever before we gradually re-raised pigs in such pig farms. The output of pigs for such production facilities is estimated to decrease approximately 43.4 thousand, 46.0 thousand, and 7.2 thousand for FY2019, FY2020 and FY2021, respectively, due to the depopulation in FY2019. Save as above, our Directors confirmed that we did not depopulate any pigs raised in our pig farms or our contract farms due to African Swine Fever during the Track Record Period and up to the Latest Practicable Date.

Set forth below are the number of pigs depopulated in FY2019 due to the infection of the African Swine Fever for each of the Group's farms and the contract farms with infected pigs

| | **Number of piglets, weaners and growers** *(head)* | **Number of Sows** *(head)* |
|---|---|---|
| Pig farm A | 9,415 | 1,833 |
| Pig farm B | 6,624 | 147 |
| Pig farm C | 2,958 | 897 |
| Pig farm D | 1,536 | – |
| Pig farm E | 807 | – |
| Pig farm F | 538 | – |
| Contract farm A | 2,502 | – |
| Contract farm B | 664 | – |
| Contract farm C | 618 | – |
| Contract farm D | 505 | – |
| Contract farm E | 258 | – |
| Contract farm F | 69 | – |
| **Total** | 26,494 | 2,877 |

Our Directors confirmed that the African Swine Fever and other swine diseases had no material negative impact on our Group since 1 January 2020 and up to the Latest Practicable Date. However, there is no assurance that there will not be any direct or indirect adverse impact on our business, financial condition and results of operations arising from the African Swine Fever. For details, please refer to the sections headed "Risk Factors – Risks relating to our business and our industry – Outbreak of African Swine Fever and other swine diseases can significantly affect our production, demand for our products and our business", "Regulatory Overview – Prevention and control of African Swine Fever" ("**ASF**"), "Industry Overview – Impact of African Swine Fever on the pig farming industry" and "Business – Recent development – African Swine Fever epidemic and other swine diseases".

### G4 swine flu virus

On 29 June 2020, the U.S. journal Proceedings of the National Academy of Sciences of the United States of America (PNAS) published a research article, reporting that a team of Chinese researchers identified G4 swine flu virus, namely, genotype 4 (G4) reassortant Eurasian avian-like (EA) H1N1 virus (基因4型重配歐亞型禽系H1N1病毒), in the swine pollutions of the PRC. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, there had been no confirmed or suspected cases of G4 swine flu infection among our employees and our raised pigs. We will continue to monitor and evaluation of the potential impact of G4 swine flu and other disease on our business operation, financial performance and cash flows going forward. For details, please refer to the section headed "Business – Recent Development – G4 swine flu virus".

### Impact of COVID-19

China, among other countries, encountered an outbreak of COVID-19 in the end of 2019. Due to the outbreak of COVID-19, the construction work of our new pig farm in in Lanzhou City, Gansu Province delayed for a few days. The construction work had resumed in February 2020.

Our sales volume to the external customers decreased by approximately 18.6 thousand heads or 20.1% from approximately 92.4 thousand pigs for 4M2019 to approximately 73.8 thousand pigs for 4M2020. Such decrease of sales volume is mainly attributable to the decrease of sale volumes of market hogs in the first quarter in 2020, mainly resulting from the temporary shutdown of slaughterhouses in late January to early March of 2020.

Apart from this, as at the Latest Practicable Date, the COVID-19 outbreak did not have any material adverse impact on our business and results of operations. We did not experience material feeding stuff or other raw material shortage since the outbreak of COVID-19 because government policies are in place ensure the transportation of agricultural materials are not intercepted. For details, please refer to the section headed "Regulatory Overview" in this prospectus. We believe that the outbreak of COVID-19 has no material impact on our financial performance for a long run, because (i) our revenue and profits derived from pig selling for 4M2020 surged as compared to these for 4M2019 due to the significantly rise of pig prices, despite that the sales volumes decreased; (ii) pork is one of the major protein sources for Chinese people and one of the important commodities in the PRC; (iii) there are government policies requiring that during the prevention and control of outbreak of COVID-19, the supply of meat and other necessities shall be ensured; (iv) the pig price has maintained at a high level since the late 2019; and (v) our pig farms are generally located in remote regions. For details, please refer to "Business – Recent Development – Impact of COVID-19 on our Business", "Regulatory Overview – Protection of live pig breeding industry during the outbreak of COVID-19" and "Industry Overview – Impact of COVID-19 on the pig farming industry" in this prospectus. Our Director confirm and the Sole Sponsor concurs that COVID-19 outbreak did not have any material adverse impact on our business operation and financial performance, and our business has gradually normalized since March 2020 along with a subsequent resumption and normalization of economic and business activities in the PRC.

However, there is no assurance that there will not be any direct or indirect adverse impact on our business, financial condition and results of operations arising from any effect on the PRC economy or other parts of the world as a result of the continuance of the COVID-19 outbreak. For details, please refer to the sections headed "Risk Factors – Risks relating to our business and our industry – The recent outbreak of COVID-19 has caused, and may continue to cause, damage to the economy and as a result may adversely affect our business, financial condition and results of operations".

In the worst-case scenario, our sales of pigs will be materially impacted by the COVID-19 as a result of a temporary shutdown of certain slaughterhouses and our expansion plan will also be suspended. As at 31 August 2020, we had cash and cash equivalents of approximately RMB217.7 million and unutilized banking facilities of RMB110.0 million. In the extreme scenario and based on the assumptions, which nevertheless are unlikely to happen, that (i) our business will be totally interrupted by the COVID-19 and no revenue will be generated during the period; (ii) we have to suspend our pig farming and our sows in the stocks will not be inseminated to give birth to litters in the period; (iii) only minimal general and administrative expenses and selling and marketing expenses will be incurred; (iv) all outstanding payable will be paid as and when they fall due, (v) the outstanding account receivables will be recovered on the basis of our historical settlement record; (vi) 9% of net proceeds from the Global Offering will be available for our working capital and other general corporate purpose, and (vii) we will delay our expansion plan, our Directors are of the view that our Group will remain financially viable for at least 16 months from 31 August 2020.

**Sales of fresh meat business**

We temporarily suspended our sales of fresh meat business since April 2020 primarily due to our focus on the higher gross profit margin pig selling business and the insufficient supply of market hogs for slaughtering. We are currently looking for suitable management personnel to manage and operate our slaughterhouse. If suitable candidates can be identified, we plan to resume its operation and upgrade the production facilities in the end of this year or early next year. For details of the reason for suspension of sales of fresh meat business and the upgrade plan of our slaughterhouse, please refer to the section headed "Business – Our business model – Sales of fresh meat".

We recognised impairment loss on certain assets attributed to our sales of fresh meat business after the Track Record Period. The identifiable assets of Guang'an Tianzow at the date when we decided to suspend the sales of fresh meat business (the "**suspension date**") included mainly:

(1) Plants, land use right and investment property of RMB20.0 million and machinery and equipment of RMB2.1 million. We compared the value of these properties and equipment before and after the upgrade plan and recognised impairment of RMB1.7 million for equipment which will be disposed according to the upgrade plan as at the suspension date.

(2) Trade and other receivables and prepayments of RMB32.9 million, which included receivables from third parties of RMB4.2 million and intra-group receivables of RMB28.7 million which will be eliminated in consolidation. For receivables from third parties, amount of RMB0.2 million was collected subsequently. Our management regularly monitor the recoverability of these receivables. Due to the decline of our customers' operation and financial performance in the first three months of 2020, our management assessed that the recoverability for these receivables deteriorated and accrued loss allowance of RMB2.4 million accordingly. For the remaining balance of RMB1.6 million with third parties, our management measures loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The consideration of acquiring Guang'an Tianzow was determined according to the fair value of the net assets acquired from Guang'an Tianzow, thus there was no goodwill recognized during the acquisition.

After the Track Record Period and up to the Latest Practicable Date, we did not make any further impairment on the identifiable assets of Guang'an Tianzow. Full impairment on the assets attributed to our sales of fresh meat business may be required. For details, please refer to the section headed "Risk Factor – Impairment of the assets of our sales of fresh meat business may have an adverse impact on our profits and results of operations".

**Acquisition after Track Record Period**

Please refer to the section headed "Business – Recent Development – Acquisition after Track Record Period" for details of the acquisitions we made after the Track Record Period. For additional information in respect of Xingsheng Tianzow and Ebian Tianzow, please refer to Note 36 in Appendix I to this prospectus.

**Our performance after the Track Record Period**

| | **4 months ended 31 August 2019 Average selling price** *RMB/head* | **4 months ended 31 August 2020 Average selling price** *RMB/head* |
|---|---|---|
| Breeding stock | 3,165 | 6,251 |
| Market hogs | 1,779 | 4,312 |
| Market hogs (small) | 972 | 1,789 |

During the four months ended 31 August 2020, the pig price still maintained at a high level as compared to the pig price in 4M2020, which was significantly higher than the pig price in the four months ended 31 August 2019. Our sales volume for the eight months ended 31 August 2020 decreased by approximately 14% as compared to the sales volume for the corresponding period in 2019, mainly due to the negative impact of the COVID-19 in the first quarter of 2020. Our sales volumes gradually recovered since April 2020. As a result, we recorded a significant revenue growth for the eight months ended 31 August 2020 as compared to that for the corresponding period in 2019 and our gross profit margin for the eight months ended 31 August 2020 was also significantly higher than that for the corresponding period in 2019. Our other operating expense are stable during and after the Track Record Period. As a result, we recorded a significant growth of net profit for the eight months ended 31 August 2020, which was several times greater than our profit in the corresponding period in 2019.

**OUR CUSTOMERS**

Our customers fall into two main categories, being customers for breeding stock and customers for market hogs. Customers for breeding stock include mainly pig farms. Customers for market hogs include mainly pig dealers, and to a lesser extent, slaughtering houses and food companies. For FY2017, FY2018, FY2019 and 4M2020, sales to our five largest customers represented approximately 45.3%, 30.0%, 31.9% and 37.3% of the Group's total revenue respectively. Sales to our single largest customer represented approximately 13.6%, 11.3%, 16.9% and 18.9% of our total revenue for the said years/period, respectively. For details, please refer to the section headed "Business – Sales and distribution – Our customers" in this prospectus.

## OUR SUPPLIERS

During the Track Record Period, we mainly purchased feeding stuff and medicine such as vaccines and antibiotics. We engage external suppliers to manufacture our feeding stuff according to the nutrition formulae we design and using the compound premix we produce. While we procure the feeding stuff from our suppliers, we adopt stringent measure in selecting our suppliers based on their product quality, reliability of supply and product price.

During the Track Record Period, our five largest suppliers are primarily suppliers of feeding stuff. For FY2017, FY2018, FY2019 and 4M2020, purchases from our five largest suppliers represented approximately 83.9%, 80.8%, 87.2% and 91.0% of the Group's total purchases respectively. Purchases from our single largest supplier represented approximately 29.4%, 39.4%, 40.4% and 38.9% of our total purchases for the said years/period respectively. For details, please refer to the section headed "Business – Suppliers, Raw materials and inventory – Our suppliers" in this prospectus.

## COMPETITIVE STRENGTHS

We believe the following competitive strengths have enabled us to achieve our current market position:

- We have sufficient supply capability of breeding stock and wide geographical coverage;
- We adopt modern pig production and management system;
- We have in-depth pig breeding and pig farming know-how; and
- We have an experienced, visionary and dedicated management team.

For details, please refer to the section headed "Business – Our competitive strengths" in this prospectus.

## BUSINESS STRATEGIES

To continue to grow our business, we intend to implement the following business strategies:

- Expand our farming capacity and supply capability;
- Continue to enhance the genetic performance of our breeding stock and expand our product lines; and
- Enhance brand awareness and company reputation.

For details, please refer to the section headed "Business – Our business strategies" in this prospectus.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Tianzow Food and Ms. Tan will be directly interested in 46.77% and 18.66% of our issued share capital respectively.

Mr. Yu is the spouse of Ms. Tan. Mr. Yu and Ms. Tan are the Company's executive Directors. As at the Latest Practicable Date, Tianzow Food was controlled by Mr. Yu and Ms. Tan through Tianson Real Estate, in which Mr. Yu held as to 80% and Ms. Tan held as to 20%. As such, each of Mr. Yu, Ms. Tan, Tianzow Food and Tianson Real Estate are considered as a group of Controlling Shareholders. Each of our Controlling Shareholders has confirmed that he/she/it does not have any interest in a business apart from our Group's business which would compete with, or is likely to compete with, our business, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

Please refer to the sections headed "History and corporate structure" and "Relationship with our controlling shareholders" in this prospectus for details.

## NON-COMPLIANCE

One of our pig farms occupied approximately 3.6 mu of basic farmland. Our Directors estimated that the reclamation fees of the relevant basic farmland would be approximately RMB0.2 million and the potential maximum fine is RMB0.4 million accordingly. We did not make full contributions to the social insurance and housing provident fund for certain employees during the Track Record Period. We estimate that the outstanding amount of social insurance fund contributions was approximately RMB2.1 million as of 30 April 2020 and the maximum penalty thereof will be RMB2.1 million to RMB6.3 million. We estimate that the aggregated outstanding amount of housing providing fund contributions was approximately RMB0.5 million as of 30 April 2020. For details, please refer to the section headed "Business – Non-compliance incidents" in this prospectus.

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth our summary financial information for the years/periods indicated and should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes, and the information set forth in the section headed "Financial Information" in this prospectus.

**Selected items of consolidated statements of profit or loss and other comprehensive income**

| | FY2017<br>*RMB'000* | FY2018<br>*RMB'000* | FY2019<br>*RMB'000* | 4M2019<br>*RMB'000* | 4M2020<br>*RMB'000* |
|---|---|---|---|---|---|
| **Revenue** | 474,525 | 448,866 | 784,118 | 189,900 | 351,925 |
| **Gross profit** | 172,884 | 99,202 | 379,567 | 52,176 | 288,437 |
| **Biological assets fair value adjustments** | 21,172 | 5,965 | 140,568 | 4,036 | 27,846 |
| **Profit from operations** | 142,026 | 76,914 | 437,172 | 42,202 | 235,146 |
| **Profit before taxation** | 159,611 | 44,887 | 488,561 | 35,010 | 240,488 |
| **Profit for the year/period** | 158,680 | 40,082 | 485,499 | 34,849 | 234,055 |
| **Attributable to:** | | | | | |
| Equity shareholders of the Company | 156,287 | 40,283 | 486,143 | 34,900 | 234,730 |
| Non-controlling interests | 2,393 | (201) | (644) | (51) | (675) |

As the Group carries out agricultural activity, the accounting standard IAS 41, Agriculture, is applicable to us. IAS 41 requires the biological assets to be measured at fair value less costs to sell. This method should be used when initially measuring the biological assets and then at every balance sheet date.

Accordingly, as required by IAS 41, we measure our biological assets at their fair values less costs to sell. We also measure our agricultural products (the pork) harvested from the biological assets at their fair values less costs to sell at the point of harvest. Gain/loss arising from biological assets at fair value less costs to sell at the point of harvest arises from our inter-segment sales from pig selling segment to sales of fresh meat segment. It represents the difference between the fair value of the pigs, which were raised in our pig farms and subsequently slaughtered by our slaughter house, at the point of being slaughtered and the historical cost of raising such pigs by our pig farms. In this connection, when we sell our biological agricultural products, our cost of sales is adjusted with fair value gains/loss, increasing/decreasing our cost of sales. We recognized fair value gains during the Track Record Period. As such, fair value adjustments led to an increase in our cost of sales, which consequently reduced in our gross profit during the Track Record Period.

The following table shows the reconciliation of gross profit before and after biological assets fair value adjustments

| | FY2017<br>*RMB'000* | FY2018<br>*RMB'000* | FY2019<br>*RMB'000* | 4M2019<br>*RMB'000* | 4M2020<br>*RMB'000* |
|---|---|---|---|---|---|
| **Gross profit for the year/period before biological assets fair value adjustments** | 172,884 | 102,011 | 384,463 | 53,187 | 232,007 |
| **Biological assets fair value adjustments for the year/period** | – | (2,809) | (4,896) | (1,011) | (3,570) |
| **Gross profit for the year/period** | 172,884 | 99,202 | 379,567 | 52,176 | 228,437 |

The following table shows the reconciliation of net profit before and after biological assets fair value adjustments

| | FY2017 | FY2018 | FY2019 | 4M2019 | 4M2020 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Profit for the year/period before biological assets fair value adjustments** | 137,508 | 34,117 | 344,931 | 30,813 | 206,209 |
| **Biological assets fair value adjustments for the year/period** | 21,172 | 5,965 | 140,568 | 4,036 | 27,846 |
| **Profit for the year/period** | 158,680 | 40,082 | 485,499 | 34,849 | 234,055 |

Our unit pig farming cost were stable during the Track Record Period. Our net profit decreased from approximately RMB158.7 million for FY2017 to RMB40.1 million for FY2018, mainly due to the fall of pig price in the PRC as the result of the excess supply of pigs in the market. Our profitability improved significantly for FY2019 and 4M2020, mainly because the rise in pig price in the period caused by the outbreak of African Swine Fever in the PRC in late 2018. Please refer to the section headed "Average selling price, changes in product mix and gross profit margin" in this section for details of our average selling price.

**Changes in the fair value of biological assets**

Our financial results have been, and will continue to be, affected by changes in the fair value of our biological assets. In each reporting period we recognize fair value gains or losses arising from two different aspects: (i) net changes in fair value of biological assets, which represents fair value changes of biological assets due to the changes in the physical attributes and market-determined prices of biological assets; and (ii) gains/losses arising from biological assets at fair value less costs to sell at the point of harvest, which represents changes in fair values of our biological assets sold internally for slaughtering during that year/period due to change in the physical attributes and market prices of these biological assets, less costs to sell at the time of sales. Our biological assets were revalued at each reporting date by the Valuer. The fair value increased from RMB177.5 million as at 31 December 2017 to RMB230.3 million as at 31 December 2018. The increase was primarily due to the increase of pig population raised by us, which was partially offset by the drop of market price of pigs in 2018. The fair value of our biological assets increased from RMB230.3 million as at 31 December 2018 to RMB368.8 million as at 31 December 2019. The increase was primarily due to the significant increase of market price of pigs in 2019 due to the impact of the African Swine Fever. The fair value of our biological assets increased from RMB368.8 million as at 31 December 2019 to RMB415.4 million as at 30 April 2020. The increase was primarily due to increase in volume and market price of pigs in 2020. Our Group recognised gain arising from changes in fair value of biological assets of RMB21.2 million, RMB6.0 million, RMB140.6 million, RMB4.0 million and RMB27.8 million for FY2017, FY2018, FY2019, 4M2019 and 4M2020, respectively. For details, please refer to the section headed "Financial Information – Biological assets and valuation".

**Selected items of consolidated statements of financial position**

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | 577,791 | 709,619 | 1,197,649 | 1,315,639 |
| **Current assets** | 178,537 | 232,049 | 460,385 | 526,591 |
| **Current liabilities** | 228,699 | 289,590 | 438,879 | 386,152 |
| **Net current (liabilities)/assets***Note* | (50,162) | (57,541) | 21,506 | 140,439 |
| **Total assets less current liabilities** | 527,629 | 652,078 | 1,219,155 | 1,456,078 |
| **Net assets** | 416,453 | 456,535 | 843,216 | 1,089,061 |
| **Total equity** | 416,453 | 456,535 | 843,216 | 1,089,061 |
| **Attributable to:** | | | | |
| Equity shareholders of the Company | 416,453 | 456,736 | 827,002 | 1,061,732 |
| Non-controlling interests | – | (201) | 16,214 | 27,329 |

*Note:* The net current liabilities position as at 31 December 2017 and 2018 was mainly attributable to current portion of interest-bearing borrowings and payables relating to purchases of property, plant and equipment.

**Selected items of consolidated cash flow statements**

| | FY2017 *RMB'000* | FY2018 *RMB'000* | FY2019 *RMB'000* | 4M2019 *RMB'000* | 4M2020 *RMB'000* |
|---|---|---|---|---|---|
| Net cash from operating activities | 150,088 | 42,779 | 311,957 | 41,581 | 212,261 |
| Net cash used in investing activities | (113,281) | (81,197) | (185,449) | (55,405) | (87,964) |
| Net cash (used in)/from financing activities | (54,556) | 45,591 | (23,028) | 10,124 | (98,920) |
| **Net (decrease)/increase in cash and cash equivalents** | (17,749) | 7,173 | 103,480 | (3,700) | 25,377 |
| Cash and cash equivalents at beginning of the year/period | 31,535 | 13,786 | 20,959 | 20,959 | 124,439 |
| **Cash and cash equivalents at end of the year/period** | 13,786 | 20,959 | 124,439 | 17,259 | 149,816 |

**SUMMARY OF KEY FINANCIAL RATIOS**

| | FY2017 or as at 31 December 2017 | FY2018 or as at 31 December 2018 | FY2019 or as at 31 December 2019 | 4M2020 or as at 30 April 2020 |
|---|---|---|---|---|
| **Gross profit margin** | 36.4% | 22.1% | 48.4% | 64.9% |
| **Net profit margin** | 33.4% | 8.9% | 61.9% | 66.5% |
| **Gross profit margin before biological assets fair value adjustments** | 36.4% | 22.7% | 49.0% | 65.9% |
| **Net profit margin before biological assets fair value adjustments** | 29.0% | 7.6% | 44.0% | 58.6% |
| **Return on equity** | 47.0% | 9.2% | 74.7% | N/A |
| **Return on total assets** | 23.6% | 4.7% | 37.4% | N/A |
| **Current ratio** | 0.8 | 0.8 | 1.0 | 1.4 |
| **Quick ratio** | 0.7 | 0.8 | 1.0 | 1.3 |
| **Debt to equity ratio** | 47.3% | 63.9% | 50.3% | 34.9% |
| **Interest coverage** | 9.3 | 2.9 | 15.8 | 17.9 |

Our gross profit margin decreased from 36.4% for FY2017 to 22.1% for FY2018, and the net profit margin decreased from 33.4% for FY2017 to 8.9% for FY2018, mainly due to the fall of the pig price in FY2018. Our gross profit margin increased to 48.4% for FY2019 and 64.9% for 4M2020, and the net profit margin increased to 61.9% for FY2019 and 66.5% for 4M2020, mainly due to the rise in the pig price in the period. For the same reasons, our gross profit margin before biological assets fair value adjustments and the net profit margin before biological assets fair value adjustments fluctuated in the Track Record Period. Our return on equity decreased from 47.0% for FY2017 to 9.2% for FY2018, mainly due to the decrease in our profit for the year. Our return on equity increased from 9.2% for FY2018 to 74.7% for FY2019, which was mainly due to the increase in our profit for the year. Our return on total assets decreased from 23.6% for FY2017 to 4.7% for FY2018, which was mainly due to the decrease in our profit for the year and increase in our total assets. Our return on total assets increased from 4.7% for FY2018 to 37.4% for FY2019, which was mainly due to the increase in our profit for the year. Our debt to equity ratio was 47.3% in FY2017 and increased to 63.9% in FY2018, primarily due to the increase in bank borrowing. Our debt to equity ratio was 63.9% in FY2018 and decreased to 50.3% for FY2019 and 34.9% in 4M2020, mainly due to the increase in total equity. Our interest coverage decreased from 9.3 for FY2017 to 2.9 for FY2018 primarily because of the decrease in our profit before interest and tax. Our interest coverage increased from 2.9 for FY2018 to 15.8 for FY2019 and 17.9 in 4M2020 primarily because of the increase in our profit before interest and tax.

Please refer to the section headed "Financial Information – Key financial ratios" in this prospectus for a description of calculation of the above ratios.

## USE OF PROCEEDS

We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, assuming the Offer Price is fixed at HK$32.40 per Offer Share (being the mid-point of the indicative range of the Offer Price of HK$26.00 to HK$38.80 per Share):

- Approximately HK$536.6 million (equivalent to approximately RMB488.6 million, representing 45% of the net proceeds) is expected to be used to construct a new pig farm in the Lanzhou city, Gansu province;
- Approximately HK$175.6 million (equivalent to approximately RMB159.9 million, representing 15% of the net proceeds) is expected to be used to construct a new pig farm in Weili county, Xinjiang Uygur Autonomous Region;
- Approximately HK$150.7 million (equivalent to approximately RMB137.2 million, representing 13% of the net proceeds) is expected to be used to expand one of our existing pig farms in Chongqing municipality;
- Approximately HK$150.7 million (equivalent to approximately RMB137.2 million, representing 13% of the net proceeds) is expected to be used to repay certain outstanding bank loans with interest rates ranging from 4.75% to 7.50%, which were incurred in or after February 2018 and will be due before the end of the second quarter of 2021;
- Approximately HK$59.0 million (equivalent to approximately RMB53.7 million, representing 5% of the net proceeds) is expected to be used over the next few years to acquiring GGP nucleus breeding stock from overseas pig breeding companies; and
- Approximately HK$102.7 million (equivalent to approximately RMB93.5 million, representing 9% of the net proceeds) is expected to be used for general working capital and other corporate purposes.

For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

## RISK FACTORS

There are risks associated with any investment and there are certain risks and considerations relating to an investment in the Shares. You should read the section headed "Risk Factors" in this prospectus carefully before you decide to invest in our H Shares.

The major risks relating to an investment in our shares are as follows:

- Our results of operations are substantially affected by the selling prices of breeding stock and market hogs, which cyclically fluctuate in the pig cycle and are expected to decrease gradually from 2020 to 2024, affecting our revenue, and by fluctuations in the purchase prices of feeding stuff, affecting our costs;
- Outbreak of diseases among or attributed to pigs and adverse publicity of these types of diseases can significantly affect our production, demand for our products and our business;
- Any perceived or real animal health risks related to pigs, pork products or the food industry generally could adversely affect our reputation, our ability to sell our products and our financial performance;
- Our financial results are subject to the changes in the fair value of our biological assets less costs to sell which may fluctuate dramatically from year to year; and
- We may be required continuous improvement in compliance with legal or regulatory requirements.

## LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of RMB76.2 million, representing approximately 6.1% of the gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable), of which RMB73.5 million will be directly attributable to the issue of our Shares and will be deducted from capital reserve upon Listing. The listing expenses of RMB2.7 million is expected to be charged to consolidated statements of profit or loss in 2020. Our Directors do not expect such expenses to materially impact our results of operations in 2020.

## OFFERING STATISTICS

| | Based on an Offer Price of HK$26.00 per H Share | Based on an Offer Price of HK$38.80 per H Share |
|---|---|---|
| Market capitalization of our H Shares(1) | HK$1,004.3 million | HK$1,498.7 million |
| Unaudited pro forma adjusted net tangible assets per Share(2) | HK$13.60 | HK$16.68 |

*Notes:*

(1) The calculation of market capitalization is based on 38,626,000 H Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after adjustments referred to in the section entitled "Appendix II – Unaudited Pro Forma Financial Information"

## DIVIDENDS

For FY2017, FY2018, FY2019 and 4M2020, we declared dividends of RMB46.4 million, RMB57.9 million, RMB115.9 million and RMB nil, respectively. All past dividends declared have been fully settled as at the Latest Practicable Date. For details, please refer to the section headed "Financial Information – Dividends" in this prospectus.

After completion of the Global Offering, we intend to adopt a new dividend policy. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC law and regulations and other factors that our Directors may consider relevant. We currently intend, subject to the above considerations and in the absence of any adverse circumstances which might reduce the profits that are distributable whether by losses or otherwise, to distribute 25% to 40% of our profit for the year after the Global Offering in the form of dividends to our Shareholders. Based on (i) the banking facilities available to the Company, (ii) the Company's net current asset position as at 30 April 2020 and (iii) the Company's present financial position and business strategies, our Directors are confident that making dividend payments of 25% to 40% of our profit for the year will not adversely affect our financial position given the anticipated cash outflow in relation to the capital reduction which has already been taken into account in our assessment of the feasibility of the dividend policy.

The major difference between net profit as determined under PRC GAAP and IFRS was attributable to the fair value measurement of biological assets. For the preparation of the historical financial information of the Company under IFRS, the Company determines the fair value of its biological assets under IFRS during the Track Record Period with the assistance of JLL, the independent valuer of the Group's biological assets. The Company measures the biological assets in the financial statements prepared under PRC GAAP by using cost method.

## DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 April 2020 and there has been no event since 30 April 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I in this prospectus, in each case except as otherwise disclosed herein.

*In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section entitled "Glossary of Technical Terms" in this document.*

| | |
|---|---|
| "4M2019" | the four months ended 30 April 2019 |
| "4M2020" | the four months ended 30 April 2020 |
| "Application Form(s)" | **WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offering |
| "Articles of Association" | the articles of association of the Company, as amended from time to time, conditionally adopted on 24 December 2019 with effect from the Listing Date, a summary of which is set out in Appendix IV to this prospectus |
| "associated companies" | has the same meaning as associates as referred to in the Accountants' Report set out in Appendix I in this prospectus |
| "associates" | has the meaning ascribed to it under the Listing Rules unless otherwise specified |
| "Board" or "Board of Directors" | the board of Directors of the Company |
| "Boli Tianzow" | Boli Tianzow Breeding Company Limited (勃利天兆豬業有限公司), a company established in the PRC on 3 April 2018, in which 54.55% equity interest was held by our Company as at the Latest Practicable Date and a non-wholly owned subsidiary of the Company |
| "Business Day" or "business day" | a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |
| "CAGR" | compound annual growth rate |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |

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| "CCASS Clearing Participant" | a person admitted to participate in CCASS as a direct participant or a general clearing participant |
| "CCASS Custodian Participant" | a person admitted to participate in CCASS as a custodian participant |
| "CCASS Investor Participant" | a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation |
| "CCASS Operational Procedures" | the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force |
| "CCASS Participant" | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| "Chengdu Tianzow Husbandry" | Chengdu Tianzow Husbandry Company Limited (成都市天兆畜牧業有限公司), a company established in the PRC on 25 December 2019 and a wholly owned subsidiary of the Company |
| "Chinese government" or "PRC government" | the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them |
| "Chongqing Tianmu" | Chongqing Tianmu Feed Company Limited (重慶天牧飼料有限公司), a company established in the PRC on 26 April 2019, a wholly owned subsidiary of the Company, and subsequently deregistered on 14 January 2020 |
| "Chongqing Tianzow" | Chongqing Tianzow Husbandry Technology Company Limited (重慶天兆畜牧科技有限公司), a company established in the PRC on 18 November 2014 and a wholly owned subsidiary of the Company |
| "close associate(s)" | has the meaning ascribed to it under the Listing Rules |

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| "CIC" | China Insights Industry Consultancy Limited, a company commissioned by our Company to provide the CIC Report and an Independent Third Party |
| "CIC Report" | the market research report prepared by CIC and commissioned by us for the purpose of this prospectus |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding up and Miscellaneous Provisions) Ordinance, (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Company" or "our Company" or "the Company" | Sichuan Tianzow Breeding Technology Co., Ltd. (四川天兆豬業股份有限公司), a joint stock company incorporated under the laws of the PRC and, if the context requires, include its predecessor. See "History and Corporate Structure" |
| "Connected Person(s)" or "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "Controlling Shareholder(s)" | has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Yu, Ms. Tan, Tianzow Food and Tianson Real Estate |
| "COVID-19" | the respiratory illness caused by a new form of coronavirus that emerged in 2019 |
| "CSDCC" | China Securities Depository and Clearing Corporation Limited |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets |

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| "Deed of Indemnity" | the deed of indemnity dated 21 October 2020 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our Company's subsidiaries), as further described under the section headed "Statutory and General Information – Other Information – 13. Indemnity" in Appendix VI to this prospectus |
| "Director(s)" or "our Directors" | the director(s) of our Company |
| "Domestic Shares" | ordinary shares in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi |
| "Ebian Tianzow" | Ebian Tianzow Dabao Husbandry Company Limited (峨邊天兆大堡畜牧有限公司), a company established in the PRC on 19 November 2019, in which 60% equity interest was held by our Company as at the Latest Practicable Date and a non-wholly owned subsidiary of the Company |
| "EIT" | PRC's enterprise income tax |
| "EIT Law" | the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time |
| "Exchange Participant(s)" | a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange |
| "Extreme Conditions" | extreme conditions caused by a super typhoon as announced by the government of Hong Kong |
| "FY2017" | the financial year ended 31 December 2017 |
| "FY2018" | the financial year ended 31 December 2018 |
| "FY2019" | the financial year ended 31 December 2019 |
| "Gansu Tianzow" | Gansu Tianzow Breeding Technology Company Limited (甘肅天兆豬業科技有限公司), a company established in the PRC on 28 February 2012 and a wholly owned subsidiary of the Company |

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|---|---|
| "Global Offering" | the Hong Kong Public Offering and the International Placing |
| "**GREEN** Application Form(s)" | the application form(s) to be completed by the **White Form eIPO** Service Provider |
| "Group" or "our Group" or "we" or "us" | our Company and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it |
| "Guang'an Tianzow" | Guang'an Tianzow Food Company Limited (廣安天兆食品有限公司), formerly known as Guang'an Tianson Food Company Limited (廣安天生食品有限公司), a company established in the PRC on 26 October 2004 and a wholly owned subsidiary of the Company |
| "Guang'an Tianzow Trading" | Guang'an Tianzow Trading Company Limited (廣安天兆商貿有限公司), a company established in the PRC on 9 May 2016 and an indirectly wholly owned subsidiary of the Company |
| "Guizhou Tianzow" | Guizhou Tianzow Breeding Technology Company Limited (貴州天兆豬業科技有限公司), a company established in the PRC on 12 January 2011 and a wholly owned subsidiary of the Company |
| "H Share(s)" | overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange |
| "H Share Registrar" | Computershare Hong Kong Investor Services Limited |
| "Heilongjiang Tianzow" | Heilongjiang Tianzow Breeding Company Limited (黑龍江天兆豬業有限公司), a company established in the PRC on 22 May 2017 and a wholly owned subsidiary of the Company |

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| "Heilongjiang Tianzow Feed" | Heilongjiang Tianzow Feed Company Limited (黑龍江天兆飼料有限公司), a company established in the PRC on 3 June 2019 and an indirectly wholly owned subsidiary of the Company |
| "HK$" or "Hong Kong dollars" or "HK dollars" or "cents" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "HKSCC" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "HKSCC Nominees" | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| "Hong Kong" or "HK" | the Hong Kong Special Administration Region of the PRC |
| "Hong Kong dollars" or "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong Listing Rules" or "Listing Rules" | the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| "Hong Kong Offer Shares" | the 3,862,600 Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in the prospectus) |
| "Hong Kong Public Offering" | the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus |
| "Hong Kong Underwriters | the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus |

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| "Hong Kong Underwriting Agreement" | the underwriting agreement dated 27 October relating to the Hong Kong Public Offering entered into by our Company, the executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters as further described in the section entitled "Underwriting – Underwriting Arrangements and Expenses" in this prospectus |
| "Hunan Tianzow Jingyuan" | Hunan Tianzow Jingyuan Breeding Company Limited (湖南天兆景園畜牧業有限公司), a company established in the PRC on 22 October 2012, in which 45% equity interest was held by the Company as of the Latest Practicable Date |
| "Hytek Tianson" | Hytek Tianson Ltd., a company incorporated in the Barbados on 16 October 2006 with limited liability, and a shareholder of Tianzow Food |
| "IFRS" | International Financial Reporting Standards issued by the International Accounting Standards Board |
| "Independent Third Party(ies)" | an individual or a company who, as far as the Directors are aware after having made all reasonable enquiries is not a connected person of the Company within the meaning of the Listing Rules |
| "International Placing" | the conditional placing of the International Placing Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus |
| "International Placing Shares" | the 34,763,400 Shares being initially offered for subscription and purchased at the Offer Price under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation as described under the section headed "Structure of the Global Offering" in this prospectus |
| "International Underwriters" | the underwriters of the International Placing |

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| "International Underwriting Agreement" | the international underwriting agreement relating to the International Placing and expected to be entered into by our Company, the executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting" in this prospectus |
| "Jiangsu Tianzow" | Jiangsu Tianzow Industrial Company Limited (江蘇天兆實業有限公司), a company established in the PRC on 26 November 2008, in which 100% equity interest was held by the Company as at the Latest Practicable Date and a wholly owned subsidiary of the Company |
| "Jiayuguan Tianzow" | Jiayuguan Tianzow Hongyuan Breeding Company Limited (嘉峪關天兆宏源豬業有限公司), a company established in the PRC on 6 September 2019, in which 60% equity interest was held by the Company as at the Latest Practicable Date and a non-wholly owned subsidiary of the Company |
| "Jinyang Tianzow" | Jinyang Tianzow Breeding Company Limited (金陽天兆豬業有限公司), a company established in the PRC on 15 October 2020 and a wholly owned subsidiary of the Company |
| "Joint Bookrunners" | Fortune (HK) Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Valuable Capital Limited, China Everbright Securities (HK) Limited, Glory Sun Securities Limited, Guosen Securities (HK) Capital Company Limited, SPDB International Capital Limited and Zhongtai International Securities Limited, being the joint bookrunners of the Global Offering |
| "Joint Lead Managers" | Fortune (HK) Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Valuable Capital Limited, Alpha International Securities (HONG KONG) Limited, Blackwell Global Securities Limited, China Everbright Securities (HK) Limited, Fuyuan Securities Limited, Glory Sun Securities Limited, Guosen Securities (HK) Capital Company Limited, HTF Securities Limited, Huabang Securities Limited, SPDB International Capital Limited and Zhongtai International Securities Limited, being the joint lead managers of the Global Offering |

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| "joint ventures" | as defined in the Accountants' Report set out in Appendix I in this prospectus |
| "Lanzhou Tianzow" | Lanzhou Tianzow Breeding Company Limited (甘肅天兆豬業有限公司), a company established in the PRC on 7 December 2018 and a wholly owned subsidiary of the Company |
| "Latest Practicable Date" | 20 October 2020, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication |
| "Listing" | listing of the H Shares on the Main Board of the Stock Exchange |
| "Listing Committee" | the Listing Committee of the Stock Exchange |
| "Listing Date" | the date on which dealings in our H Shares first commence on the Main Board of the Stock Exchange, which is expected to be on or about Monday, 16 November 2020 |
| "Main Board" | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange |
| "Mandatory Provisions" | the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on 27 August 1994, as amended, supplemented or otherwise modified from time to time |
| "MARA" | the Ministry of Agriculture and Rural Affairs of the PRC |
| "mu" | the traditional Chinese unit of area (畝), one mu is equivalent to approximately 666.67 square meters |
| "MOF" | the Ministry of Finance of the PRC (中華人民共和國財政部) |

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| "MOFCOM" | the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "Mr. Yu" | Mr. Yu Ping, the chairman of the Board, an executive Director, president of the Company and the spouse of Ms. Tan |
| "Ms. Tan" | Ms. Tan Jin, an executive Director, vice president of the Company, secretary to the Board and the spouse of Mr. Yu |
| "Nanchong Tianzow" | Nanchong Tianzow Food Company Limited (南充天兆食品有限公司), a company established in the PRC on 11 February 2009, indirectly invested by Tianson Real Estate and is under the de-registration process as at the Latest Practicable Date |
| "Nanchong Yuxing" | Nanchong Yuxing Agricultural Development Company Limited (南充市裕興農業發展有限公司), a company established in the PRC on 22 December 2008 and a wholly owned subsidiary of the Company |
| "NEEQ" | the National Equities Exchange and Quotations Co., Ltd., a PRC over-the-counter system for trading shares of public companies |
| "Offer Price" | the offer price per Offer Share (exclusive of brokerage of 1.0%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which the Offer Shares are to be subscribed or purchased pursuant to the Global Offering |
| "Offer Shares" | the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option |

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| "Over-allotment Option" | option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 5,793,800 additional H Shares at the Offer Price representing approximately 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to cover the over allocations (if any) in the International Placing, as described in the section headed "Structure of the Global Offering" in this prospectus |
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| "Pengshui Tianzow Husbandry" | Pengshui Tianzow Husbandry Company Limited (彭水縣天兆畜牧有限公司), a company established in the PRC on 24 October 2019 and a wholly owned subsidiary of the Company |
| "PRC" or "China" | People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan |
| "PRC Company Law" | the Company Law of the PRC (中華人民共和國公司法) (as amended, supplemented or otherwise modified from time to time) |
| "PRC Legal Adviser" | Grandall Law Firm (Shanghai), the PRC Legal Adviser of the Company |
| "Price Determination Date" | the date, expected to be on or around Friday, 6 November 2020 but in any event not later than Friday, 13 November 2020 on which the Offer Price will be determined for the purposes of the Global Offering |
| "prospectus" | this prospectus being issued in connection with the Hong Kong Pubic Offering |
| "Regulation S" | Regulation S under the U.S. Securities Act |

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| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC |
| "SAFE" | State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| "SAT" | the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) |
| "Securities and Futures Ordinance" or "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Securities Law" | the Securities Law of the PRC (中華人民共和國證券法), issued on 29 December 1998 and last amended and newly effective on 31 August 2014 |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "Share(s)" | shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares and our H Shares |
| "Shareholder(s)" | holder(s) of our Shares |
| "Sole Sponsor" | Fortune Financial Capital Limited, a licensed corporation under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO |
| "Special Regulations" | Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on 4 August 1994 |
| "Stabilising Manager" | Fortune (HK) Securities Limited |
| "State" | the People's Republic of China or the PRC |
| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "Stock Exchange" or "HKEX" | The Stock Exchange of Hong Kong Limited |

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| "subsidiary(ies)" | has the meaning ascribed thereto in section 15 of the Companies Ordinance |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Supervisor(s)" | supervisor(s) of our Company |
| "Tian'an Pharmaceuticals" | Chongqing Tian'an Animal Pharmaceuticals Trading Company Limited (重慶天安動物藥品銷售有限公司), a company established in the PRC on 24 June 2013 and a wholly owned subsidiary of the Company |
| "Tianmu Feed" | Sichuan Tianmu Feed Company Limited (四川省天牧飼料有限公司), a company established in the PRC on 13 June 2014 and a wholly owned subsidiary of the Company |
| "Tianpan Technology" | Chongqing Tianpan Technology Limited (重慶天攀科技開發有限公司), a company established in the PRC on 18 January 2011, in which 63.24% equity interest was held by Mr. Yu Zhengbo; 5.42% equity interest was held in aggregate by family members and relatives of Mr. Yu and Ms. Tan; 0.3% equity interest was held by Ms. Huang Yuanling; and 0.05% equity interest was held by Ms. Jiang Kunping as at the Latest Practicable Date |
| "Tiansai Consulting" | Chongqing Tiansai Husbandry Technology Consulting Company Limited (重慶天賽畜牧技術諮詢有限公司), a company established in the PRC on 8 May 2012 and a wholly owned subsidiary of the Company |
| "Tianson Holdings" | Tianson Holdings Limited, a company incorporated in the British Virgin Islands on 26 June 2006 and is wholly owned by Mr. Tam Kwok King, who is the uncle of Ms. Tan |
| "Tianson Real Estate" | Chongqing Tianson Real Estate (Group) Company Limited (重慶天生物業(集團)有限公司), a company established in the PRC on 8 November 1999, in which 80% equity interest was held by Mr. Yu and 20% equity interest was held by Ms. Tan respectively as at the Latest Practicable Date, and is our Controlling Shareholder |

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| "Tianzow Food" | Chongqing Tianzow Food Company Limited (重慶市天兆食品有限公司), a company established in the PRC on 15 July 2004, in which 65.01% equity interest, 28.39% equity interest and 6.60% equity interest were held by Tianson Real Estate, Hytek Tianson and Tianson Holdings respectively as at the Latest Practicable Date, and is our Controlling Shareholder |
| "Track Record Period" | the period comprising the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020 |
| "US$" or "U.S. dollars" | United States dollars, the lawful currency of the United States |
| "U.S." or "United States" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "U.S. Securities Act" | the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder |
| "Underwriters" | the Hong Kong Underwriters and the International Underwriters |
| "Underwriting Agreements" | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |
| "Valuer" or "JLL" | Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our biological asset valuer and an Independent Third Party |
| "**WHITE** Application Form(s)" | the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name |
| "**White Form eIPO**" | the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk** |
| "**White Form eIPO** Service Provider" | the **White Form eIPO** service provider designated by the Company, as specified on the designated website of **White Form eIPO** at **www.eipo.com.hk** |

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| "Wusheng Tianzow" | Wusheng Tianzow Husbandry Technology Company Limited (武勝天兆畜牧科技有限公司), a company established in the PRC on 29 January 2010 and a wholly owned subsidiary of the Company |
| "Xinjiang Bayin" | Xinjiang Bayin Tianzow Breeding Company Limited (新疆巴音天兆豬業有限公司), a company established in the PRC on 5 September 2019, in which 100% equity interest was held by the Company as at the Latest Practicable Date and a wholly owned subsidiary of our Company |
| "Ya'an Tianzow" | Ya'an Tianzow Husbandry Technology Company Limited (雅安天兆畜牧科技有限公司), a company established in the PRC on 6 May 2014 and a wholly owned subsidiary of the Company |
| "**YELLOW** Application Form(s)" | the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS |
| "%" | per cent |

*Unless the content otherwise requires, references to "2017" and "2018" in this document refers to our financial year ended 31 December of such year.*

*Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of official Chinese names are for identification purpose only.*

*This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.*

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| "boar(s)" | male pig(s) for mating purpose |
| "BLUP genetic evaluation" | best linear unbiased prediction (BLUP) is a standard method for estimating random effects of a mixed model. This method was originally developed in animal breeding for estimation of breeding values and is now widely used in many areas of research |
| "breeding stock" | pig(s) that are one of our products, including gilts and studs and primarily used for breeding |
| "compound premix" | a mixture of minerals, vitamins, feed additives, carriers and thinners |
| "contract farm(s)" | farm(s) which hold and grow wean-to-finish or grow-to-finish pigs for our Group according to contract |
| "current biological assets" | refers to our breeding stock products (gilts and studs) and our market hogs (piglets, nursery pigs and growers) |
| "EBV" | estimated breeding value, an estimation of the genetic value of an animal |
| "farrow" | to give birth to a litter of piglets |
| "feed conversion rate" | feed conversion rate is the ratio of inputs to outputs, which means how many kilograms of feed does an animal need to get to gain one kilogram of body weight |
| "finish" | pigs are raised to the finisher stage |
| "finisher(s)" | pigs ready for sale |
| "gilt(s)" | female pig(s) used for breeding and not yet farrowed. Gilts become sows, since they are mated naturally or inseminated artificially for the first time |
| "Grand Parent" or "GP" | the second layer pure breed mating pigs in specialized synthetic mating system |

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| "Great Grandparent" or "GGP" | the first layer pure breed mating pigs in specialized synthetic mating system |
| "grower(s)" | pig(s) that age(s) around 74 to 183 days |
| "lean yield" | lean yield is an estimate of the amount of muscle tissue in a pork carcass |
| "litter" | the group of young animals born to an animal at one time |
| "market hog(s)" | pigs primarily used for production of pork products |
| "non-current biological assets" | refers to our sows and boars in our nucleus herd |
| "nucleus herd" | the swine breeding herd is often thought of as a pyramid. The top tier of the pyramid represents nucleus herd. These animals are usually purebred in a genetic improvement program selected for specific traits |
| "nursery pig(s)" | young pig(s) of around 22-73 days old that have been weaned off sow and consuming feeding stuff |
| "parity" | the number of litters a sow has carried |
| "pedigree" | the record of descent of an animal |
| "piglet(s)" | young piglets between birth and weaning (0-21 days of age) |
| "purebred" | (of an animal) bred from parents of the same breed |
| "sows" | female pig(s) which have been mated naturally or inseminated artificially once. We use sows to give birth to litters in our pig farming process |
| "stall" or "shed" | an enclosure, in which gilts, sows and boars of similar age are kept individually |
| "stud(s)" | male pig(s) that are kept for breeding and not yet mature |
| "two-breed crossbreed pigs" | pig(s) produced by mating or hybridizing two different species, breeds, or varieties |
| "weaning" | separating the piglets and its mother, and made them accustom to feed other than its mother's milk |

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our financial conditions and performance;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- changes on the fair valuation of our biological assets;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our future available facilities, debt levels and capital needs;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our expectations with respect to our ability to acquire and maintain regulatory licences, permits or filings;

- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct significant operations in China, the legal and regulatory environment of which differs in certain respects from that which prevails in other countries. Our business, financial condition, results of operations or prospects may be materially and adversely affected by any of these risks and the trading price of our Shares may decline as a result. You may lose all or part of your investment.*

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering.

## RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

**Our results of operations are substantially affected by the selling prices of breeding stock and market hogs, which cyclically fluctuate in the pig cycle and are expected to decrease gradually from 2020 to 2024, affecting our revenue, and by fluctuations in the purchase prices of feeding stuff, affecting our costs.**

Our results of operations are significantly affected by the selling prices of breeding stock and market hogs, which affect our revenue, and by the purchase prices of feeding stuff, which are our primary raw materials and affect our costs. All of these prices are determined by constantly changing and volatile market forces of supply and demand as well as other factors, over which we have little or no control. These factors include:

- economic conditions;
- government regulations and actions, in particular with regards to government intervention into pig price and environmental protection;
- competition;
- swine diseases;
- weather conditions, including the impact of weather on water supply, and the availability and pricing of grains; and
- transportation and storage costs.

Pig prices typically move cyclically over periods of years, reflecting changes in market demand and supply. These fluctuations can be significant, as shown in recent years. According to the CIC Report, the average market hogs price in China decreased from RMB18.4/kg in 2016 to RMB12.6/kg in 2018. Due to the impact of African Swine Fever and stricter environmental protection requirements for pig farms, the price of market hogs experienced sharp increase in late 2019 to approximately RMB40/kg.

According to the CIC Report, the price of breeding stock fluctuates along with the market hogs market as farmers tend to expand production capacity when pork price is high. However, as breeding stock remains the key resources for pig farming, the price of breeding stock is relatively stable compared to the price of market hogs. Due to the impact of African Swine Fever, the price for breeding stock increased drastically in 2019.

The average selling price of market hogs and breeding stock peaked in the fourth quarter of 2019 and the first quarter of 2020, and slightly dropped in the second quarter of 2020. The average selling prices are expected to decrease gradually from 2020 to 2024 when the pig farming industry is expected to gradually recover from the African Swine Fever and the gap of demand and supply of pigs narrows.

We may have difficulty passing on increases in our feeding stuff costs and other raw material costs on customers in a timely manner or at all. If we cannot pass on to our customers all or part of any increased costs experienced by us from time to time, in a timely manner or at all, which could have a material and adverse impact on our results of operations.

**Outbreak of African Swine Fever and other swine diseases can significantly affect our production, demand for our products and our business.**

We take precautions to ensure that our pigs are healthy and that our pig farms operate in a sanitary manner. Nevertheless, we are subject to risks relating to our ability to maintain animal health and control diseases. An occurrence of swine diseases, such as African Swine Fever, highly pathogenic porcine reproductive and respiratory syndrome, porcine circovirus, porcine epidemic diarrhea, pseudorabies, swine parvovirus and swine eperythrozoonosis or any outbreak of other serious animal diseases or epidemics in China, might adversely impact our production, and consumer confidence in our operation.

African Swine Fever, first occurred in August 2018 in China, is a fatal disease for hogs and currently there is no vaccine available in the market. Pig farms dispose infected hogs and result in direct loss under the impact of an outbreak. As African Swine Fever is highly contagious, once an outbreak happens in one pig farm, all hogs would be disposed in extreme cases. The outbreak of African Swine Fever in China has caused the decrease of the stock of market hogs and breeding stocks. Such decrease ultimately results in supply shortage of market hogs and the annual output volume of market hogs in 2019 decreased 21.6% comparing to 2018.

Animal diseases can reduce the number of pigs produced, hamper the growth of pigs to finishing size, result in expensive medication and vaccination costs, require the quarantine or disposal of infected pigs and, in extreme cases, exterminate large quantities of pigs and temporarily suspend our business operations in the affected facilities, any of which could adversely affect our production or our ability to sell our products. For FY2019, we recorded a net loss on disposal of biological assets due to virulent disease for an amount of RMB31.2 million. For details, please refer to the section headed "Business – Recent development – African Swine Fever epidemic and other swine diseases" in this prospectus.

On 29 June 2020, the U.S. journal Proceedings of the National Academy of Sciences of the United States of America (PNAS) published a research article, reporting that a team of Chinese searchers identified G4 swine flu virus, namely, genotype 4 (G4) reassortant Eurasian avian-like (EA) H1N1 virus (基因4型重配歐亞型禽系H1N1病毒), in the swine pollutions of the PRC. Michael J. Ryan, the executive director of the World Health Organization (WHO) Health Emergencies Program in a press conference dated 1 July 2020, stated that this strain of influenza virus was not new and had been under surveillance since 2011. The Chinese Center for Disease Control and Prevision (CCDC) also suggested on 3 July 2020 that G4 swine flu was not new and 13 human-infected cases for EA-H1N1 swine flu has been diagnosed in the PRC since 2010, among which, 3 cases were G4 swine flu infection. The diagnosis result indicated that G4 swine flu may infect human and pose a potential threat to human health. We implement stringent biosecurity protocol to reduce the risk of the introduction and spread of disease. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, there had been no confirmed or suspected cases of G4 swine flu infection among our employees and our raised pigs. We will continue to monitor and evaluation of the potential impact of G4 swine flu and other disease on our business operation, financial performance and cash flows going forward.

In addition, adverse publicity concerning any disease or health concern could also cause customers to lose confidence in the safety and quality of pigs and pork products. There is no assurance that there will be no recurrence of outbreaks of animal diseases in China. If we experience any outbreaks of animal diseases, our business, results of operations and financial condition may be adversely and materially affected.

**Any perceived or real animal health risks related to pigs, pork products or the food industry generally could adversely affect our reputation, our ability to sell our products and our financial performance.**

Market hogs are primarily purchased for pork production. Therefore, we are subject to risks affecting the food industry generally, including risks posed by the following:

- food spoilage;
- food contamination;
- contamination of raw materials;

- consumer product liability claims;
- product tampering; and
- the expenses in purchasing and possible unavailability of product liability insurance.

If our raw materials or our products are found to be spoiled, contaminated, tampered with, or reported to be associated with any such incidents, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected.

Despite the measures we have in place to control the quality of our raw materials and products, there can be no assurance that contamination of our raw materials or products will not occur during the transportation, production, distribution and sales processes due to reasons unknown to us or out of our control.

Furthermore, pork products are susceptible to contamination by disease-producing organisms or pathogens, such as Listeria monocytogenes, Salmonella, Campylobacter and generic E. coli. Because these organisms and pathogens are generally found in the environment, there is a risk that one or more of them, as a result of food processing, could be present in pork products produced from our market hogs. These organisms and pathogens can also be introduced to the pork products as a result of improper handling in transportation or at the further processing, food service or consumer level.

Any product contamination could also subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

**Our financial results are subject to the changes in the fair value of our biological assets which may fluctuate dramatically from year to year.**

Our biological assets comprise of our current and non-current biological assets. Our financial results have been, and we expect will continue to be, affected by changes in the fair value of our biological assets. The net change in fair value of biological assets was RMB21.2 million, RMB6.0 million, RMB140.6 million and RMB27.8 million for FY2017, FY2018, FY2019 and 4M2020, respectively. Our Group recognised a gain arising from biological assets at fair value less costs to sell at point of harvest of nil, RMB2.8 million, RMB4.9 million and RMB3.6 million for FY2017, FY2018, FY2019 and 4M2020, respectively. These changes in the fair value of our biological assets, which are non-cash in nature, represent fair value changes of our pigs due to changes in their physical attributes and market-determined prices of those assets. The fair values of our pigs at each reporting date during the Track Record Period are determined by independent professional Valuer. In applying the valuation methods, the independent Valuer has relied on a number of major parameters and assumptions, such as, among other things, quantity and body weight of pigs and market price of pigs, as well as future trends of political, legal and economic conditions in the PRC. The fair value of our pigs could be affected by, among other things, the accuracy of those parameters and assumptions, as well as the quality of our pigs and changes in the pig farming industry. Our fair value gains or losses on our biological assets may fluctuate dramatically from year to year, which reflect the prevailing market conditions and our financial results may fluctuate as a result. We cannot assure that the fair value of our biological assets will not decrease in the future, which in turn will adversely affect our financial results.

**We may be required continuous improvement in compliance with legal or regulatory requirements.**

Our pig production operation, is subject to extensive legal and regulatory requirements, including regular government inspections in the PRC. Under the applicable laws and regulations, we are required to obtain and maintain various licences and permits in order to operate. These include, amongst others, "Livestock and Poultry Breeders Production Operation Permit" (種畜禽生產經營許可證), "Animal Epidemic Prevention Qualification Certificate" (動物防疫合格證), "Veterinary Medicine Permit" (獸藥經營許可證) and Live Pig Slaughtering Permit (生豬定點屠宰證). Some of our pig farms did not obtain the "Animal Epidemic Prevention Qualification Certificate" (動物防疫合格證) during the Track Record Period. For details, please refer to the section headed "Business – Licences and permits" in this prospectus.

Loss of or failure to obtain necessary permits and licences could delay or prevent us from continuing our business operation. If we are found not to be in compliance with applicable laws and regulations, we could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, future material changes in laws and regulations of pig farming could result in increased operating costs, which could also have a material adverse effect on our operations and our financial results.

**We rely substantially on our external suppliers for feeding stuff and other raw materials and contract farms to raise pigs.**

Feeding stuff is the main raw material we use in our operations, and a continuous and stable supply of raw materials for feeding stuff that meet our standards is crucial to our operations. We purchased feeding stuff from selected suppliers during the Track Record Period. We expect to continue to rely on external suppliers for the supply of feeding stuff. We also rely on external suppliers for other raw materials such as medicines and farm equipments. There can be no assurance that we will continue to be able to source feeding stuff and raw materials meeting our requirements on reasonable prices or terms or at all. In the event that our supply of feeding stuff and raw materials is interrupted for whatever reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We raise some of our pigs in contract farms. There can be no assurance that we will continue to be able to contract with contract farms which meet our requirements and quality standards on favorable terms or at all. In the event that our contract farmers' operation is interrupted for whatever reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**Our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position.**

As at 31 August 2020, we had outstanding indebtedness of approximately RMB525.4 million, comprising RMB274.6 million of borrowings and RMB250.8 million of lease liabilities. This significant indebtedness could have important consequences for our business and operations including, but not limited to:

- limiting or impairing our ability to obtain financing, refinance any of our indebtedness, obtain equity or debt financing on commercially reasonable terms or at all, which could cause us to default on our obligations and materially impair our liquidity;

- restricting or impeding our ability to access capital markets at attractive rates and increasing the cost of future borrowings;

- reducing our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, thereby reducing the availability of our cash flow for other purposes;

- placing us at a competitive disadvantage compared to our competitors that have lower leverage or better access to capital resources;

- limiting our ability to dispose of assets that secure our indebtedness or utilize the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, allowing the lenders thereunder to foreclose upon our assets pledged as collateral; and

- increasing our vulnerability to downturns in general economic, or industry conditions, or in our business.

Furthermore, the terms of our indebtedness may contain affirmative and negative covenants. Should market conditions deteriorate, or if our operating results were to be depressed, we may need to request amendments or waivers to the covenants and restrictions under our debt agreements. There can be no assurance that we will be able to obtain such relief should it be needed. A breach of any of these covenants or restrictions could result in a default that would permit our lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, trigger cross-default provisions under other debt agreements and, as applicable, cause the termination of commitments of relevant lenders to make further extensions of credit under our financing agreements or credit facilities. If we were unable to repay our indebtedness to our lenders in such an event, the lenders could, among other things, proceed against collateral, which could include substantially all of our assets. Our future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest or refinance existing borrowings depends on our business performance, which is subject to economic, financial, competitive and other factors, including the other risks described in this prospectus. Any failure to comply with the covenants of our financing agreements or to obtain financing for our business could have a material adverse effect on our business, financial condition, results of operations and prospects.

**We recorded net current liabilities as at 31 December 2017 and 2018 and we may expose ourselves to liquidity risk if we experience net current liabilities in the future.**

We recorded net current liabilities of approximately RMB50.2 million and RMB57.5 million as at 31 December 2017 and 2018, respectively. The net current liabilities position was mainly attributable to current portion of interest-bearing borrowings and payables relating to purchases of property, plant and equipment. There is no assurance that we will not record net current liabilities or net liabilities in the future. We may not have sufficient working capital to meet our current liabilities or expand our operations as anticipated. In such circumstances, our liquidity, business operations, financial condition and prospects may be materially and adversely affected.

**Changes in our relationships with our major customers, or in the trade terms with these customers, may reduce our sales and profits.**

Our sales to five largest customers accounted for approximately 45.3%, 30.0%, 31.9% and 37.3% of our total revenue for FY2017, FY2018, FY2019 and 4M2020 respectively. We do not have long-term sales agreements or other contractual assurances as to future sales to these major customers. Our business could suffer significant setbacks in sales and operating income if our customers' business plans or markets change significantly or if we lose one or more of our large customers.

To the extent we provide concessions or trade terms that are more favorable to our large customers, our margins may be reduced. The loss of a significant customer or a material reduction in sales to, or adverse change to trade terms with, a significant customer could materially and adversely affect our product sales, financial condition, results of operations and prospects.

**Unsatisfactory pigs raised by our contract farms or farms operated by our joint ventures and associated companies may adversely affect our operations and profitability.**

Some of our pigs are transferred to the contract farms when they become nursery pigs at around 22-day-old or reach the growing stage at around 73-day-old for further farming until they become finishers and are ready for slaughtering. We may not be able to monitor the performance of these farms as directly and efficiently as with our own pig farms. We may be liable for our contract farms' default. These events may have an impact on our profitability, financial performance and reputation, as well as expose us to litigation or damages claims.

We provide breeding stock resources, pig farming know-how and ancillary products and services to our joint ventures and associated companies to support their efficient pig farming. Our joint ventures and associated companies may also use the Tianzow trademark. Pigs sold by our joint ventures and associated companies can be considered as "Tianzow Pigs" by their customers. We cannot assure the quality of the pigs raised in these companies' farms. Default of our associated companies and joint venture could damage our reputation and brand image, undermine our customers' confidence in us and reduce long-term demand for our products.

Our joint ventures and associated companies may among others:

- have economic or business interests or goals inconsistent with ours;
- take actions contrary to our instructions, requests or our policies or objectives;
- have financial difficulties; or
- have disputes with us as to the scope of their responsibilities and obligations.

In addition, since we cannot monitor the performance of our joint ventures and associated companies as directly and efficiently as with our own pig farms, we cannot assure that they have been, or will be in compliance with all applicable PRC laws and regulations. We cannot assure that we will not encounter problems with respect to our joint ventures and associated companies, which may have an adverse effect on our reputation, business operation and results of operations.

**We are subject to liquidity risk in our investments in joint ventures and associated companies and if our joint ventures and associated companies do not perform as we expected them to be or do not generate sufficient revenue in any financial year, our financial condition or result of operations could be materially and adversely affected.**

Our share of profits less losses of our joint ventures and associated companies amounted to net profits of RMB36.8 million, net losses of RMB8.1 million, net profits of RMB84.4 million and net profits of RMB19.5 million for FY2017, FY2018, FY2019 and 4M2020, respectively. Our investment in joint ventures and associated companies may not guarantee a share of profits, and any loss incurred by such joint ventures and associated companies shall be apportioned among our Group and other shareholders of the joint ventures and associated companies. If our joint ventures and associated companies do not perform as expected or do not generate sufficient revenue in any financial year, our return of investments in our joint ventures and associated companies, and our financial condition or results of operations, could be materially and adversely affected.

In addition, our investment in joint ventures and associated companies are subject to liquidity risk. Our investments in joint ventures and associated companies are not as liquid as other investment products as there is no cash flow until dividends are received even if our joint ventures and associated companies reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the joint ventures and associated companies in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the joint ventures and associated companies for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. Therefore, the illiquidity nature of our investment in joint ventures and associated companies may significantly limit our ability to respond to adverse changes in the performance of our joint ventures and associated companies. In addition, if there is no share of results or dividends from our joint ventures and associated companies, we will also be subjected to liquidity risk and our financial condition or result or operations could be materially affected.

**We may not be able to continue improving our pig breeding technology.**

We entered into a breeding cooperation agreement with a Canada-based pig breeding company in 2006, pursuant to the which, we imported 866 purebreds together with the pig breeding technology. We were granted an exclusive right to use its pig genetic research results and breeding technology in China. The agreement was terminated in June 2015. Further, we imported from a France-based pig breeding company 975 purebreds in 2017 and we entered into a breeding cooperation agreement for a term of ten years. Pursuant to the agreement, the France-based pig breeding company agreed to provide us support to set up a genetic selection and evaluation programme.

Failure to develop and improve our breeding technology could have a material adverse effect on our business, financial condition, results of operations and prospects.

**We are subject to risks associated with managing future growth and expansion.**

Our future growth may depend on establishing new pig farms, expanding our existing pig farms, improving our pig breeding capabilities and expanding our sales network. Our ability to achieve growth will be subject to a range of factors, including:

- competing with other companies in markets;

- exercising effective quality control and maintaining high quality standards;
- expanding our sales network and strengthening our existing relationships with customers;
- enhancing our research and development capabilities;
- hiring and training qualified personnel;
- controlling our costs of operations;
- prioritizing our operational, financial and management controls and systems in an efficient and effective manner;
- acquiring or renting land parcels of suitable size and location for our operation; and
- managing our various suppliers and leveraging our purchasing power.

Additionally, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects.

**Our business depends on the strength of our reputation and brand. Negative media coverage regarding the food safety and quality of our products can affect our customers' recognition of and trust in us, thus our brands and products may be materially and adversely affected.**

We rely on the strength of our reputation and our brand in marketing and selling our products. Our reputation and brand could be harmed by product defects, ineffective customer service, product liability claims, complaints, or negative publicity or media reports. Any claim against us, even if meritless or unsuccessful, could divert our management's attention and resources from other business concerns, which may adversely affect our business and results of operations. Negative media coverage regarding the safety, quality or nutritional value of our products and the resulting negative publicity could materially and adversely affect consumers' recognition of and trust in us and our brands and products. In addition, adverse publicity about any regulatory or legal action against us could damage our reputation and brand image, undermine our customers' confidence in us and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or immaterial to our operations. Furthermore, negative publicity relating to our products, raw materials, brands, operations, the food industry or products similar to ours may adversely affect consumers' perceptions of our products and result in decreased demand for our products. Adverse publicity concerning any perceived or actual animal health risks associated with our brand or products could also cause customers to lose confidence in the safety and quality of our products, which could adversely affect our reputation, business, financial condition, results of operations and prospects. We could also be adversely affected by perceived or actual animal health risks associated with pork products produced by others and cause consumers to lose confidence in the safety and quality of pork products generally and therefore lead consumers to opt for other meat products that are perceived as more safe which may affect the demand for our products.

Additionally, China's pig industry has experienced problems related to food safety. While these events may not have any direct connection to us, these types of problems may cause consumers to lose confidence in the safety and quality of pork products generally and lead them to opt for other meat products that are perceived as more safe. In the event that the demand for pork products is reduced for whatever reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**The preferential tax treatment, government grants and economic incentives that we currently enjoy may be altered or terminated, which could have a material adverse effect on our business, financial position, results of operations and prospects.**

We enjoy preferential tax treatment. According to the EIT Law and the related implementation rules and the Circular of the Ministry of Finance and the State Tax Administration on Scope of Agricultural Products' Primary processing Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149) (財稅[2008]149號), our Chinese subsidiaries that engage in animal-husbandry, for example, pig farming, are entitled to full income tax exemptions. In addition, according to the Interim Value-Added Tax Regulations of the People' Republic of China (《中華人民共和國增值稅暫行條例》) and the relevant regulations, our subsidiaries that sell self-produced agricultural products, such as live pigs and feeding stuff, are exempt from VAT on income derived from those sales. Additionally, we enjoy a number of government grants in China, including financial subsidies in relation to the bringing in breeding technology, research on breeding stock, and pig farms construction. For FY2017, FY2018, FY2019 and 4M2020, we recognized total government grants in consolidated statements of profit or loss and other comprehensive income amounted to RMB5.0 million, RMB2.7 million, RMB10.1 million and RMB0.7 million, respectively.

There can be no assurance that the preferential tax treatment, government grants and economic incentives that we enjoy will not be altered or terminated. Any alteration or termination of our current preferential tax treatments, government grants or economic incentives could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our environmental-related costs may increase if Chinese environmental protection laws become more onerous, and non-compliance with relevant environmental protection laws could lead to the imposition of fines and penalties and harm our business.**

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations of China. These laws and regulations require us to adopt measures to effectively control and properly dispose of dead pigs, manure, waste gases, waste water and other environmental waste materials. During the breeding, farming and slaughtering of pigs, we may produce sewage, solid waste, waste gas and we are subject to the restrictions of PRC environmental protection laws and regulations in relation to the discharge of such pollutants. For FY2017, FY2018, FY2019 and 4M2020, the environmental protection expenses amounted to RMB0.2 million, RMB2.0 million, RMB4.1 million and RMB0.9 million, respectively. We cannot assure that we will always be able to comply with all existing or future environmental protection laws or regulations. Failure to comply with these laws and regulations may result in significant consequences to us, including administrative, civil and criminal penalties, liability for damages and negative publicity. If the breach is serious, PRC Government may suspend or close any operation for failing to comply with such laws or regulations. We were ordered to pay penalties in the amount of RMB117,000, RMB172,500, nil and nil for FY2017, FY2018, FY2019 and 4M2020 in relation to environmental protection regulations.

We have incurred environmental costs to comply with environmental protection laws. We will continue to incur costs to comply with environmental protection laws and regulations. In addition, new environmental issues could arise and lead to unanticipated investigations, assessments or costs. There can also be no assurance that PRC Government will not change existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may require us to incur significant costs and capital expenditures. We may not be able to pass on to our customers by increasing the pig prices and hence resulting in a material adverse effect on our performance.

**Impairment of the assets of our sales of fresh meat business may have an adverse impact on our profits and results of operations.**

We recognised impairment loss on certain assets attributed to our sales of fresh meat business after the Track Record Period. The identifiable assets of Guang'an Tianzow at the date when we decided to suspend the sales of fresh meat business (the "**suspension date**") included mainly (i) plants, land use right and investment property of RMB20.0 million and machinery and equipment of RMB2.1 million, we compared the value of these properties and equipment before and after the upgrade plan and recognised impairment of RMB1.7 million for equipment which will be disposed according to the upgrade plan as at the suspension date; and (ii) trade and other receivables and prepayments of RMB32.9 million, which included receivables from third parties of RMB4.2 million and intra-group receivables of RMB28.7 million which will be eliminated in consolidation. Depending on the future plan to resume our sales of fresh meat business, full impairment of the assets of our sales of fresh meat business may be required. As impairment of assets would be recognised in our consolidated statement of profit or loss, such impairment may reduce our consolidated profit and adversely affect our financial condition and results of operations.

**We may not be able to adequately protect our intellectual property and know-how, which could materially and adversely affect our business.**

We believe that our current intellectual property rights including our software and trademarks provide protection to our business and are necessary for our operations. However, there can be no assurance that our intellectual property applications will be approved, our intellectual property rights will adequately protect our intellectual property, we will be able to detect breaches of our intellectual property rights, our intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable, or our intellectual property rights will be effective in preventing third parties from utilizing similar business models, processes or brand names to offer similar products.

We may also be subject to disputes, claims or litigation involving our intellectual property rights or third-party intellectual property rights and there may be claims that we infringe third-party intellectual property rights. Any of these could disrupt our business and divert our management's attention from our operations. The costs associated with these types of disputes, claims or litigation may be substantial and could have a material adverse effect on our brand image, business, financial condition, results of operations and prospects.

**We rely on our pig farms for our business operations. Any failure to secure renewal of the current leases of our pig farms on commercially acceptable terms or at all could adversely affect our growth prospects and business condition.**

We entered into lease agreements with third-party landlords for rural land parcels on which our pig farms operate. Such leases generally have a term of 10-20 years. We cannot assure we can obtain renewal of the lease agreements upon expiry on at least the same terms or at all. Some of our leases have a term of over 20 years. According to the Contract Law of the People's Republic of China (《中華人民共和國合同法》), the lease term must not exceed 20 years. The part of lease term exceeding 20 years is invalid. Our PRC Legal Adviser is of the view that for those lease agreements with a lease term exceeding 20 years, the leased land can still be effectively used within the 20-year lease period. After expiration of 20-year lease period, we will negotiate and renew the lease agreement according to the relevant national laws and regulations. In case of any non-renewal or termination of our lease agreements, we could close the pig farms or consider relocating the relevant pig farms to another site depending on our business needs from time to time. In such events, we could incur relocation costs which could in turn result in financial strain in our operations and diversion of management resources.

The rural land parcels we leased were obtained by the lessor through the circulation mechanism. As provided by the Measures for the Administration of Circulation of Rural Land Contracted Management Right (《農村土地承包經營權流轉管理辦法》), the rural land contracted management right lawfully obtained by a contractor may be circulated by way of subcontracting, leasing, interchanging (i.e. the exchange of the contracted management right of one parcel of rural land for another parcel of rural land), transferring and farmer-households may entrust the contract-letting party or intermediary organisation to circulate the contracted management right of rural land. Pursuant to the Land Administration Law of the PRC, the land use right owned by collectives shall not be granted, transferred or leased for non-agricultural construction, except in the case of legal transfer of the land that conforms to the general plan for the utilisation of land and legally obtained by enterprises due to bankruptcy or acquisition.

There can be no assurance that the above laws and regulations will not be altered or terminated. Default risk of our lease agreements may increase if the land use right owned by collectives can be granted, transferred or leased for non-agricultural construction, in which case we will need to relocate, but may not be able to successfully find alternative sites to locate our pig farms on commercially reasonable terms, or at all. Our business operations and future growth may be adversely disrupted, and this could have a material adverse effect on our business and results of operations.

**Failure to make full contributions to the social insurance and housing provident fund could lead to the imposition of fines and penalties and harm our business.**

During the Track Record Period, we did not make full contributions to the social insurance and housing provident fund for certain employees. Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), we were informed by our PRC Legal Adviser, relevant authority may require us to pay the unpaid social insurance within a prescribed term, and pay the overdue fee equivalent to 0.05% of the unpaid amount of each late payment day. If we were unable to repay the unpaid social insurance within a prescribed term, we may be fined a penalty of one to three times the amount of the unpaid social insurance. We estimate that the outstanding amount of social insurance fund contributions was approximately RMB2.1 million as of 30 April 2020 and the maximum penalty thereof will be RMB2.1 million to RMB6.3 million.

We were further informed by our PRC Legal Adviser, according to the Housing Provident fund Administration Rules (《住房公積金管理條例》), employers shall make full contributions to the housing providing fund in a timely manner. In the event that the employers default in payment or underpay the provident fund as at the due date of the housing provident fund, relevant housing provident administration centers may order relevant employers to pay a supplementing provident fund within a prescribed term. If relevant employers fail to make contributions to the provident fund within a prescribed term, applications for enforcement may be submitted to the PRC courts for compulsory enforcement. We estimate that the aggregated outstanding amount of housing providing fund contributions was approximately RMB0.5 million as of 30 April 2020. This could have a material adverse effect on our business and results of operations. For details, please refer to the section headed "Business – Non-compliance incidents" in this prospectus.

**Defects related to our pig farms could lead to the imposition of fines and penalties and harm our business.**

One of our pig farms occupied approximately 3.6 mu of basic farmland. For details, please refer to the section headed "Business – Non-compliance incidents" in this prospectus. We may be subject to fines and administrative penalties for these defects and we may need to demolish the relevant pig production facilities and relocate the relevant pig farm. This could have an adverse effect on our business and results of operations.

**Our success depends on our ability to retain our core management team and other key personnel.**

Our future business performance and prospects depend significantly on our Directors and senior management as they are in charge of the overall planning, development and execution of our business and operations. Our executive Directors including Mr. Yu, Ms. Tan and Mr. Yu Zhengbo form a core management team that develops our business strategies to drive our growth. If any of our Directors and/or any members of senior management were to terminate their services or employment with us, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all. In addition, competition for qualified personnel in China is intense and the availability of suitable candidates may be limited. Failure to attract and retain key personnel could materially and adversely affect our results of operations and business prospects.

**We may not have adequate insurance coverage.**

We have maintained certain insurance coverage through external insurers during the Track Record Period. For additional details of our insurance coverage, please see the section headed "Business – Insurance" in this prospectus. Our Directors believe that this is in line with the general practice in the PRC of the industry in which our Group is engaged. Our Directors are of the view that we have maintained sufficient insurance coverage for our business and operations. However, we do not maintain insurance policies against product liability claims, interruptions to business operations, or third party liability claims against claims for personal injury and environmental liabilities. Any product liability claim to be made against us in the future could result in costly litigation. If there are any product liability claims, interruptions to business operations or third party liability claims with respect to which we are not covered by insurance or in relation to which our insurance coverage is inadequate, our business, financial condition and results of operations could be materially and adversely affected.

**We operate in a highly competitive industry and may face increased competition. New competitors who enter the market could have an adverse impact on our businesses and prospects.**

We face intense competition in terms of safety and quality, brand recognition, costs, price and distribution. The pig farming industry in China is highly fragmented. We face increasing competition from local, national and foreign producers. Competitors may develop products of a comparable or superior quality to ours, or adapt more quickly than we do to evolving consumer preferences or market trends.

In addition, developments in government regulation have driven consolidation in the Chinese pig farming industry, with smaller operators unable to bear the increasing costs of regulatory compliance such as environmental protection regulations. The consolidation among industry participants in China may produce stronger domestic competitors as well as competitors more specialized in particular segments and geographic markets. Furthermore, our competitors may form alliances to achieve scales of operations or sales networks that would make it more difficult for us to compete. To expand market share or enter into new markets, some of our competitors may use aggressive pricing strategies, greater incentives and subsidies for customers. We may not be able to compete effectively with our current or potential competitors, and our inability to compete successfully against competitors could result in loss of market share or reduced profit margins, either of which could adversely impact our results of operations.

**Our business may be materially and adversely affected by government measures aimed at regulating pig prices.**

According to Article 30 of the Price Law of the PRC, whereas prices of major merchandises or services rise sharply or are likely to rise sharply, the State Council and the people's governments of provinces, autonomous regions and municipalities may set limit at disparity of prices or rate of profitability for part of the merchandises, fix price ceilings or introduce other measures for intervention such as a system for announcing or recording price rises. Our PRC Legal Adviser confirmed that the State Council and the people's governments of provinces, autonomous regions and municipalities did not promulgate any price controlling policies in relation to pig prices during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that our Group's products were not subject to any price control regulations by the PRC governmental authorities during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure that the PRC government authorities will not impose price control measures in the pig farming industry. Our business and results of operations may be materially and adversely affected as a result of price control measures in the pig farming industry.

**The pig farming industry in the PRC are subject to extensive government regulation, which is still evolving.**

The pig farming industry in the PRC are highly regulated by a number of governmental agencies, including primarily the MARA and the Ministry of Ecology and Environmental of the PRC (中華人民共和國生態環境部). These regulatory bodies have broad discretion and authority to regulate many aspects of the pig breeding and pig farming industries in the PRC, including, without limitation, setting hygiene standards for farming and environmental requirements on the treatment of sewage and wastes.

In addition, the pig farming regulatory framework in the PRC is evolving and new PRC laws and regulations may be introduced in the future. If the authorities set standards which we are unable to comply with or which increase our production costs and hence our prices which render our products non-competitive, our ability to sell products in the PRC may be limited.

## RISKS RELATING TO DOING BUSINESS IN THE PRC

**China's economic, political and social conditions, as well as regulatory policies, significantly affect the overall economic growth of China, which could reduce the demand for our products, and materially and adversely affect our competitive position.**

We are incorporated, and our operations and all of our assets are located, in the PRC. Accordingly, our financial condition and results of operations are subject to the economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and we cannot assure you that such growth is sustainable. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our business, financial condition and results of operations may be adversely affected by the following factors:

- an economic downturn in China or any regional market in China;
- inaccurate assessment of the economic conditions of the markets in which we operate;
- economic policies and initiatives undertaken by the PRC government;
- changes to prevailing market interest rates; and
- a higher rate of bankruptcy.

In addition, an unfavorable financial or economic environment in recent years, including as a result of continued global financial uncertainties and the rising tension over trade between China and the U.S., have had and may continue to have an adverse impact on investors' confidence and financial markets in China.

Moreover, concerns over capital market volatility, issues of liquidity, inflation, geopolitical issues, the availability and cost of credit and concerns about the rate of unemployment have resulted in adverse market conditions in China, which may materially and adversely affect our business, financial condition and results of operations.

Changes in the economic, political and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof) or restrictive financial measures, could have an adverse effect on the overall economic growth of the PRC, which could subsequently hinder our current or future business, growth strategies, financial condition and results of operations.

**The PRC government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payment to holders of our H Shares.**

All of our revenue is denominated in RMB. Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. A portion of our revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in political and economic conditions in China and internationally and in the fiscal and foreign exchange policies prescribed by the PRC government. Any devaluation of RMB may adversely affect the value of, and any dividends payable on, our H Shares in foreign currencies.

Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the Global Offering, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under existing foreign exchange regulations, following completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, due to the restriction resulting from government foreign exchange regulations and influence of foreign exchange shortage, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to holders of our H Shares or to satisfy any other foreign exchange requirements.

**Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in the PRC could limit the legal protections available to Shareholders.**

Our business and operations in China are governed by the PRC laws and regulations. The PRC legal system is generally based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various industries in China. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the preemption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. All of these uncertainties may limit the legal protections available to our investors and Shareholders.

**The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God and the occurrence of epidemics.**

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God or terrorism which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, H5N1 avian flu, human swine flu, also known as Influenza A (H1N1), H7N9, Ebola virus, Middle East Respiratory Syndrome and COVID-19. Any of the foregoing may result in material disruption of our business, which in turn may adversely affect our financial condition and results of operations.

**The recent outbreak of COVID-19 has caused, and may continue to cause, damage to the economy and as a result may adversely affect our business, financial condition and results of operations.**

The outbreak of COVID-19 in the end of 2019 has already caused, and may continue to cause, an adverse and prolonged impact on both economic and social conditions in China, and the exacerbation, continuance or reoccurrence of COVID-19 in China may interrupt our business operations.

In an effort to contain COVID-19 outbreak, the PRC government has imposed, among others, the following policies: (i) extended Lunar New Year holidays in provinces other than Hubei Province; and (ii) in Hubei Province, travel restrictions and work suspension have been gradually imposed in the entire province. Up to the Latest Practicable Date, travel restrictions and work suspensions have been gradually uplifted.

Save as disclosed and as of the Latest Practicable Date, COVID-19 outbreak did not have any material adverse impact on our overall business, financial condition or results of operations. Please refer to the sections headed "Industry Overview – Impact of COVID-19 on the pig farming industry", "Business – Impact of COVID-19 on our Business" and "Summary – Recent Developments" for further details of the impact of COVID-19 outbreak on our Group and the pig farming industry.

In March 2020, although the COVID-19 outbreak appeared to be under control in the PRC, more and more infected cases has been confirmed in many other parts of the world, including Japan, South Korea, the United States and Europe. With the infected cases rise rapidly, many countries issued travel advisories restricting travels to affected areas. Such policies have seriously undermined the local and cross-border business activities in these areas. The effect includes substantial decrease in the number of tourists, business exchange events and social functions and the slackening of the economy in the affected countries and territories. The global financial markets have experienced extreme volatilities and the risk of the world headed into a recession has significantly increased. There is no assurance that there will not be any direct or indirect adverse impact on our business, financial condition and results of operations arising from any effect on the PRC economy or other parts of the world as a result of any outbreak, exacerbation, continuance or reoccurrence of COVID-19. There is no assurance that the overall economic performance of the affected countries and territories will improve shortly even after the containment of COVID-19 outbreak and the withdrawal of such policies and recommendations by the governments of China and other countries and thus our business could be materially and adversely affected. Although we have closely tracked the health status of our employees and we have not received reports of any confirmed or suspected cases of COVID-19, there is also no assurance that our employees will not be infected, in which event the operations of the pig farms might need to be suspended and its staff might need to be quarantined. Furthermore, there is no assurance that another major COVID-19 or other disease outbreak will not happen in the future. If any of these events eventuate, our business, financial condition and results of operations may be materially and adversely affected.

**Payment of dividends is subject to restrictions under PRC law.**

Under PRC law, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

**You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our management.**

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. In addition, almost all of our directors, supervisors and officers reside in the PRC and substantially all of their assets are located in the PRC. It may be difficult for investors to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible.

On 14 July 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters 《(最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排 》) (the "**Arrangement**"). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China. Although the Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the Arrangement remains uncertain.

On 18 January 2019, the Supreme People's Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排) (the "**New Arrangement**"). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction need to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as at the Latest Practicable Date, the New Arrangement has not become effective and no specific date has been determined as its effective date. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code do not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Disputes between holders of H Shares and us, our Directors, Supervisors, senior officers or holders of non-listed shares, arising out of our Articles of Association or the rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organisations in Hong Kong or in China. Awards that are made by the PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognised and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in China by any holder of H Shares to enforce a Hong Kong arbitral award made in favour of holders of H Shares would succeed.

**Holders of H Shares may be subject to PRC taxation.**

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realised upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (中華人民共和國個人所得稅法), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from the PRC and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a listed company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares listed in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realised by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realised upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

There remains substantial uncertainty as to the interpretation and implementation of the PRC EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities, including whether and how non-PRC resident H shareholders are subject to enterprise income tax rate on gains realised upon the sale or other dispositions of their H shares. In addition, the value of your investment in our H Shares may be materially affected by unfavourable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

For additional information, please refer to "Taxation and foreign exchange" in Appendix III to this prospectus.

**Increases in labor costs and employee benefits may adversely affect our business and profitability.**

Labor costs in China have risen in recent years as a result of social development and increasing inflation in China. Average wages in China are expected to experience continued increases. We may also need to increase our total compensation packages to attract and retain experienced personnel who are required for the achievement of our business objectives. In addition, we are required by the PRC laws and regulations to pay various statutory employee benefits, including pension, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, to designated government authorities for the benefits of our employees. We may be determined by the relevant government authorities to have failed to make adequate payments to the statutory employee benefits, due to the inconsistent implementation or interpretation of the PRC laws and regulations by local authorities and our lack of understanding of the relevant PRC laws and regulations. As a result, we may be subject to late payment fees or other penalties. We expect that our labor costs, including wages and employee benefits, will continue to increase. Our financial condition and results of operations may be adversely affected as a result of any material increase in our labor costs and employee benefits.

## RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.**

Prior to the completion of the Global Offering, no public market existed for our H Shares. The initial Offer Price range to the public for our H Shares is the result of negotiations between us and the Sole Global Coordinator, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. There can be no assurance that an active trading market for our H Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline below the initial Offer Price.

**The trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.**

The price and trading volume of our H Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, fluctuations in the market prices and demand for our products or services, unexpected business interruptions resulting from natural disasters or power shortages, our inability to obtain or maintain regulatory approval for our operations, or political, economic, financial and social developments in China, Hong Kong and the global economy, could cause large and sudden changes in the volume and price at which our H Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially adversely affect the market price of our H Shares.

**Since there will be a time gap of several days between the price determination and the commencement of trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before the trading of our H Shares commences.**

The Offer Price of our H Shares under the Global Offering will be determined on the Price Determination Date. However, trading of our H Shares on the Stock Exchange will not commence until they are delivered, which is expected to be several business days after the Price Determination Date. During that period, investors of our H Shares may not be able to sell or otherwise deal in our H Shares. Therefore, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other unfavourable circumstances that may arise during the period between the Price Determination Date and the date on which the trading of our H Shares begins.

**Future sales or perceived sales of substantial amount of our Shares in the public market and conversion of our Domestic Shares into H Shares could materially adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future.**

The market price of our H Shares could decline as a result of future offering or sales of Shares by us or our Shareholders, or the perception that such offerings or sales could occur. Future sales or perceived sales of substantial amount of our Shares in the public market and conversion of our Domestic Shares into H Shares could materially adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity other than on a pro-rata basis to existing Shareholders, the ownership percentage of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the H Shares.

Upon the completion of the Global Offering, we will have two classes of ordinary shares, H Shares and Domestic Shares. All of our Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange. Our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that, prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant regulatory authorities, including the CSRC, shall have been obtained in accordance with the regulations of the State Council's securities regulatory authorities as well as the regulations, requirements and procedures of relevant overseas stock exchanges. The listing of such converted Shares on the Hong Kong Stock Exchange will also require approval by the Hong Kong Stock Exchange. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

**Dividends declared in the past may not be indicative of our dividend policy in the future.**

For FY2017, FY2018, FY2019 and 4M2020, we declared dividends of RMB46.4 million, RMB57.9 million, RMB115.9 million and RMB nil to its Shareholders which had been paid and settled. For details, please refer to the section headed "Financial Information – Dividends" in this prospectus. We cannot guarantee when, if and in what form or size dividends will be paid in the future. The determination of whether to pay a dividend and in what amount is based on our business and financial performance, capital and regulatory requirements, general business conditions and other factors that our Board of Directors deem relevant. We may not have sufficient or any profits for dividend distributions in the future, even if our financial statements indicate that our operations have been profitable.

**You should rely on this prospectus in making investment decisions with respect to our H Shares.**

Prior to the publication of this prospectus, there may be press and media coverage regarding us and the Global Offering, which may include certain information not contained in this prospectus. We have not authorised disclosure of any such information in the press or other media. Such information, whether or not accurate or applicable, may materially and adversely affect our reputation, business, financial condition and the price of our H Shares. We make no representation as to the appropriateness, accuracy, completeness or reliability of such information, and disclaim responsibility for such information. Accordingly, prospective investors are cautioned to make their investment decisions with respect to our H Shares on the basis of the information contained in this prospectus only and should not rely on any other information. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various public official publications from the government, market data providers and other independent third-party sources, including the industry expert report, contained in this prospectus.**

Certain facts, forecasts and other statistics relating to China and other countries and regions and the pig farming market in China contained in this prospectus have been derived from various public official publications from the government, market data providers and other independent third party sources, and generally are believed to be reliable. However, we cannot guarantee the accuracy and completeness of such information. These facts, forecasts and other statistics have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, their respective directors and advisers or any other parties involved in the Global Offering and none of them make any representation as to the correctness, accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside China. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Shares.

In preparation for Listing, we have sought and have been granted the following waiver from strict compliance with the relevant provisions of the Listing Rules:

## MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and the Company's head office is situated in Chongqing, the PRC; (ii) our executive Directors and senior management team principally reside in the PRC; and (iii) the management and operations of the Company have mainly been under the supervision of our executive Directors and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses and it is important for them to remain in close proximity to the Group's operations located in the PRC, the Company considers that it would be more practical for its executive Directors and senior management to remain ordinarily resident in the PRC where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives:** we have appointed Ms. Tan, an executive Director, and Ms. Szeto Kar Yee Cynthia, the Joint Company Secretary, (the "**Joint Company Secretaries**") as the authorized representatives ("**Authorized Representatives**") for the purpose of Rules 3.05 and 19A.07 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Ms. Szeto Kar Yee Cynthia ordinarily resides in Hong Kong whereas Ms. Tan ordinarily resides in the PRC, and Ms. Tan possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See "Directors, Supervisors and Senior Management" for more information about our Authorized Representatives.

2. **Directors:** to facilitate communication with the Stock Exchange and as required under Rule 3.20 of the Listing Rules, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers, e-mail addresses and fax numbers) of each of our Directors. The Authorized Representatives have means for contacting all Directors promptly at all times and when the Stock Exchange wishes to contact the Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. Each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.

3. **Compliance adviser:** we have appointed Fortune Financial Capital Limited as our compliance adviser (the "**Compliance Adviser**") in compliance with Rule 3A.19 and Rule 19A.05 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

We have provided the Stock Exchange with the names, office telephone numbers, facsimile numbers and e-mail addresses of at least two of the Compliance Adviser's officers who will act as the Compliance Adviser's contact persons between the Stock Exchange and the Company pursuant to Rule 19A.06(4) of the Listing Rules.

Pursuant to Rule 19A.05(2) of the Listing Rules, we shall ensure that the Compliance Adviser appointed by us will have access at all times to our Authorized Representatives, our Directors and other officers. We shall also procure that such persons will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. We shall ensure that there are adequate and efficient means of communication between our Company, our Authorized Representatives, our Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser informed of all communications and dealings between us and the Stock Exchange.

## WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

According to Rule 8.17, Rule 3.28 and the Guidance on experience and qualification requirements of a company secretary (HKEX-GL108-20), the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Ms. Tan as one of the joint company secretaries of the Company. See “Directors, Supervisors and Senior Management” for further biographical details of Ms. Tan.

Ms. Tan has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company has appointed Ms. Szeto Kar Yee Cynthia, an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Ms. Tan for an initial period of three years from the Listing Date to enable Ms. Tan to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See “Directors, Supervisors and Senior Management” for further biographical details of Ms. Szeto Kar Yee Cynthia.

The following arrangements have been, or will be, put in place to assist Ms. Tan in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Ms. Tan will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company’s Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time.

(b) Ms. Szeto Kar Yee Cynthia will assist Ms. Tan to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company.

(c) Ms. Tan will communicate regularly with Ms. Szeto Kar Yee Cynthia on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Szeto Kar Yee Cynthia will work closely with, and provide assistance for, Ms. Tan in the discharge of her duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings.

(d) prior to expiry of Ms. Tan's initial term of appointment as the company secretary of our Company, we will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Tan's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Pursuant to HKEX-GL108-20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 ("**Qualified Person**") and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that we engage Ms. Szeto Kar Yee Cynthia, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Ms. Tan in discharging her duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules. Such waiver will be revoked immediately if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the initial three-year period, we will re-evaluate the experience of Ms. Tan and liaise with the Stock Exchange to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event Ms. Tan has obtained relevant experience at the end of the initial three-year period, the above joint company secretary arrangement would no longer be necessary for our Company.

## DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

## CSRC APPROVAL

We have obtained an approval letter on 17 July 2020 from the CSRC for the Global Offering and the making of the application to list the H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

## GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed by the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 6 November 2020 and, in any event, not later than Friday, 13 November 2020 (unless otherwise determined by the Sole Global Coordinator (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company on or before Friday, 13 November 2020, the Global Offering will not become unconditional and will lapse immediately.

Further information about the Underwriters and the underwriting arrangements is set out in "Underwriting" in this prospectus.

## INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering," and the procedures for applying for Hong Kong Offer Shares are set out in "How to apply for Hong Kong Offer Shares" and in the relevant Application Forms.

## RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

## UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement, with one of the conditions being that the Offer Price is agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date. Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting".

## APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our H Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

## OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and Stabilisation are set out in "Structure of the Global Offering" in this prospectus.

## H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

## H SHARE REGISTER AND STAMP DUTY

All of our H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar. Our principal register of members will be maintained by us at our head office in the PRC. Dealings in our H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty.

## REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws and administrative regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

## PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares”.

## STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”.

## PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

## EXCHANGE RATES

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of RMB0.91056 to HK$1.00.

No representation is made that any amounts in Hong Kong Dollars, Renminbi, and U.S. Dollars can be or could have been converted at the relevant dates at the above rates or any other rates at all.

## LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

## ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Directors** | | |
| Mr. Yu Ping (余平) | No. 402, Unit 6, Building 13<br>Zaoziying Beili<br>Chaoyang District, Beijing, PRC | Chinese |
| Ms. Tan Jin (譚瑾) | No. 402, Unit 6, Building 13<br>Zaoziying Beili<br>Chaoyang District, Beijing, PRC | Chinese |
| Mr. Yu Zhengbo (余正博) | No. 402, Unit 6, Building 13<br>Zaoziying Beili<br>Chaoyang District, Beijing, PRC | Chinese |
| Mr. Chen Rongchuan (陳榮川) | 19-10, Building 5<br>No. 299, Yusong Road<br>Yubei District, Chongqing, PRC | Chinese |
| **Non-executive Director** | | |
| Mr. Mi Gang (糜剛) | 9-1, Unit 4, Building 53, No. 1<br>Xijiao Second Village<br>Jiulongpo District, Chongqing, PRC | Chinese |
| **Independent non-executive Directors** | | |
| Ms. Tian Na (田娜) | Flat D, 17/F, Tower 6, The Hermitage<br>1 Hoi Wang Road<br>Tai Kok Tsui, Kowloon<br>Hong Kong | Chinese |
| Dr. Liu Xing (劉星) | 20-3, No. 10, Bai Shu Lin Village<br>Shapingba District, Chongqing, PRC | Chinese |
| Dr. Li Xuewei (李學偉) | No. 6, 17F, Unit 1, Building 26<br>No. 299, Gongping Huimin Road<br>Wenjiang District, Chengdu, PRC | Chinese |

| **Name** | **Address** | **Nationality** |
|---|---|---|
| **Supervisors** | | |
| Ms. Huang Yuanling (黃遠陵) | 2-1, No. 10<br>Erzhi Road, Jianxin North Road<br>Jiangbei District, Chongqing, PRC | Chinese |
| Mr. Wang Yi (王翼) | 27-3, Building 17, No. 399<br>Jianxin West Road<br>Jiangbei District, Chongqing, PRC | Chinese |
| Ms. Jiang Kunping (蔣坤萍) | 13-4, No. 146-4<br>Fengtian Avenue<br>Shapingba District, Chongqing, PRC | Chinese |

For further information, see "Directors, Supervisors and Senior Management" in this prospectus.

## PARTIES INVOLVED IN THE GLOBAL OFFERING

| | |
|---|---|
| **Sole Sponsor** | **Fortune Financial Capital Limited**<br>43/F COSCO Tower<br>183 Queen's Road Central<br>Hong Kong<br>*(A licensed corporation for carrying on type 6 (advising on corporate finance) regulated activities under the SFO)* |
| **Sole Global Coordinator** | **Fortune (HK) Securities Limited**<br>43/F COSCO Tower<br>183 Queen's Road Central<br>Hong Kong<br>*(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)* |
| **Joint Bookrunners** | **Fortune (HK) Securities Limited**<br>43/F COSCO Tower<br>183 Queen's Road Central<br>Hong Kong<br>*(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)* |

**Guotai Junan Securities (Hong Kong) Limited**
28/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*

**Valuable Capital Limited**
Room 2808, 28/F, China Merchants Tower
Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO)*

**China Everbright Securities (HK) Limited**
12/F, Everbright Centre
108 Gloucester Road,
Wanchai
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*

**Glory Sun Securities Limited**
18/F Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*

**Guosen Securities (HK) Capital Company Limited**
Suites 3207-3212 on Level 32
One Pacific Place
88 Queensway
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

**SPDB International Capital Limited**
33/F, SPD Bank Tower
One Hennessy, 1 Hennessy Road
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

**Zhongtai International Securities Limited**
19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*

**Joint Lead Managers**

**Fortune (HK) Securities Limited**
43/F COSCO Tower
183 Queen's Road Central
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)*

**Guotai Junan Securities (Hong Kong) Limited**
28/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*

**Valuable Capital Limited**
Room 2808, 28/F, China Merchants Tower
Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO)*

**Alpha International Securities (HONG KONG) Limited**
Room 10 9/F China Merchants Tower
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO)*

**Blackwell Global Securities Limited**
Whole of 26/F.,
Overseas Trust Bank Building,
160 Gloucester Road
Wanchai
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) regulated activities under the SFO)*

**China Everbright Securities (HK) Limited**
12/F, Everbright Centre
108 Gloucester Road,
Wanchai
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*

**Fuyuan Securities Limited**
Suite 4806-07 48/F Central Plaza
18 Harbour Road
Wanchai
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO)*

**Glory Sun Securities Limited**
18/F Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*

**Guosen Securities (HK) Capital Company Limited**
Suites 3207-3212 on Level 32
One Pacific Place
88 Queensway
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

**HTF Securities Limited**
Room 1807, 18/F Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities), type 4 (advising on securities), and type 9 (asset management) regulated activities under the SFO)*

**Huabang Securities Limited**
Unit 3308, 33/F Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*

**SPDB International Capital Limited**
33/F, SPD Bank Tower
One Hennessy, 1 Hennessy Road
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

**Zhongtai International Securities Limited**
19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong
*(A licensed corporation for carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*

**Legal advisers to the Company**

*As to Hong Kong law*
**Wong Heung Sum & Lawyers**
Rooms 911-912, 9/F, Wing On Centre
111 Connaught Road Central
Hong Kong

*As to PRC law*
**Grandall Law Firm (Shanghai)**
23-25/F, Garden Square
968 West Beijing Road
Shanghai, 200041, PRC

**Legal advisers to the Sole Sponsor and the Underwriters**

*As to Hong Kong law*
**Jingtian & Gongcheng LLP**
Suites 3203-3207, 32/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

*As to PRC law*
**Jingtian & Gongcheng**
34/F, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing, 100025, PRC

| | |
|---|---|
| **Reporting accountants and auditors** | **KPMG**<br>8/F, Prince's Building<br>10 Chater Road<br>Central<br>Hong Kong |
| **Independent biological assets valuer** | **Jones Lang LaSalle Corporate Appraisal and Advisory Limited**<br>7/F, One Taikoo Place<br>979 King's Road<br>Hong Kong |
| **Industry consultant** | **China Insights Industry Consultancy Limited**<br>66/F, The Center<br>99 Queen's Road Central<br>Hong Kong |
| **Receiving banks** | **CMB Wing Lung Bank Limited**<br>45 Des Voeux Road Central<br>Hong Kong<br><br>**Bank of China (Hong Kong) Limited**<br>1 Garden Road<br>Hong Kong |
| **Registered Place in the PRC** | Community 13, Village 5<br>Datong Town<br>Jialing District, Nanchong, PRC |

| | |
|---|---|
| **Head office and principal place of business in the PRC** | 6F No. 3-4, Zone 2-2<br>Jupiter Technology Development Center<br>High-Tech Park<br>Chongqing New North Zone<br>PRC |
| **Principal place of business in Hong Kong** | 31/F, Tower Two<br>Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong |
| **Registered office** | 31/F, Tower Two<br>Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong |
| **Company website** | www.tianzow.com<br><br>(the information contained on this website does not form part of this document) |
| **Joint Company Secretaries** | Ms. Tan Jin (譚瑾)<br>No. 402, Unit 6, Building 13<br>Zaoziying Beili<br>Chaoyang District, Beijing, PRC<br><br>Ms. Szeto Kar Yee Cynthia (ACIS, ACS)<br>31/F, Tower Two<br>Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong |

| | |
|---|---|
| **Authorized Representatives** | Ms. Tan Jin (譚瑾)<br>No. 402, Unit 6, Building 13<br>Zaoziying Beili<br>Chaoyang District, Beijing, PRC<br><br>Ms. Szeto Kar Yee Cynthia<br>31/F, Tower Two<br>Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong |
| **Audit Committee** | Dr. Liu Xing (chairman)<br>Ms. Tian Na<br>Mr. Mi Gang |
| **Remuneration Committee** | Dr. Liu Xing (chairman)<br>Ms. Tian Na<br>Mr. Yu Ping |
| **Nomination Committee** | Mr. Yu Ping (chairman)<br>Dr. Liu Xing<br>Dr. Li Xuewei |
| **H Share Registrar** | **Computershare Hong Kong Investor Services Limited**<br>Shops 1712-1716, 17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Compliance Adviser** | **Fortune Financial Capital Limited**<br>43/F, COSCO Tower<br>183 Queen's Road Central<br>Hong Kong |
| **Principal Bank** | **Sichuan Tianfu Bank**<br>**Nanchong Fujiang Branch**<br>No. 1, Fujiang Road<br>Shunqing District, Nanchong<br>Sichuan Province, PRC |

***Certain information (including statistics and estimates) set out in this section and elsewhere in this document are derived from publicly available sources, and from the market research report prepared by CIC, an independent industry consultant which was commissioned by us in connection with the Global Offering and independently prepared the CIC Report. The information extracted from the CIC Report should not be considered as a basis for investments in the Offer Shares or as opinion of CIC as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such public information are appropriate and have taken reasonable care in extracting and reproducing such public information. We have no reason to believe that such public information are false or misleading or that any fact has been omitted that would render such public information false or misleading in any material respect. However, no independent verification has been carried out on such public information by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties involved in the Global Offering or their respective directors, officers, employees, advisers, agents, excluding CIC, and no representation is given as to the accuracy or completeness of such information. Accordingly, you should not place undue reliance on such information. For a discussion of risks relating to our industry, please refer to section "Risk factors – Risks relating to our business and our industry".***

## SOURCES OF THE INDUSTRY INFORMATION

We commissioned CIC, an independent market research and consulting company, to analyse on and prepare a report regarding the pig farming industry. We agreed to pay a commission fee of RMB500,000 to CIC pursuant to a service agreement reached by arm's length negotiation. We considered that the payment of the commission fee does not affect the fairness of conclusions drawn in the CIC Report. CIC is an investment consulting company whose services include industry consulting services, commercial due diligence, strategic consulting, and so on. Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent professional market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics to be reliable.

### CIC Report

In preparing for the report, CIC conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as National Bureau of Statistics of China and other industrial associations.

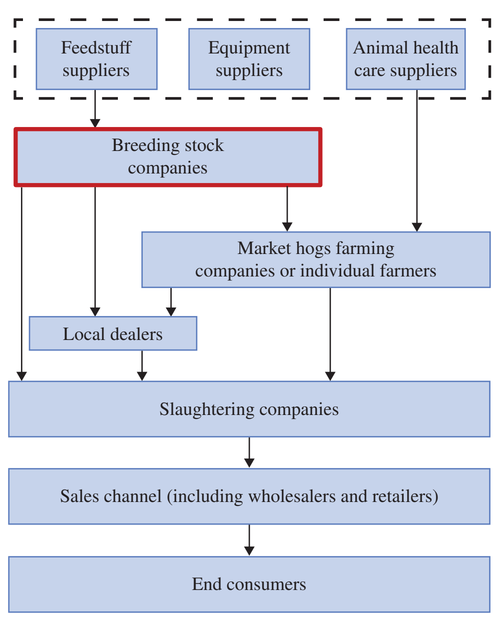
The market projections in the CIC Report are based on the following key assumptions: (i) the overall social, economic, and political environment in China are expected to remain stable during the forecast period; (ii) China's economic and industrial development are likely to maintain a steady growth in the next decade; (iii) related industry key drivers are likely to drive the growth of the pig industry in China in the forecast period, such as rapid growth of consumption upgrade in China, favorable policies, stable demand from downstream industries and rise of scale pig farming; and (iv) There is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

## PIG FARMING INDUSTRY IN CHINA

### The pig farming value chain

The upstream of the pig farming industry includes feed suppliers, equipment suppliers, animal health care suppliers, breeding stock companies and market hogs farming companies. The pig farming industry is relatively decentralized as local farmers still play an important role in pig supply. The industry average investment of pig farm is approximately RMB1,500 to RMB2,000 per square meter. While since 2018, due to the outbreak of African Swine Fever, more and more pig farms invest in the disinfection and sterilization equipment, the average cost increased to approximately RMB2,000 to RMB2,500 per square meter. In addition, the average investment of pig farm focusing on breeding stock would be higher than that of pig farm focusing on market hogs only. The midstream consists of slaughtering companies. The downstream mainly includes sales channels and end consumers. The following diagram illustrates the value chain of the pig farming industry:




*Source: CIC*

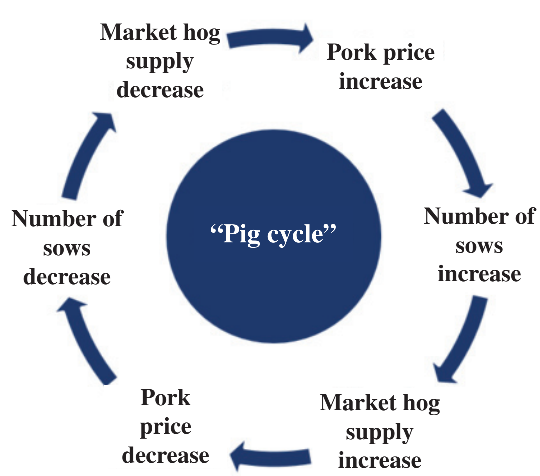
**The pig cycle**

The pig cycle refers to the cyclical pork price change and a full pig cycle usually lasts around 4 years in the PRC. From 2006 to 2018, China experienced three pig cycles (from valley to valley): cycle one in 2006 – 2010, cycle two in 2010 – 2014, and cycle three in 2014 – 2018. It operates according to the cycle diagram depicted below: pork price increases – number of sows increases – market hog supply increases – pork price decreases – number of sows decreases – market hog supply decreases – pork price increases. An increase in pork price encourages farmers to raise more pigs and, thus, increases market hog supply. The increase of pig supply will cause pork price to go down; the decreasing pork price discourages farmers from raising new pigs, thus, the decreasing market hog supply causes pork price to increase.

The dynamic of pig farming industry changes among with the pig cycle. In all three previous pig cycles, the price, stock volume and output volume fluctuated while the price change is the most volatile. Hog price can increase/decrease more than 30% in the year when hog price rise from the valley or drop from the peak. Thus, the market size of breeding stock and market hogs also fluctuates among with the pig cycle.

Regarding the impact of African Swine Fever, due to the lack of effective treatment or vaccine for the African Swine Fever and the high contagious nature of the disease, the outbreak of the African Swine Fever in 2018 caused a sharp decrease in volumes of market hogs and sows in the stock; therefore, it is expected that pig supply will take a longer period of time to recover and the time length of current pig cycle will be extended.

The performance of pig farms is determined by various indicators including farrowing rate, mortality rate, feed conversion rate, days to reach 100kg, litter size and etc. Such data are considered as confidential business information for pig farms.

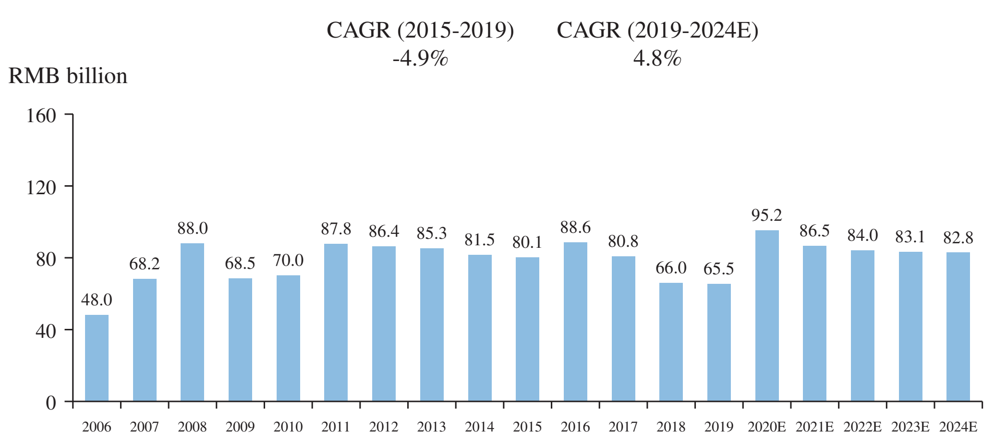


## THE BREEDING STOCK MARKET

Breeding stock companies sit in the upstream of the pig farming industry and possess the key resources and technology required for pig breeding, which is critical for the overall pig farming industry. Breeding stock farms focus on finding high-quality pigs through introducing high quality GGP and growing GP and Parent-generation pigs. Raising breeding stock requires large investment and involves high market risk. Foreign breeding stock are known for their fast growth, high feed conversion rate, and high proportion of lean meat. Thus, in China, core breeding stock are usually imported from foreign countries and require constant replacement to sustain breeding rates.

The market size for breeding stock in China is highly correlated with the market hogs market, as pig farms have stronger incentive to purchase breeding stock for expansion when the price of market hogs remains high. The breeding stock market reached a peak in 2016, aligned with high pig price and started to fall afterwards. The breeding stock market size experienced major decline due to the "pig cycle" and the resultant exodus of small scale pig farms in 2018. The overall pig market recovered gradually beginning in late 2019. Under such circumstance, large breeding stock companies will have opportunities to capture a larger market share. The following diagram illustrates the market size of breeding stock market in China from 2006 to 2019 and the estimated market size from 2020 to 2024:

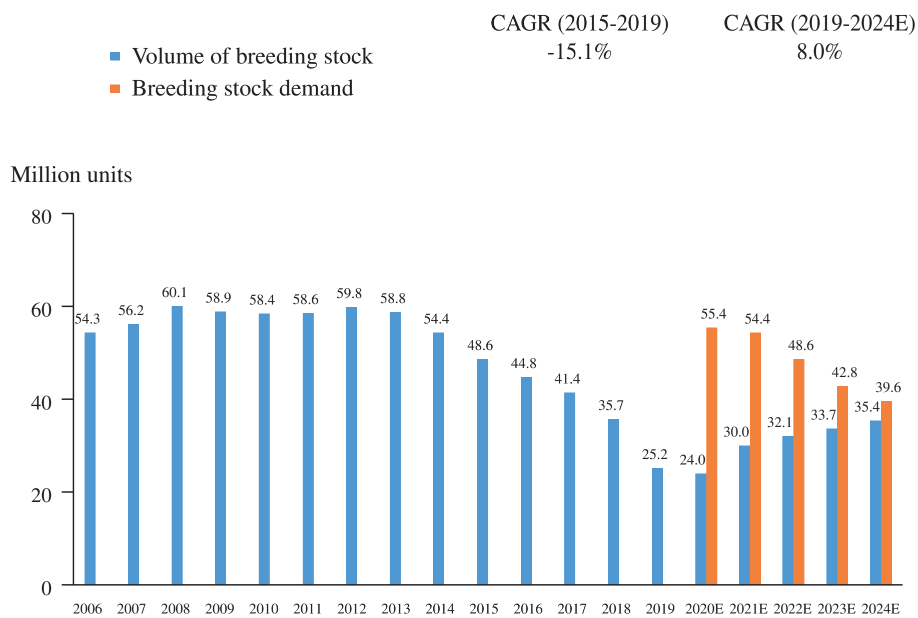
**Market size of breeding stock, China, 2015-2024E**




*Source: CIC*

The pig farming industry is cyclical and the demand for breeding stocks fluctuates with the demand of market hogs. From 2006 to 2018, China experienced three pig cycles (from valley to valley): cycle one in 2006 – 2010, cycle two in 2010 – 2014, and cycle three in 2014 – 2018. The decrease of breeding stocks in volume from 2016 to 2018 is mainly because the last peak in the pig cycles occurred in 2016 and the period from 2016 to 2018 represents a decline phrase in the last pig cycle; the demand and the price for breeding stocks therefore decreased in the period. Due to the outbreak of the African Swine Fever in the PRC since late 2018, a large number of breeding stocks were disposed, the supply of breeding stock decreased sharply and the number of breeding stocks available for sale remains insufficient. The insufficient supply and strong demand for breeding stock led to a large supply shortage and ultimately drives up the breeding stock price starting in 2019. Such shortage is expected to sustain during 2020 to 2021 with the breeding stock price peaks in 2020. Afterwards, as the supply for breeding stock and market hogs gradually recover, the gap between volume and demand of breeding stock is expected to narrow to 4.2 million units and the volume of breeding stock falls into a more reasonable level at 35.4 million units in 2024.

**The market size of volume and demand of breeding stock, China, 2006-2024E**

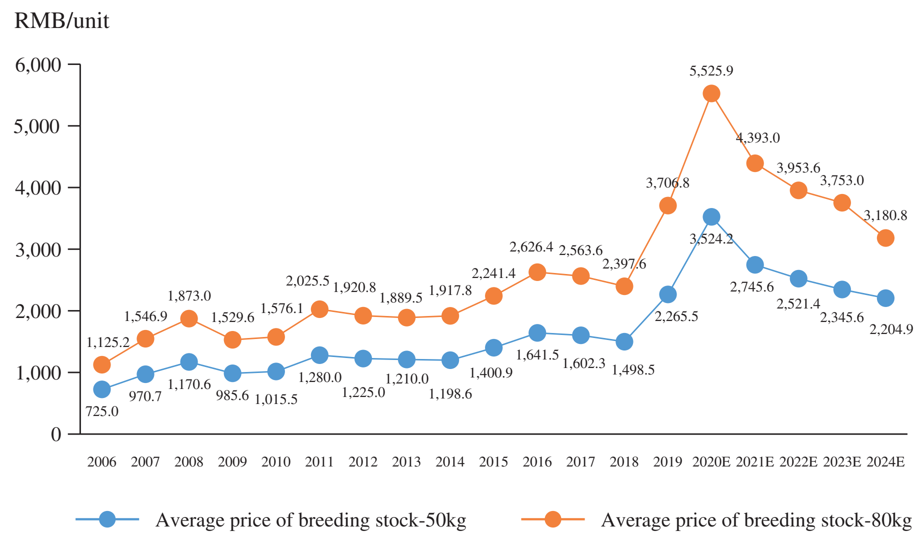



*Source: CIC*

**The breeding stock price**

Breeding stock price varies based on gender and generation. GP pigs are typically composed of purebreds, while parent-generation pigs are typically composed of two-breed crossbreed pigs. Thus, the price of GP pigs is usually higher than the price of parent-generation pigs. As for breeding boars, they are typically purebred and highly-selective based on performance indicators. Thus, the price of boar is often the highest among breeding stock. The price of breeding stock fluctuates along with the market hog market as farmers tend to expand or cut production capacity when pork price is high or low. However, as breeding stock remain the key resource for pig farming, the price of breeding stock is relatively stable as compared to the price of market hogs. Due to the impact of African Swine Fever, the price for breeding stock increased drastically in 2019. The price pattern of breeding stock is expected to be the same as that of market hogs. The price hike since 2019 is significantly larger than price hike in the past three pig cycles on a vally to peak basis because the outbreak of African Swine Fever caused a serious supply shortage of breeding stocks even considering the decreased sows needed in recent years. Due to the gradual recovery of the stock of sows, increased number of breeding stocks imported and more convenient transportation for breeding stocks, the price of breeding stocks is expected to decrease from its 2020 peak. Breeding stock price is expected to reach the peak in 2020 and gradually decline afterwards. The diagram below illustrates breeding stock (including purebreed and two-breed crossbreed pigs) price in China from 2006 to 2019 and the estimated breeding stock price from 2020 to 2024:

**Average price of breeding stock, China, 2006-2024E**

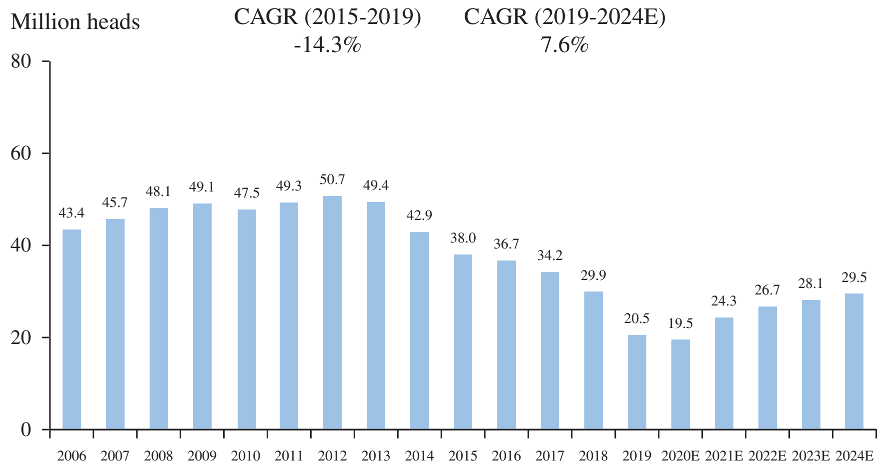



*Source: CIC*

**The stock of sows**

Due to the better farm management and the improvement of breeding technology, sow's key reproduction performance such as pigs weaned per sow per year continuously improved. Besides, chinese pig farms have taken better disease prevention measures and adopted better formulated feeding stuff with the industrialization of pig farming and such actions have resulted in healthier pigs with higher survival rate. Thus, pig farms need less sows for reproduction purpose and the stock of sows in China decreased from approximately 50.7 million units in 2012 to 34.2 million units in 2017. The decrease in stock of sows is inconsistent with the pig cycle. Due to the outbreak of the African Swine Fever, the stock of sows in China dropped significantly in 2018 and 2019, and such number is expected to recover with the help of recovery of the supply of breeding stock, the help of supportive policies and large-scale pig farming companies' capacity expansion. The following diagram illustrates the stock of sows in China from 2006 to 2019 and the estimated period from 2020 to 2024.

**The stock of sows, China, 2006-2024E**




*Source: CIC*

**Market drivers of the breeding stock market**

The development of China's breeding stock market is primarily driven by the following factors, according to the CIC Report:

- Due to African Swine Fever, strict environmental protection requirements, and low pork price in past few years, the quantity of breeding stock has fallen significantly during 2018-2019. As the demand for market hogs remains stable, market hog farms are expected to purchase breeding stock to ensure their production capability. Such demand will bring opportunities to breeding stock farms for the recovery and expansion of their production capacity.

- Breeding stock are the key resource of the pig farming industry. The quality of breeding stock will have a considerable impact on market hog farms' operation performance, as high quality breeding stock can produce more pigs with higher economic value. Thus, the demand for increasingly high-quality breeding pigs will drive the development of the breeding stock industry.

- The breeding stock market is consolidating as farms with poor operation records are exiting the market. Meanwhile, the government is supporting the development of breeding stock and set out core breeding farms list. As large scale pig farms tend to purchase high-quality breeding stock from well-known breeding stock farms, brand recognition of breeding stock farms is tremendously important. These well-known breeding stock farms are expected to acquire larger market shares and drive growth of the overall breeding stock market.

**Future trends of the breeding stock market**

The China's breeding stock market has the following trends, according to the CIC Report:

- Growing speed, feed conversion rate, and lean meat proportion are all important indicators for the performance of breeding stock. Foreign breeds such as Landrace, Yorkshire and Duroc have advantages in these indicators over local breeds. However, indicators such as the quality of meat and adoptability still have room to improve. In order to satisfy consumers' requirement for better pork, the quality of breeding pigs still have improvement potential.

- The application of big data could help breeding stock farms control variables and constantly improve the quality of breeding pigs. Large scale breeding stock farms are using more equipment to test and collect breeding stock's reproduction data in order to select the best breeding stock.

- As foreign breeding companies have better breeding technology, some breeding stock farms still need to import foreign breeds periodically to maintain their breeding stock. However, China has the largest pig gene pool in the world and some local breeding companies have begun to cultivate local breeds. In the future, more local breeds with improved reproduction performance will likely emerge.

- Breeding stock farms require higher investment than market hog farms, but the price of breeding stock fluctuate with market hog price. Thus, breeding stock farms face considerable large market risk. In order to secure breeding stock resources, large-scale pig farming companies prefer to raise their own breeding stock. As pork consumption reaches an equilibrium point and market competition intensifies, more merger and acquisition activities from breeding stock companies are expected in the future.

**Entry barrier for the breeding stock market**

According to the CIC Report, the breeding stock market in China generally has the following entry barriers:

- *Environmental protection requirement:* With the release of new laws and regulations in the area of environmental protection, the environmental protection requirement for pig farms has become much stricter. Such regulations require pig farms to make greater investment in both capital and technology, therefore heightening the entry barrier for the industry.

- *Capital requirement:* Access to capital is especially important in the pig industry. Reproduction equipment, vacuum and foreign breeds all require substantial capital to purchase. Other major operating expenses for the pig market participants include labor costs, land rental fees, and other operating costs.

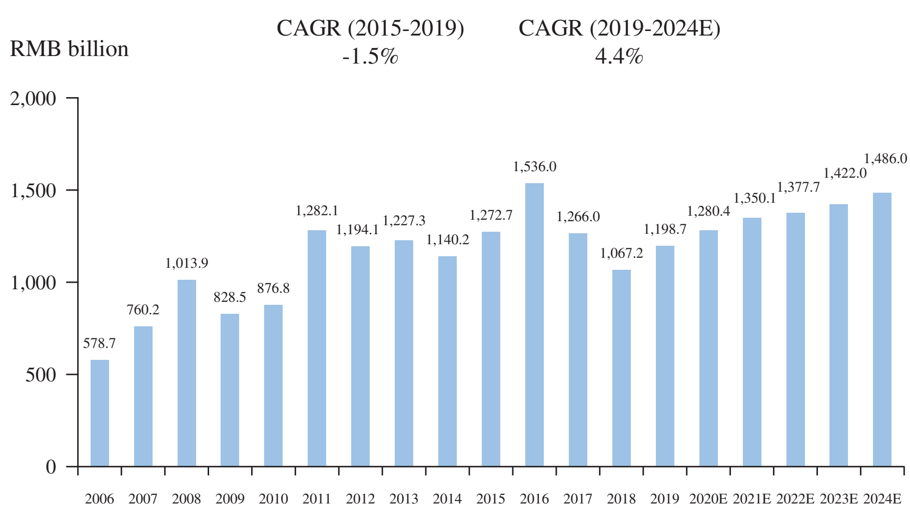
- *Brand recognition:* Breeding stock are the key resource for pig farming. Pig farms rely on breeding stock's reproduction performance for their pigs' quality and quantity. Breeding stock farms who can provide high-quality breeding stock consistently gain a favorable reputation among pig farms and better-secure their breeding stock sales.

- *Technical requirements:* As the major supplier of breeding stock has become large-scale breeding stock farms, the technological requirement for pig farming has increased significantly. Breeding stock farms who lack necessary technical ability and management may not to be able to raise pigs in a cost-effective manner.

## THE MARKET HOG MARKET

The market size of market hogs by sales revenue fluctuates with the pig cycle and reached its peak in 2016. The market size gradually decreased due to the pig cycle and the exodus of local farmers from the market. The market is expected to recover slowly after the African Swine Fever epidemic. The following diagram illustrates the market size of market hogs by revenue in China from 2006 to 2019 and the estimated market size from 2020 to 2024:

**Market size of market hogs by sales revenue, China, 2006-2024E**




*Source: CIC*

The demand for market hogs remained stable in recent years, the annual sales volume of market hogs ranged from 708.3 million units in 2015 to 693.8 million units in 2018.

Due to the impact of African Swine Fever and restrictions being imposed for environmental protection, the sales volume of market hogs experienced a major decline recently, such decline is expected to be sustained and impact annual market hog sale till 2020. The market is expected to recover afterwards with the help of favorable policies and large pig farming companies' capacity expansion plans.

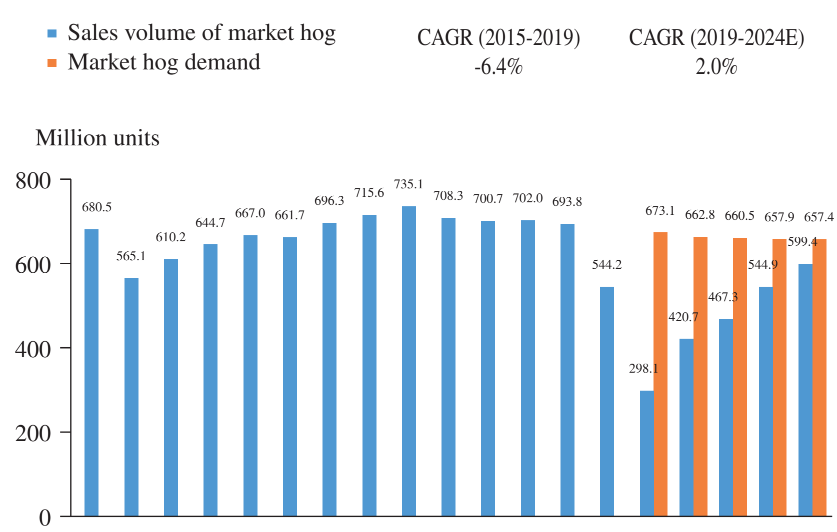
However, such decline is mainly caused by supply shortage as infected pigs are disposed of in the event of African Swine Fever outbreak. There is no material change in the demand for market hogs. Such supply shortage is expected to last for a long period of time and it has resulted in sharp price increase of market hogs since October 2019. In order to recover the stock of market hogs, pig farmers are actively seeking for breeding stock which increases the demand for breeding stock. The breeding stock is also experiencing supply shortage due to the African Swine Fever and the decrease in the number of sows. The imbalance of supply and demand for breeding stocks also resulted in sharp price increase of breeding stocks.

For the pig farming industry, although the African Swine Fever has caused the decline of sales volume of market hogs in 2019, the supply shortage caused by the African Swine Fever result in higher price for market hogs and breeding stocks and large demand gap for pig farming companies to fulfill. Therefore, for pig farming companies, especially those large scale pig farming companies with better disease prevention measures, the outbreak of African Swine Fever presents a growth opportunity.

With the impact of African Swine Fever expected to fade away and the supply shortage expected to be fulfilled by pig farming companies, the gap between market hog sales volume and market hog demand is expected to narrow. The annual sales volume of market hogs is expected to reach 544.9 million units and the price of market hogs is expected to fall into a more reasonable level in 2024.

The following diagram illustrates the sales volume of market hogs in China and market hog demand from 2006 to 2019 and the estimated annual sales volume from 2020 to 2024:

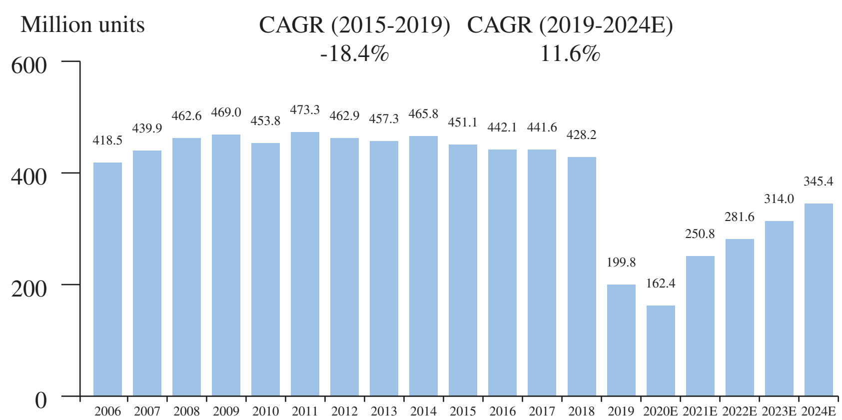
**Sales volume and market demand for market hogs, China, 2006-2024E**




*Source: CIC*

Same as annual sales volume of market hogs, the stock of market hogs in China was also negatively impacted by African Swine Fever and environmental protection restriction, and the stock of market hogs experienced major decline recently. The stock of market hogs in China is expected to recover after 2020. The following diagram illustrates the stock of market hogs in China from 2006 to 2019 and the estimated period from 2020 to 2024.

**The stock of market hogs, China, as at year end of 2006-2024E**

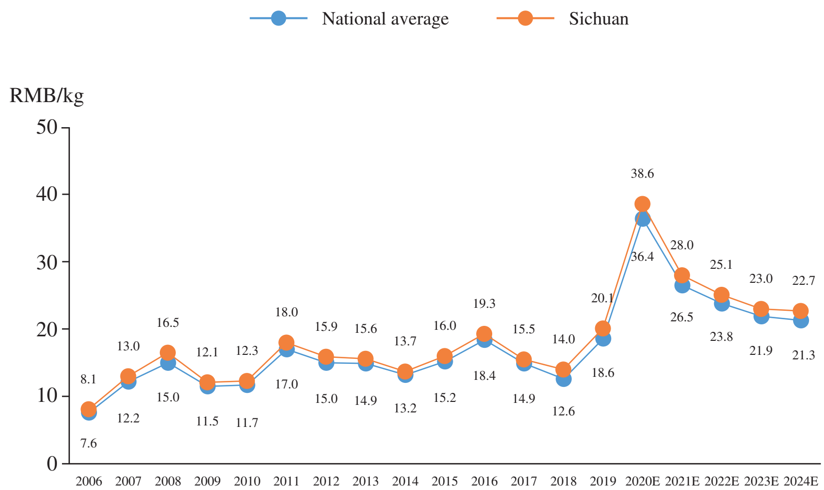



*Source: CIC*

The price of pigs is mainly determined by the differences between supply and demand. Comparing with the previous three pig cycle, the price hike since 2019 is significantly larger than the price hikes in the past three pig cycles on a vally to peak basis because the outbreak of the African Swine Fever caused a serious supply shortage of pigs. The demand of pigs in the PRC is expected to be stable in the coming years. With the impact of the African Swine Fever expected to fade away and driven by leading pig farm companies' production expansion, the supply of market hogs will increase. Such will decrease the differences between the supply and demand and drive down market hog price from its 2020 peak.

The average market hog price in China is expected to range from RMB36.4/kg in 2020 to RMB21.3/kg in 2024. The price forecast is based on the supply-demand relationship of the market hog market. As there is no fundamental change to the demand for market hog, while the supply had been greatly affected by the African Swine Fever and COVID-19, the price of market hog is expected to reach its peak in 2020 at RMB36.4/kg. With the supply forecast to recover, the price is expected to return to a more reasonable range in the future. As Sichuan has one of the largest population in China, the demand for market hog is stronger and its market hog price is relatively higher than the national average, it is expected to range from RMB38.6/kg in 2020 to RMB22.7/kg in 2024 and follows the same price trend pattern of the national average market hog price.

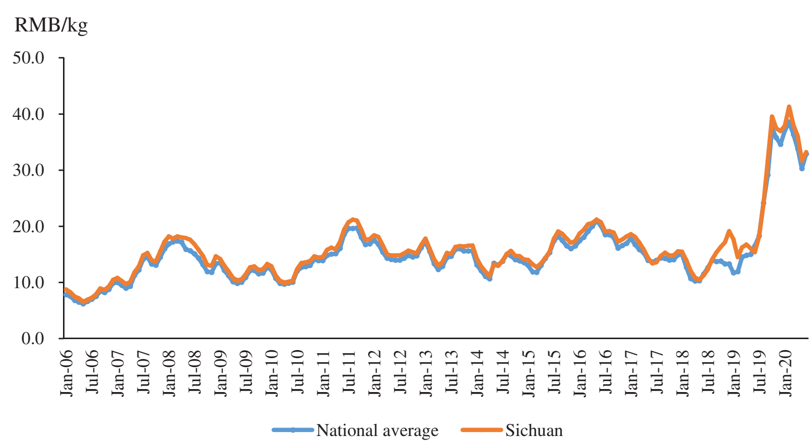
**Average market hog price, China, 2006-2024E**




*Source: CIC*

The price for market hog fluctuated along with the "pig cycle". Due to the impact of African swine fever, such price surges in 2019 and the average market hog price hit approximately RMB40/kg in late 2019 and remained high in the first half of 2020. The following diagram illustrates the average market hog price by month in China from January 2006 to September 2020.

**Average market hog price by month, China, 2006-2020.9**

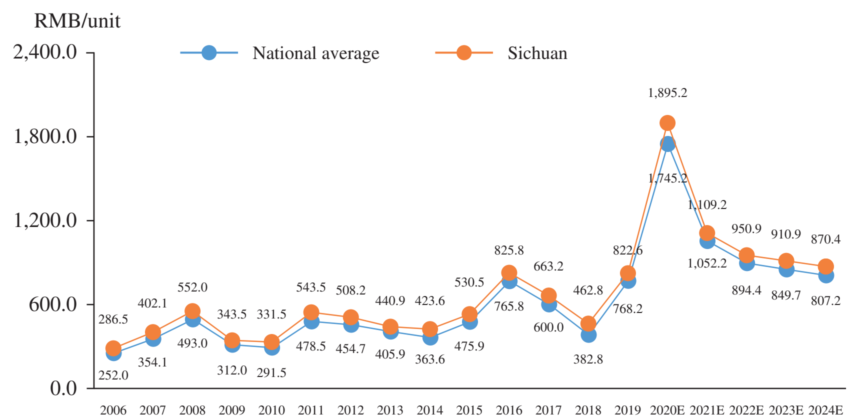



*Source: CIC*

**Price of piglet**

The price of piglet fluctuate with the pig cycle. The price of piglet is considered as a leading indicator for market hog price. The average price of piglet in China experienced substantial increase with 100.7% increase year-over-year in 2019 as pig farms are expanding their production capacity to seize the opportunity of recovery after African Swine Fever epidemic. Similar to market hogs, the average piglet price in Sichuan is also relatively higher than that of national average. The diagram below illustrates the average price of piglet in China from 2006 to 2019 and the estimated period from 2020 to 2024:

**Average price of piglet, China, 2015-2024E**




*Note:* the average price of piglet is based on standard piglet weight of 15kg.

*Source: CIC*

**Impact of African Swine Fever on the pig farming industry**

African Swine Fever, first occurred in August 2018 in China, is a fatal disease for hogs and currently there is no vaccine available in the market. If the African Swine Fever breaks out in a pig farm, to prevent a further spread of the disease and to comply with the regulations imposed by the government, the pig farm shall depopulate the infected hogs, which normally causes a significant economical loss for the pig farm. As African Swine Fever is highly contagious, once an outbreak happens in one pig farm, all hogs would be disposed in extreme cases.

The outbreak of African Swine Fever in China has caused the decrease of the stock of market hogs and breeding stocks. Such decrease ultimately results in supply shortage of market hogs, the annual output volume of market hogs in China in 2019 decreased 21.6% comparing to 2018. With such supply shortage, the price of market hogs started to rise sharply since October 2019.

Among all industry players in the PRC, local small pig farms experienced most severe impact as they lack effective bio security measures to prevent the outbreak of the African Swine Fever. The impact of the African Swine fever on local small pig farms includes: (i) suffering a huge economical loss if the African Swine fever breaks out in the pig farm; (ii) in fear of a potential outbreak of the African Swine fever in the pig farms, many local pig farms sell their hogs at low price during the second half of 2018 and the first half of 2019 and (iii) because no effective African Swine Fever vaccine was available in the market, the pig farming was risky. As a result, after assessing the potential risks, a large number of local pig farmers shut down their pig farms and exited the pig farming industry voluntarily.

In 2020, due to the fact that (i) there is no African Swine Fever vaccine available in the market, (ii) small local pig farms exit the market and (iii) the outbreak of COVID-19 pose additional challenge in logistic and labour, the supply shortage of hogs will sustain, the price of hogs is expected to stay high through 2020 while the output volume stays low. The expected impact on breeding stock is relatively smaller than it does on market hogs because (i) breeding stock serve as a leading indicator for the pig farming industry and usually recover earlier than market hogs, (ii) with a large number of pig disposed in the African Swine Fever, pig farms are using sows with relatively weak reproduction performance for breeding as they urgently need to recover reproduction capability. Thus, these sows, which used to be counted as market hogs, are now counted as breeding stocks.

**Impact of COVID-19 on the pig farming industry**

The outbreak of COVID-19 in the end of 2019 had soon became a national concern and already caused an adverse and prolonged impact on the overall economic and social conditions in China. In order to control the outbreak, the PRC government imposed a series of policies including restrictions on cross-province transportation, lockdown of cities, extended holidays and restrictions on workforce resuming. As such, the outbreak had caused short-term impact on the pig farming industry in several aspects: (i) Due to the lockdown of cities and travel restrictions, labours were not able to return to work and many companies were forced to temporarily shut down the business; (ii) As required by local government, companies need to have enough medical protective supplies before work resumption. While there were severe shortage of medical supplies in February 2020, most companies were not able to resume business operation. As a result, the supply of market hogs was affected in February and caused the price to remain at high level.

However, the COVID-19 outbreak appeared to be under control in the PRC since March 2020. It is expected that the pig farming industry would recover and the COVID-19 would impose no long-term impact on the pig farming industry.

## Government policies to support the recovery of market hog supply

China's market hog supply has suffered from the negative impacts of African Swine Fever and COVID-19. In order to support the recovery of market hog supply, the Chinese government has released multiple supportive policies to encourage market hog production, such policies include but not limited to financial support, transportation, environment evaluation for pig farming industry. The chart below illustrates some of the policies released to support the recovery of pig farming industry:

| Policy and regulation | Issuer | Date | Summary |
|---|---|---|---|
| The notice of re-initiate "green channel" policy for piglet and pork 《關於對仔豬及冷鮮豬肉恢復執行鮮活農產品運輸「綠色通道」政策的通知》 | Ministry of Transport of the People's Republic of China And Ministry of Agriculture and Rural Affairs of the People's Republic of China | September 2019 | • Starting September 1st 2019, for vehicles with sole purpose of transporting piglet and pork, under re-initiate "green channel" policy, such vehicles do not need to pay for highways.<br>• From September 1st 2019 to June 30th 2020, vehicles with sole purpose of transporting breeding stock and pork legally do not need to pay for highways. |
| Notice of environment evaluation management on pig farming projects 《關於進一步做好當前生豬規模養殖環評管理相關工作的通知》 | Ministry of Agriculture and Rural Affairs of the People's Republic of China and Ministry of Ecology and Environment of the People's Republic of China | November 2019 | • Continuing reform on pig farming project's environment evaluation process. Currently, more than 96% of pig farming projects (annual production capacity below 5,000 pigs) do not need to be examined for environment evaluation.<br>• For projects with production capacity of 5,000 pigs and above, formulate reform of environment evaluation notification system. |
| The three years plan of recovering the pig farming industry 《加快生豬生產恢復發展三年行動方案》 | Ministry of Agriculture and Rural Affairs of the People's Republic of China | December 2019 | • The target goal is to ensure market hog production capacity recover to a relative normal level in 2020 and a normal level in 2021.<br>• Increasing subsidy for pig farming equipment.<br>• Ensuring farmland for pig farming projects, simplify the approval process for pig farming land application.<br>• Providing credit loan for pig farmers and emphasizing that financial institution should not limit, stop loan for pig farming companies and slaughtering companies. |
| The opinion of taking care of issues relating to agriculture, rural areas and rural people and ensuring 《中共中央國務院關於抓好「三農」領域重點工作確保如期實現全面小康的意見》 | The Central Committee of the Communist Party of China and the State Council | January 2020 | • The target goal is to ensure market hog production capacity recover to a relative normal level in 2020.<br>• Requiring to correct the problems of "no pig city" and "no pig county" under the objective of environment protection.<br>• Encouraging standardized scale pig farming practice, support farmers and pig farming companies through environment evaluation, land application, credit loan and etc. |
| The opinion of supporting private enterprises to develop pig farming and related industry 《關於支援民營企業發展生豬生產及相關產業的實施意見》 | National Development and Reform Commission and Ministry of Agriculture and Rural Affairs of the People's Republic of China | March 2020 | • Encouraging local government to support local pig farming companies to return to work and provide fiscal support.<br>• Encouraging financial institutions to allow large pig farming equipment, market hogs and other related assets to be treated as collateral, increasing the tolerance for non-performing loans.<br>• Ensuring normal order for the transportation of breeding stock, piglets and feedstuff. |

*Source: CIC*

**Market drivers of the market hog market**

The development of China's market hog market is primarily driven by the following factors, according to the CIC Report:

- Pig farms are applying new technology and advanced management techniques to their daily operation. Such activities have improved pig farms' operating efficiency and has led to better reproduction performance of pigs. Thus, these technology applications and management skills are expected to drive the growth of the market hog market as they help increase pig supply.

- With the impact of African Swine Fever, a large number of sick market hogs have been killed and there is a supply shortage of market hogs in China. Such supply shortage has caused a rapid increase in pork price and the industry is expecting lucrative profits from pig farming under the current market conditions.

- Pork price is highly correlated with China's CPI index, which, to a certain degree, reflects the living expense for Chinese people. Therefore, keeping pork price stable is one of the key tasks for the government. As the market hog industry suffers from the African Swine Fever epidemic, the Chinese government has released multiple supportive policies from multiple high-level government agencies to encourage market hog production. These supportive policies are likely to drive the growth of the market hog industry.

**Future trends of the market hog market**

The China's market hog market has the following trends, according to the CIC Report:

- Food safety has become one of the most important factors for Chinese consumers deciding on which food products to purchase. Market hog farms are using new technology and applying more reasonable management methods in their daily operation. For example, using traceable ear tags would make it possible for consumers to check the life path of market hog and better ensure the safety of the meat they purchase. The improved application of technology for food safety will drive the industry to pursue safer products and attain higher margins.

- After experiencing multiple "pig cycles", increasingly restricting environmental protection requirements, African Swine Fever, and urbanization, the number of local farmers who raise market hogs has decreased tremendously. Meanwhile, large-scale pig farms, equipped with their industrial pig farming techniques, are expanding their production capacities due to their lower production cost. Market concentration in the market hog market has been increasing in the past few years.

- African Swine Fever epidemic has caused pig farms to reconsider the importance of pig farm conditions. In the future, in order to prevent the outbreak of other major pig diseases, pig farming companies will pursue higher environmental standards for their pig farms.

**Downstream demand of market hog market**

Pork is one of the most important protein source for Chinese people. Accordingly, pork consumption per person has remained stable between 2014 and 2018 at about 40kg person. Total pork consumption in China reached 58.2 million tonnes in 2014, then experienced a slight decline from 2014-2018.

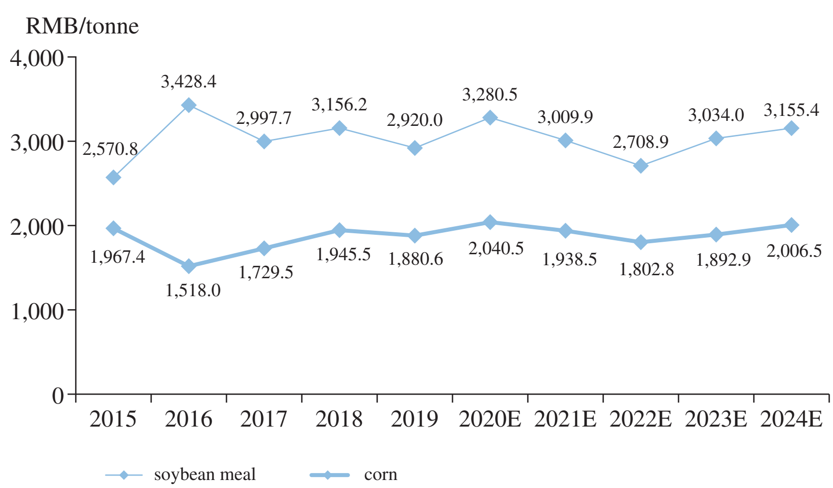
As meat proportion over the pig weight remains stable, total quantity of pork supply per pig remains stable. Along with the stable pork demand, the potential demand quantity of market hog in China remains stable.

On the supply end, as African Swine Fever has killed millions of pigs and it takes a long period of time to recover the stock of sows, there is a huge gap between potential market hog demand and market hog supply for the next few years. The estimated gap between market hogs supply and potential market hogs demand in 2020 is 375 million pigs and such gap is expected to remain large in the next few years, leaving large market opportunities for pig farms to fill.

**Historical price trend of raw material in the pig farming industry**

Feeding stuff costs is one of the most important costs in pig farming industry, it makes up about 50% of total pig farming costs. Feeding stuff costs is highly correlated with grain price, as corn and soybean meal are the main components of feeding stuff. Although the recovery of pig farming industry will stimulate demand for corn and soybean meal, China can import more agricultural products and the price of corn and soybean are expected to remain stable. The following tables illustrate the historical price trend of corn and soybean meal in China from 2015 to 2019 and forecasted period from 2020 to 2024.

**Average price of corn and soybean meal, China, 2015-2024E**




*Source: CIC*

## COMPETITIVE LANDSCAPE

China's breeding stock market is highly fragmented, there are more than 7,000 breeding stock farms in China in 2019.

With some leading pig farming companies choosing to cultivate their own breeding stock instead of purchasing from the market. Among all the breeding stock farming companies, the top five market participants accounted for approximately 1.11% of total market share in terms of breeding stock value in 2019. The top three breeding stock farming companies generated breeding stock sales revenues of RMB224.5 million, RMB216.9 million, and RMB105.7 million, respectively, reflecting market shares of 0.34%, 0.33% and 0.16% in 2019. According to the CIC report, we ranked the first, the fourth and the second among all breeding stock farming companies in terms of breeding stock sales revenue in 2019, 2018 and 2017, respectively, in the PRC. The tables below illustrates details of our major competitors and our respective rankings:

| Company name and headquarter location | Description |
|---|---|
| Company A (Shenzhen) | A-share listed company mainly focus on providing breeding stock and market hogs. |
| Company B (Henan) | A-share listed modern agricultural group with its focus on pig farming, feedstuff processing and slaughtering. |
| Company C (Hainan) | A-share listed modern agricultural group with its focus on pig farming and slaughtering. |
| Company D (Shandong) | A NEEQ listed company mainly focus on providing breeding stock and pig breed improvement. |

**Five largest breeding stock companies ranked by breeding stock revenue in China, 2019**

| 2019 Ranking | Company name | Revenue | Market share in terms of revenue |
|---|---|---|---|
| | | *(RMB million)* | |
| 1 | **Our Group** | 224.5 | 0.34% |
| 2 | Company A | 216.9 | 0.33% |
| 3 | Company B | 105.7 | 0.16% |
| 4 | Company C | 90.8 | 0.14% |
| 5 | Company D | 88.8 | 0.14% |
| | Top five total | 764.1 | 1.11% |
| | Others | 64,725.7 | 98.89% |

*Source: CIC*

China's market hog market is highly-fragmented, there are large number of small scale market hog farms with annual output of less than 1,000 market hogs. In 2019, there were more than 80,000 scale market hog farms with annual output of more than 1,000 market hogs. The top five market participants accounted for 7.06% of total market share in terms of sales revenue in 2019. All top five market participants are listed companies. The top three market hog farming companies generated market hogs sales revenue of RMB41.8 billion, 19.5 billion and 11.4 billion, respectively, reflecting market shares of 3.49%, 1.63% and 0.95% in 2019. We are considered as one of the top 50 market participants in 2017, 2018 and 2019. The tables below illustrates details:

| **Company name and headquarter location** | **Description** |
|---|---|
| Company E (Guangdong) | A-share listed company providing breeding stock, market hogs, chicken and other animals to the market, it is one of the largest agricultural public company in China. |
| Company F (Jiangxi) | A-share listed leading agricultural company with its business areas covering forage, pig farming, veterinary drugs and pesticide. |
| Company G (Sichuan) | A-share listed modern agricultural company with its business areas covering forage, pig farming, meat product and it has business footprint in more than 20 countries and regions. |
| Company H (Zhejiang) | A-share listed leading agricultural company with full industry value chain coverage. Its main business areas include forage, animal vaccine, seafood, pig farming and food process. |

**Five largest market hog companies ranked by market hog revenue in China, 2019**

| **2019 Ranking** | **Company name** | **Revenue** *(RMB billion)* | **Market share in terms of revenue** |
|---|---|---:|---:|
| 1 | Company E | 41.8 | 3.49% |
| 2 | Company B | 19.5 | 1.63% |
| 3 | Company F | 11.4 | 0.95% |
| 4 | Company G | 7.5 | 0.62% |
| 5 | Company H | 4.4 | 0.37% |
| | Top five total | 84.6 | 7.06% |
| | Others | 1,114.1 | 92.94% |

*Source: CIC*

## REGULATIONS RELATING TO THE INDUSTRY

This section sets out summaries of certain aspects of PRC laws and regulations which are relevant to the industry which our Group engages in.

## BREEDING AND FARMING

The breeding and farming of livestock in China are mainly governed by the Stock-breeding Law of the PRC (中華人民共和國畜牧法), which was amended by the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會), or the Standing Committee of the NPC and became effective on 24 April 2015, the Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法), which was amended by the Standing Committee of the NPC (全國人民代表大會常務委員會) and became effective on 24 April 2015, stipulate the conditions an animal breeding farm must meet, and requires the owner of a breeding farm to submit the name of the farm, address, strains of livestock and poultry as well as scale of breeding for recordal with the administrative department for animal husbandry and veterinary medicine under the people's government at the county level where the farm is located, and to obtain labels and codes for the livestock and poultry.

Pursuant to the Opinions of the CPC Central Committee and the State Council On Focusing On the Key Work In the Areas of Agriculture, Rural Areas, and Farmers to ensure the Realization of the Moderate Prosperity in All Respects as scheduled (中共中央、國務院關於抓好"三農"領域重點工作確保如期實現全面小康的意見) issued by the CPC Central Committee and the State Council on 2 January 2020, Chinese government will accelerate the recovery of hog production. And comprehensive measures shall be taken to ensure that live pigs production capacity is basically restored to a level close to normal years before the end of 2020. Chinese government will fully implement the responsibility system that provincial-level governments assume overall responsibility and city mayors assume responsibility for the "vegetable basket" (non-staple food supply) and county-level governments shall strengthen the implementation of responsibility system. Adhering to the combination of supplementary feeding and breeding and epidemic prevention and control, standardized scale breeding of live pigs shall be promoted, and epidemic prevention services for small and medium-sized casual farmers shall be strengthened, and feed production shall be ensured. Various policies and measures to support the production of live pigs shall be strictly implemented, and efforts shall be promptly taken to overcome bottlenecks such as environmental impact assessment, land use, and credit. The rules on reporting the African Swine Fever epidemic situation and prevention and control measures shall be strictly implemented, and the development of a vaccine against African Swine Fever shall be accelerated. The construction of animal epidemic prevention system shall be strengthened, and the protection of epidemic prevention personnel and funds shall be implemented, and the special plan shall be implemented for animal epidemic prevention in major live pig producing counties. The transfer of pig slaughtering and processing shall be led towards the concentrated breeding areas, thus gradually reducing the long-distance transport of live pigs, and promoting the transition from "pig transport" to "meat transport". On 12 February 2020, MARA issued the Implementation Opinions on Implementing the Party Central Committee and the State Council's Deployment of Major Agricultural and

Rural Work in 2020 (農業農村部關於落實黨中央、國務院2020年農業農村重點工作部署的實施意見) (No. 1 [2020] of the MARA), regulating that full efforts will be taken to ensure the stable production and supply of live pigs. Besides, the establishment and operation of a livestock farm should also comply with the rules regarding environment protection which are separately set out in the paragraph headed "Environmental Protection" below.

**Establish a livestock farm**

A livestock farm shall meet the following requirements: (1) having a production site and supporting production facilities that satisfies the needs of the breeding scale; (2) having sufficient employment, livestock breeding and veterinary technicians who are responsible for the tending of animals on the farm; (3) meeting epidemic prevention conditions set by laws, administrative regulations and the livestock breeding and veterinary administrative department; (4) having facilities such as firedamp pool for the comprehensive utilisation of the livestock dung, waste water and other solid wastes, or having other innocuous disposal facilities; (5) other conditions as required by the laws and administrative regulations.

Entities or individuals that intend to engage in production and operation in the breeding or in the commercial production of livestock and poultry shall obtain the license for production and operation of breeding livestock and poultry. To obtain the license for production and operation in the breeding livestock and poultry, the applicant shall meet the following conditions: (1) the breeding livestock and poultry for production and operation must be the breeds and the synthetic strains that have completed verification or identification by the national commission for genetic resources of livestock and poultry, or the breeds and synthetic strains introduced from abroad upon approval; (2) they have animal husbandry and veterinary technicians commensurate with the scale of production and operation; (3) they have the breeding facilities and equipment commensurate with the scale of the production and operation; (4) they have the conditions for prevention of epidemic diseases among the breeding livestock and poultry, as required by laws and administrative regulations as well as by the administrative department for animal husbandry and veterinary medicine under the State Council; (5) they have sound systems for quality control and for recording the breeding of strains; and (6) other conditions as provided for by laws and administrative regulations.

To establish a livestock farm, an application shall be submitted to the administrative department for veterinary medicine at or above the county level. The administrative department shall examine the application. If the application passes the examination, the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) shall be issued to the applicant. The application and issuing of an Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) should follow the Measures for Examining Qualifications of Animal Epidemic Prevention (動物防疫條件審查辦法), which was promulgated on 21 January 2010 by the Ministry of Agriculture (原農業部) and became effective on 1 May 2010.

**Operation of a livestock farm**

A livestock farm should have an animal epidemic prevention system, implement the disinfection work, offer assistance to the supervising agencies for animal epidemic prevention to implement the compulsory immunity measures and attach the immune livestock with the animal immunity certificates.

The operator of a livestock farm should report the farm's name, address, varieties of livestock and the breed dimensions to the local county level animal husbandry and veterinary administrative department for record, and obtain an animal ID code. The specific procedures to obtain the animal ID code and to implement the record file management should follow Administrative Measures for Animal Identification and Aquaculture File (畜禽標識和養殖檔案管理辦法), which was promulgated on 26 June 2006 by the Ministry of Agriculture (原農業部) and became effective on 1 July 2006.

Before introduction of animals to market for sale, relevant personnel of the livestock farm should apply to the local supervising agency for animal epidemic prevention and obtain effective animal epidemic prevention certificate.

Regulations on Pollution Control of Livestock and Poultry Breeding (畜禽規模養殖污染防治條例), which was promulgated by the State Council on 11 November 2013 and became effective on 1 January 2014, had imposed requirements of pollution prevention and waste and pollutants treatment of livestock and poultry farms. According to the Regulations on Pollution Control of Livestock and Poultry Breeding, an assessment on the potential impact to the environment shall be conducted when constructing new breeding farms or expanding existing breeding farms. Also, livestock and poultry breeding farms are required to install waste and pollutants treatment facilities commensurate with their scale of breeding and needs of pollution prevention. Direct dumping of livestock and poultry waste without treatment is prohibited.

Livestock farming also involves the use of veterinary drugs, feed and feed additives, which are governed by the Regulations on Administration of Veterinary Drugs (獸藥管理條例) which was amended by the State Council (國務院) and became effective on 6 February 2016 and was revised on 27 March 2020, Regulations on Administration of Feed and Feed Additives (飼料和飼料添加劑管理條例) which was amended on 1 March 2017 by the State Council and became effective on the same day, and the Drugs Varieties Catalogue Regarding the Prohibition on Use in Feed and Animal Drinking Water (禁止在飼料和動物飲用水中使用的藥物品種目錄) by Ministry of Agriculture (原農業部), Ministry of Health (原衛生部), National Medical Products Administration (國家藥品監督管理局) which was promulgated on 9 February 2002 and became effective on the same date.

**Slaughtering**

Pig slaughtering in the PRC should comply with the Administrative Provisions for Pig Slaughtering (生豬屠宰管理條例) which was amended on 6 February 2016 by the State Council (國務院) and became effective on 6 February 2016 and the Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法). Besides, the establishment and operation of a hog slaughterhouse should also comply with the rules regarding environment protection which are separately set out in the paragraph headed "Environmental Protection" below.

**Disease Prevention**

The Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法) and the Measures for the Examination of Animal Epidemic Prevention Conditions (動物防疫條件審查辦法) which was promulgated by Ministry of Agriculture (原農業部) on 21 January 2010 and became effective on 1 May 2010, stipulate the conditions for prevention of animal epidemics that an animal breeding farm shall meet and require the operators of an animal breeding farm to apply to the administrative departments for veterinary medicine under the people's government at the county level for a certificate for meeting animal epidemic prevention conditions.

Measures for Management of Animal Diseases Inspection (動物檢疫管理辦法) which was issued by Ministry of Agriculture (原農業部) on 21 January 2010 and effective on 1 March 2010 and be revised by the MARA on 25 April 2019 provides the animal disease inspection activities in the territory of the PRC to strengthen management of animal disease inspection to prevent, control and eradicate animal diseases.

**Prevention and Control of African Swine Fever ("ASF")**

The prevention and control of ASF are mainly governed by the Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法), which was amended by the Standing Committee of the NPC on 24 April 2015 and became effective on the same day, the Law of the PRC on the Entry and Exit Animal and Plant Quarantine (中華人民共和國進出境動植物檢疫法), which was amended by the Standing Committee of the NPC on 27 August 2009 and became effective on the same day, the Regulation on Handling Major Animal Epidemic Emergencies (重大動物疫情應急條例), which was amended by the State Council on 7 October 2017 and became effective on the same day, the Regulation on the Administration of Slaughtering of Pigs (生豬屠宰管理條例), which was amended by the State Council on 6 February 2016, the National Plan for Handling Serious Animal Epidemic Emergencies (國家突發重大動物疫情應急預案) issued by the State Council on 27 February 2006 and became effective on the same day, and Measures for Administration of Animal Quarantine (動物檢疫管理辦法), which was amended by the Ministry of Agriculture and Rural on 25 April 2019 and became effective on the same day.

Pursuant to the Notice on issuing the implementation plan for ASF epidemic (2020) (農業農村部關於印發《非洲豬瘟疫情應急實施方案(2020年版)》的通知(農牧發[2020]10號)) (No. 10 [2020] of the MARA) issued by the MARA on 29 February 2020 and was repealed by the MARA on 29 May 2020, and the implementation of the new Notice proposed by the MARA was adapted to the new situation and new requirements of prevention and control of the ASF, strengthening normalized prevention and control, and guide localities in scientific and standardized handling of the epidemic, any entity or individual shall report the abnormal mortality of pigs and wild boars to the local animal husbandry and veterinary departments or animal health supervision institutions or animal epidemic prevention and control institutions, and relevant sites where suspicious and suspected outbreak have occurred shall be strictly isolated and monitored, and the sites and the farms (households) with epidemiological connection shall be sampled and tested. The movement of susceptible animals and their products, feed and litter, waste, vehicles, related facilities and equipment are prohibited, and their internal and external environments shall be strictly disinfected. If it is necessary, measures such as blockade and culling can be taken. The people's government at the county level where the epidemic occurred shall organize the culling of all live pigs in a timely manner in accordance with the law, and to deal with all sick and dead pigs, culled pigs and their products in a bio-safe way. The pig slaughtering enterprises in the epidemic area shall implement thorough cleaning and disinfection of the workshops and related sites. After 48 hours, the slaughterhouses may apply for assessment made by the local animal husbandry and veterinary department and may resume production if they pass the assessment. In the process of handling epidemic diseases, if the main responsibilities of the practitioners in pig breeding, trafficking, trading, slaughter, etc. are found to be inadequate, and the staff of relevant departments have committed illegal acts such as negligence, dereliction of duty, malfeasance, etc., the parties concerned shall be held liable seriously according to relevant laws and regulations.

The Chinese government's current control of different processes of ASF is also reflected in the following aspects:

In the breeding process, in accordance with the Notice on strengthening the investigation of the ASF epidemic in the breeding process (農業農村部辦公廳關於加強養殖環節非洲豬瘟疫情排查工作的通知(農辦牧[2019]39號)) (No. 39 [2019] of the General office of the MARA) issued by the General Office of the MARA on 12 April 2019, large-scale pig farms and breeding farms are encouraged to carry out self-checking of African swine fever. Animal husbandry and veterinary departments at all levels shall urge pig farmers to further implement the main responsibility of epidemic prevention and proactively strengthen the construction of animal epidemic prevention facilities. Specifically, instruments and equipment for the detection of ASF shall be allocated and disinfectant drugs and other ancillary supplies shall be adequately provided. The breeding houses, yards, utensils, and vehicles that entering and exiting the breeding farm shall be cleaned and disinfected, and wastes shall be harmless treated. In addition, bio-safety management shall be strengthened and management systems such as closed breeding, all-in and all-out feeding (pigs in the same breeding house are transferred in and out on the same day, which is conducive to the control of infectious diseases.) shall be implemented and unrelated personnel and vehicles shall be prohibited from entering the site area. In order to avoid cross-contamination, measures for barrier isolation shall be taken and empty stall management shall be implemented. In order to prevent the risk of epidemic transmission, special investigations and renovation shall be strictly carried out to prohibit feeding pigs by using kitchen residues.

In brief, the current key measures for epidemic prevention and control are to strengthen the investigation of ASF. Specifically, the appropriate departments shall encourage large-scale pig farms and breeding farms to carry out self-inspection of ASF and strengthen the management of the epidemic and positive samples. If the pig farm household self-test or the veterinary social service institution is entrusted with the detection of suspected ASF virus nucleic acid, the slaughterhouses should report the result to the local animal husbandry and veterinary department in accordance with the law, and promptly send the positive sample to the provincial institution of animal disease prevention and control for confirmative testing. Before the sample is confirmed to be positive or negative, the pig farm households must strictly conduct isolation of pig and management of risk items, and not allowed to dispose of them without approval. If the sample is confirmed to be positive, relevant information must be reported to the appropriate departments in accordance with the law.

In addition, pursuant to the Opinions of the General office of the State Council (GOSC) on strengthening prevention and control of ASF (國務院辦公廳關於加強非洲豬瘟防控工作的意見(國辦發[2019]31號)) (No. 31 [2019] of the GOSC) issued by the GOSC on 22 June 2019, it also provides for strengthening the epidemic prevention supervision of pig breeding farms(households), including improve the level of bio-safety protection and implement key prevention and control measures.

According to the Notice of the General Office of the State Council on the Prevention and Control of Animal Epidemic Diseases such as ASF (國務院辦公廳關於做好非洲豬瘟等動物疫病防控工作的通知(國辦發明電(2018)10號)) (No. 10 [2018] of the General Office of the State Council) issued by the General Office of the State Council on 30 August 2018, the government encourages pig farms (households) to carry out the detection of ASF on their own, in order to investigate and handle the accident hazard as soon as possible. Law enforcement and supervision shall be intensified to supervise pig farms (households) in carrying out the report of the epidemic in a strict and standard way so as to strictly prevent the spread of the epidemic. Carrying out special renovation of rigorously cracking down on illegal activities such as acquisition, trafficking, sales, and random disposal of sick and dead pigs, and the most severe punishment shall be imposed upon those acts in violation of the provisions of the laws and regulations above. The appropriate departments shall lawfully suspend the licenses of the pig's designated slaughter, if one violates the relevant provisions of the laws and regulations such as failing to meet environmental protection standards, or failing to meet the requirements for preventing animal epidemic, or leading to the spread of the ASF epidemic due to inadequate detection, counterfeiting, etc.

In the slaughtering process, pursuant to the Notice on strengthening the investigation of the ASF in the slaughtering process (農業農村部關於加強屠宰環節非洲豬瘟檢測工作的通知(農牧發[2019]7號)) (No. 7 [2019] of the MARA) issued by the MARA on 13 March 2019, and the Announcement on Further Improving the Prevention and Control of ASF (關於進一步做好非洲豬瘟防控工作的公告) (Announcement 119 of the MARA)issued by the Ministry of Agriculture and Rural Affairs (MARA) on 2 January 2019, and the Notice on issuing the implementation plan for ASF epidemic(2020) (農業農村部關於印發《非洲豬瘟疫情應急實施方案(2020年版)》的通知(農牧發[2020]10號)) (No. 10 [2020] of the MARA) issued by the

MARA on 29 February 2020 and was repealed by the MARA on 29 May 2020, and the implementation of the new Notice proposed by the MARA was adapted to the new situation and new requirements of prevention and control of the ASF, strengthening normalized prevention and control, and guide localities in scientific and standardized handling of the epidemic, the pig slaughterhouses shall, in accordance with relevant regulations, strictly carry out the investigation, detection and epidemic reporting of ASF, and take proactive measures to undergo supervision and inspection. The pig slaughterhouses shall strictly examine the live pigs beforehand and may not purchase or slaughter pigs under following circumstances:

(1) There is no valid animal quarantine certificate;

(2) The ear tag is incomplete or the quarantine certificate is inconsistent with the information of the ear tag;

(3) The live pigs are transported in violation of the relevant regulations;

(4) Other illegal practice or violations.

The pig slaughterhouses should strictly follow the regulations and implement the system of examination and quarantine inspection and of clinical inspections on pigs to be or being slaughtered. If the test result is positive, the slaughterhouses should report the result to the local animal husbandry and veterinary department without delay. Animal husbandry and veterinary departments at all levels shall urge pig slaughtering enterprises to implement their main responsibilities and carry out self-inspection of ASF. Meat products that have not passed inspection and quarantine and ASF testing shall be strictly prohibited from entering the market. Animal husbandry and veterinary departments around the country shall urge the pig slaughtering companies to take an active role in creating conditions for early self-inspection of ASF. It is provided that inter-provincial sales of pig products and slaughtering companies with an annual slaughter of more than 100,000 heads, as well as integrated pig slaughtering and processing companies, shall conduct self-examination and rectification. Pig slaughtering companies shall be comprehensively cleaned up within a time limit. Specifically, all required enterprises that have not obtained sewage discharge permits and do not meet the requirements for animal epidemic prevention shall immediately cease production and make rectifications. If the rectification fails to meet the standards before July 1, the qualification for fixed-point slaughter shall be resolutely cancelled according to law.

In the processing and distribution process, according to the Announcement of the State Administration for Market Regulation (SAMR), the MARA, the Ministry of Industry and Information Technology on Carrying out the Detection of ASF in the Processing and Distribution process (市場監管總局、農業農村部、工業和信息化部關於在加工流通環節開展非洲豬瘟病毒檢測的公告(2019年第17號)) (Announcement 17 of the SAMR), pork products processing enterprises and pig product operators(including food service providers) must strictly implement the purchase inspection and recording system, and strengthen the management and traceability management of purchased pig products, and ensure that the purchased pig products come from designated slaughterhouses (fields). Pork products processing enterprises and pig product operators who purchase pig products shall inspect their animal quarantine certificates, meat quality inspection certificates and ASF test results (reports) in batches to ensure that the purchased pig products are free of ASF Viruses. As for the purchased live pig products, it should be accompanied by inspection and quarantine certificate for imported goods. It is not allowed to purchase pig products without ASF test results (reports) and quarantine or with unqualified quarantine, to ensure that pork products and pig products that they operate do not contain ASF virus. Market supervision departments at all levels and animal husbandry and veterinary departments shall strengthen the traceability investigation of ASF nucleic acid-positive results for products. Responsible breeding factories (farms), slaughter factories (farms), pork products processing enterprises, and pig product operators shall be severely punished.

In the process of supervision of pig movement, pursuant to the Notice of the General Office of the MARA on Strengthening the supervision of movement of pigs in the prevention and control of ASF (農業農村部辦公廳關於防治非洲豬瘟加強生豬移動監管的通知(農辦醫[2018]38號)) (No. 38 [2018] of the General Office of the MARA), in accordance with the results of risk assessment, the city where the affected area is located is a high-risk area for the animal disease, and other cities in the province and other provinces are low-risk areas. Pigs (including breeding pigs and wild boars, the same below) and their products from the ASF affected area are strictly forbidden to transfer out of the area. It is strictly forbidden to transfer pigs in high-risk areas and pig products without high temperature treatment. Transporting live pigs and their products in low-risk areas is prohibited from passing through high-risk areas. Pig farms (households), entities and individuals engaged in the purchase and selling of pigs, and animal product manufacturers and operators are strictly prohibited from importing pigs and pig products without high temperature treatment from high-risk areas. Farms (households) and pig slaughtering enterprises shall be supervised to implement their main responsibilities and declare quarantine in accordance with regulations, and thoroughly clean and disinfect transportation vehicles before loading and after unloading. The quarantine work shall be carried out strictly in accordance with the requirements of procedures and regulations, and the quarantine declaration of live pigs transferred from high-risk areas and live pig products without high temperature treatment shall not be accepted. Pursuant to the Announcement of the MARA on Strengthening the Supervision of Pig Transport Vehicles (農業農村部公告第79號—關於加強生豬運輸車輛監管有關事項公告(農業農村部公告第79號)) (Announcement 79 of the MARA), pig transport vehicles shall be filed with the county-level animal husbandry and veterinary department at the carrier's location. When transporting live pigs by road, they should use live pig transport vehicles that have been recorded, and carry live pigs strictly in accordance with the destination, quantity, etc. stated in the animal quarantine certificate. The carrier shall not carry the animal without providing an animal quarantine certificate. The carrier shall timely clean and disinfect the transport vehicle before loading and after unloading. The carrier shall record the quarantine certificate number, the number of live pigs, the time of delivery, the place of departure, the place of arrival, the route of delivery, vehicle cleaning, disinfection, and the disposal of epidemic and illness pigs, and disposal of unknown causes of dead pigs during transportation in detail. According to the Notice of the MARA on regulating live pig and live pig product transfer activities (農業農村部關於規範生豬及生豬產品調運活動的通知) (NO. 23 [2018] of the MARA), and the Notice of the MARA on further strengthening the supervision of inter-provincial transfer of live pigs and their products (農業農村部關於進一步加強生豬及其產品跨省調運監管的通知) (NO. 33 [2018] of the MARA), and Announcement on Strengthening the Supervision of Livestock and Poultry (加強畜禽移動監管有關事項公告(農業農村部公告第2號)) (Announcement 2 of the MARA) and the Notice of the General Office of the MARA on Organizing the Filing of Live Pig Transport Vehicles (農業農村部辦公廳關於組織做好生豬運輸車輛備案等有關工作的通知(農業農村部[2018]63號)) (NO. 63 [2018] of the MARA), after the animal health supervision institutions and its official veterinarians have received the quarantine declaration from the origin of the pigs, the pigs to be transported for external transfer shall be strictly checked for the record and cleaning and disinfection of the transport vehicles. The animal quarantine certificates shall be filed step by step after verification. If it is found that the vehicle carrying live pigs has not been filed or has been forged, altered, rented, or borrowed from the filing form, it shall be ordered to correct it, and the competent animal husbandry and veterinary department shall be notified in a timely manner. Livestock and poultry farms (households) shall, before selling or transporting livestock and poultry, declare to the local animal health supervision agency for quarantine, and submit application materials such as animal quarantine declaration forms and relevant animal epidemic disease test reports, etc. according to the Animal Epidemic Prevention Law of the PRC and the Measures for the Administration of Animal Quarantine. Only those who pass the quarantine inspection and meet relevant quarantine regulations can be transported. Relevant departments shall further strengthen the interception, supervision and inspection of vehicles carrying live pigs and their products.

Pursuant to the Opinions of the CPC Central Committee and the State Council On Focusing On the Key Work In the Areas of Agriculture, Rural Areas, and Farmers to ensure the Realization of the Moderate Prosperity in All Respects as scheduled (中共中央、國務院關於抓好"三農"領域重點工作確保如期實現全面小康的意見) issued by the CPC Central Committee and the State Council on 2 January 2020, comprehensive measures shall be taken to ensure that live pigs production capacity is basically restored to a level close to normal years before the end of 2020. The supply of pork shall be ensured. Adhering to the combination of supplementary feeding and breeding and epidemic prevention and control, standardized scale breeding of live pigs shall be promoted, and epidemic prevention services for small and medium-sized casual farmers shall be strengthened, and feed production shall be ensured. Various policies and measures to support the production of live pigs shall be strictly implemented, and efforts shall be promptly taken to overcome bottlenecks such as environmental impact assessment, land use, and credit. The rules on reporting the ASF epidemic situation and prevention and control measures shall be strictly implemented, and the development of a vaccine against ASF shall be accelerated. The construction of animal epidemic prevention system shall be strengthened. The transfer of pig slaughtering and processing shall be led towards the concentrated breeding areas, thus gradually reducing the long-distance transport of live pigs, and promoting the transition from "pig transport" to "meat transport". On 12 February 2020, the MARA issued the Implementation Opinions on Implementing the Party Central Committee and the State Council's Deployment of Major Agricultural and Rural Work in 2020 (農業農村部關於落實黨中央、國務院2020年農業農村重點工作部署的實施意見(農發[2020]1號)) (No. 1 [2020] of the MARA), regulating that full efforts will be taken to ensure the stable production and supply of live pigs.

The Chinese government also guarantees the transportation of pork after the outbreak of ASF. According to the Implementation Opinions of National Development and Reform Commission (NDRC) and the MARA on Supporting Private Enterprises to Develop Pig Production and Related Industries (國家發展改革委、農業農村部關於支持民營企業發展生豬生產及相關產業的實施意見(發改農經[2020]350號)) (No. 350 [2020] of the NDRC), it is taking effective measures to prevent the spread of the epidemic. At the same time, the normal distribution order of pigs and pork markets shall be maintained, and the quarantine of pigs' origin and the supervision of transportation shall be regulated. No more restriction measures shall be taken at every level to impose an embargo or restricted transportation and set up administrative barriers. The connection between production and marketing shall be strengthened, and the orderly transfer of breeding pigs and piglets shall be ensured, and the "point-to-point" transfer mechanism for live pigs and their products shall be improved.

The Chinese government grants subsidies for the compulsory culling due to ASF. According to the Implementation Opinions of National Development and Reform Commission (NDRC) and the MARA on Supporting Private Enterprises to Develop Pig Production and Related Industries (國家發展改革委、農業農村部關於支持民營企業發展生豬生產及相關產業的實施意見(發改農經[2020]350號)) (No. 350 [2020] of the NDRC), financial support shall be increased. It shall be continued to arrange investment within the central budget to support the construction of live pig breeding, epidemic prevention and control, standardized large-scale breeding, and utilization of livestock and poultry manure resources. Make good use of incentive funds of large-scale pig farms (households) from major pig selling counties to support private enterprises to develop live pig production and related industries. Implement the compulsory culling subsidies for ASF. Give full play to the guiding role of agricultural machinery purchase subsidy policy, and integrate automatic feeding, environmental control, epidemic prevention and control, waste treatment and other agricultural machinery and equipment into the scope of subsidized machinery types. According to the Notice of the General Office of the MARA on effectively Implementing the Financial Subsidy Policy for ASF Prevention and Control (農業農村部辦公廳 財政部辦公廳 關於做好非洲豬瘟防控財政補助政策實施工作的通知(農辦計財[2019]4號)) (No. 4 [2019] of the MARA), local financial departments at all levels shall work with the agricultural and rural departments to implement the financial subsidy policy for ASF prevention and control as required, and use funds in strict accordance with the purposes of expenditure to ensure timely implementation of funds in order to maintain social stability and promote the healthy development of the pig industry. Local governments must effectively implement the policies for subsidizing compulsory culling due to ASF and issue subsidy funds as soon as possible.

**Protection of live pig breeding industry during the outbreak of COVID-19**

On 12 February 2020, the State Council issued the Notice of the State Council's Joint Prevention and Control Mechanism For the Outbreak of COVID-19 On Compacting that City mayors Assume Responsibility for the "Vegetable Basket" (Non-staple Food Supply) (non-staple food supply) and Ensuring the Stable Production and Supply of Agricultural Products (國務院應對新型冠狀病毒感染肺炎疫情聯防聯控機制關於壓實"菜籃子"市長負責制做好農產品穩產保供工作的通知), requiring that during the prevention and control of outbreak of

COVID-19, normal economic and social order shall be maintained, and the supply of vegetables, meat, eggs, milk, food and other residents' necessities shall be ensured. Accelerate the recovery of live pigs production, and supplementary feed and breed livestock and poultry in a timely manner. Keep a firm focus on preventing and controlling major animal epidemics such as African Swine Fever and bird flu. Smooth access to logistics channels for agricultural production material, and transport vehicles for transporting agricultural material such as vegetable seedlings, young commercial livestock and poultry, breeding livestock and poultry, fries and seeds in agriculture, feed, and fertilizers shall not be blocked. Accelerate the resumption of production by upstream and downstream enterprises in the breeding industry.

On 4 February 2020, the General Office of MARA issued an Emergency Notice On Maintaining the Normal Production and Marketing Order of the Animal Husbandry And Ensuring the Supply of Meat, Eggs and Milk Markets (農業農村部辦公廳關於維護畜牧業正常產銷秩序保障肉蛋奶市場供應的緊急通知) (No. 8 [2020] of the General Office of MARA). Pursuant to the Emergency Notice of the General Office of the MARA and the Ministry of Transport and the Ministry of Public Security On Ensuring the Normal Circulation of "vegetable basket" (non-staple food supply) products and agricultural production materials (No. 7 [2020] of the General Office of MARA), it is not allowed to intercept transport vehicles for transporting young commercial livestock and poultry, breeding livestock and poultry. No transport vehicles for transporting livestock products shall be intercepted. The slaughter houses shall not be closed. It is not allowed to block the village and break the road. Enterprises shall be supported to resume work as soon as possible.

In accordance with the Emergency Notice of the General Office of the MARA, and the National Development and Reform Commission, and the Ministry of Transport on Resolving Current Practical Difficulties and Accelerating the Resumption of Operation and Production in breeding Industry (No. 14 [2020] of the General Office of MARA), joint efforts shall be taken to resume production and development of live pigs. In order to ensure that new pig breeding construction and expansion projects in various places start the process or resume production, and then meet production requirements as soon as possible, enterprises shall be given "point-to-point" services to solve the problem of employment for construction, and the supply of construction materials shall be ensured. The county-level agricultural and rural departments shall appoint liaison officers for all large-scale pig and poultry farms, and enterprises relating to feed, slaughter and processing and processing of aquatic products within their jurisdictions. The county-level agricultural and rural departments shall timely grasp the production and operation situation of the business operators, solving the difficulties that they face, and promoting the implementation of the various supporting policies in this notice. The departments shall ensure that the basic production capacity of the breeding industry will not suffer from any losses, and the breeding industry will move steadily upward. According to the Guidelines on Strengthening Measures for Prevention and Control of African Swine Fever(ASF) (《非洲豬瘟防控強化措施指引》) issued by the MARA on 21 May 2020, 12 enhanced measures have been clarified, focusing on sampling and testing of an entrance, investigation of the ASF epidemic, epidemic reporting, management of the positive samples, prize-giving report and establishment of blacklist system. In addition, the Guidelines focuses on the supervision of key links such as pig breeding, marketing, transportation, slaughtering and harmless treatment, and the plan of further expanding the scope of the pilot area for prevention and control.

According to the Notice of the General Office of the MARA on Strengthening the Management of Live Pig Purchase and Trafficking (No. 30 [2020] of the General Office of the MARA) 《農業農村部辦公廳關於強化生豬收購販運管理的通知》(農辦牧[2020] 30號), the basic information management of live pig purchase and trafficking entities shall be strengthened, and the responsibilities of the main body in the link of Live Pig Purchase and Trafficking shall be consolidated, and the management of the risk of pig purchase and trafficking shall be enhanced.

## QUALITY AND SAFETY OF ANIMAL PRODUCT

In accordance with the Agricultural Product Quality and Safety Law of the PRC (中華人民共和國農產品質量安全法), which was amended on 26 October 2018 by the Standing Committee of the NPC and became effective on the same day, the PRC established an improved system of agricultural product quality and safety standards. Agricultural product quality and safety standards shall be compulsory technical norms. Agricultural products for sale must meet agricultural product quality and safety standards.

A licensing system shall be applied to pesticides, veterinary drugs, feed and feed additives, fertilisers, and veterinary devices which might affect agricultural product quality and safety, in accordance with relevant laws and administrative regulations.

Animals and plants required by law to be subject to quarantine, as well as their products, shall be attached with marks and certificates of conformity.

## FOOD QUALITY AND LIABILITIES

Products that our Group manufacture are subject to the laws, rules and regulations in relation to the product quality in the PRC. The Product Quality Law of the PRC (中華人民共和國產品質量法) which was amended on 29 December 2018 by the Standing Committee of the NPC and became effective on the same day. The Product Quality Law of the PRC is the principal law governing the supervision and administration of product quality. According to the Product Quality Law of the PRC, manufacturers are liable for the quality of products they produce and sellers must take reasonable actions to ensure the quality of the products they sell.

Pursuant to the General Rules of the Civil Law of the PRC (中華人民共和國民法總則), which was promulgated by the National People's Congress (全國人民代表大會) of the PRC on 5 March 2017 that became effective on 1 October 2017, the General Principles of the Civil Law of the PRC (中華人民共和國民法通則), which was amended by the National People's Congress (全國人民代表大會) that became effective on 27 August 2009 and the Law on the Protection of Consumers' Rights and Interests of the PRC (中華人民共和國消費者權益保護法), which was amended by the Standing Committee of the NPC on 25 October 2013 and became effective on 15 March 2014, both manufacturers and distributors shall be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture or distribute.

The Tort Liability Law (中華人民共和國侵權責任法), which was promulgated by the Standing Committee of the NPC on 26 December 2009 and became effective on 1 July 2010, provides that where a product endangers personal life or property due to its defect, the manufacturers and the distributors shall bear liability in tort.

**PRODUCTION SAFETY**

The Production Safety Law of the PRC (中華人民共和國安全生產法), which was amended on 31 August 2014 by the Standing Committee of the NPC and became effective on 1 December 2014 is the principal law governing the supervision and administration of production safety. The production, business operation, transportation, storage, use of and disposal of any dangerous substances shall be subject to the examination and approval as well as the supervision and administration of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards.

**LAND USE**

Land related laws and regulations mainly include Land Administration Law of the PRC (中華人民共和國土地管理法) which was promulgated by the Standing Committee of the National People's Congress and became effective on 28 August 2004 and be revised on 26 August 2019, Rules for Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) which was promulgated by the State Council and became effective on 29 July 2014, Provisional Regulations of the People's Republic of China concerning the Grant and Assignment of the Right to Use State Land in Urban Areas (城鎮國有土地使用權出讓和轉讓暫行條例) which was promulgated by the State Council and became effective on 19 May 1990, Law of the People's Republic of China on Land Contract in Rural Areas (中華人民共和國農村土地承包法) which was amended on 29 December 2018 by the Standing Committee of the National People's Congress and became effective on 1 January 2019, Administrative measures for the circulation of contracted rural land management rights (農村土地承包經營權流轉管理辦法) which was promulgated on 19 January 2005 by Ministry of Agriculture and became effective on 1 March 2005, Notice concerning the protection of land for pig breeding (自然資源部辦公廳關於保障生豬養殖用地有關問題的通知) issued by Ministry of Natural Resources (自然資源部) and became effective on 4 September 2019 and Notice on the Three-year Action Plan for Accelerating the Resumption and Development of Pig Production (農業農村部關於印發加快生豬生產恢復發展三年行動方案的通知) issued by MARA and became effective on 4 December 2019.

**State-Owned Land use**

Land for construction must be owned by the state. If the occupation of agricultural land for construction purposes involves the conversion of agricultural land into construction land, the examination and approval procedures for the conversion of agricultural land must be gone through, with the exception of the three types of situations in which township enterprises and villagers build houses and the construction of public facilities and public welfare undertakings in townships (towns) and villages.

Self-built houses on state-owned land for construction purposes in accordance with the project construction in accordance with the law shall acquire the right to use construction land planning permit, the notice of approval of design plan, the construction project planning permit, the construction project construction permit, the environmental protection department of construction project environmental impact assessment documents of approval, the completion inspection and acceptance certificate, the fire acceptance certificate and then apply to the people's governments at or above the county level for registration and certification of ownership.

**Collectively Owned Land Use**

Land used for agricultural facilities is divided into three categories, land for production facilities, land for ancillary facilities and land for supporting facilities, which in nature are different from land used for non-agricultural construction project and are treated and administered as agricultural land. The construction of farms on collectively owned agricultural land shall be directly used or served for agricultural production, and shall be supervised in accordance with the agricultural land of facilities, without the need to obtain approval procedures for construction projects, so as to ensure the land for breeding. Pig breeding land is subject to agricultural land management policies, applicable to relevant regulations and policies of agricultural land supervision, and no construction land approval procedures are required.

On the premise of not occupying permanent basic farmland, land space for pig breeding shall be reasonably arranged to allow the pig breeding land to use general cultivated land. The land used for production facilities such as pig breeding house, channel and green isolation belt shall be determined according to the breeding scale. The land used for ancillary facilities will be further increased, the upper limit of 15 mu (0.0667 hectares), and ensure the land needed for waste disposal in pig breeding. It is encouraged that the use of barren hills, ditches, hills, beaches and rural collective construction land to conduct pig breeding and production, and the use of land used for original breeding facilities for pig breeding and production.

Production facility land mainly includes the livestock and poultry house in the large-scale breeding, livestock and poultry organic matter disposal and other production facilities and green isolation belt land. The land for ancillary facilities shall include the necessary supporting technical facilities for inspection, quarantine and monitoring, animal and plant diseases and insect pests prevention and control, as well as the land for necessary management premises;

The land needed for the collection, storage and treatment of waste materials such as livestock and poultry manure, sewage and other environmental protection facilities; Land used for temporary storage, sorting and packaging of equipment, raw materials and agricultural products necessary for facility agricultural production.

## ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) amended by the Standing Committee of the NPC and took effect on 24 April 2014, all entities and individuals shall have the obligation to protect the environment and the right to report and charge the entities and individuals that have caused pollution and damage to the environment.

### Prevention and Control of Various Pollutions

Pursuant to the Law on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) amended by the Standing Committee of the NPC on 27 June 2017 and took effect on 1 January 2018, environmental impact assessment shall be conducted on any new construction, reconstruction and expansion of projects or other installations on water which directly or indirectly discharge pollutants into the water. Discharge of water pollutants shall be within national or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants. Any enterprise, institution or other producers that directly or indirectly discharges industrial sewage must obtain the relevant pollutant discharge permit.

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) amended by the Standing Committee of the NPC on 26 October 2018 which became effective on the same day, entities that construct projects capable to discharge pollutants into the air shall conduct environmental impact assessments and disclose documents related to such environmental impact assessments. The discharge of atmospheric pollutants must not exceed the state and local discharging standards. Enterprises and public institutions discharging industrial waste gases or the toxic or hazardous atmospheric pollutants listed in the catalogue specified in Article 78 of the Law of the PRC on the Prevention and Control of Atmospheric Pollution, business entities using coal heat sources for central heating facilities, and other entities practising pollutant discharge permit administration according to laws shall obtain a pollutant discharge permit.

Pursuant to the Measures for Pollutant Discharge Permitting Administration (排污許可管理辦法) amended on 22 August 2019 by the Ministry of Environmental Protection (原環保部) and became effective on the same day, and the General Rules on the Specification of the Environmental Management Records and Compliance Reports of Pollutant Discharge Licencing (Trial) (排污單位環境管理台賬及排污許可指行政報告技術規範總則(試行)) promulgated and implemented by the Ministry of Ecology and Environment on 27 March 2018, pollutant-discharging entity shall apply a pollutant discharge license and discharge pollutants in compliance with the pollutant discharge licence in accordance with the law, and shall prepare the environmental management records and the compliance reports in accordance with the pollutant licences and the specifications stated in the above-mentioned Measures and the General Rules. The enterprises, public institutions and other producers and businesses falling on the classification and administration list of pollutant discharge permits for stationary pollution sources shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit, and those not on the catalogue are not required to do so for the time being. According to the Classification and Administration Lists of Pollutant Discharge Permits for Stationary Pollution Sources (Version 2017) (《固定污染源排污許可分類管理名錄(2017年)》) issued by the Ministry of Environmental Protection (原環保部) on 28 July 2017, the existing enterprises and public institutions and other producers and operators should apply for pollutant discharge permits within the execution period in accordance with the requirements under the List. Animal solid waste treatment and electric power generation with biomass are not the industries required to obtain the pollutant discharge permit before the end of 2019.

The Regulations on the Prevention and Control of Pollution Caused by Large-scale Breeding of Livestock and Poultry (畜禽規模養殖污染防治條例) issued by the State Council on 11 November 2013 and implemented since 1 January 2014, provide that, livestock and poultry farms and breeding districts shall be built, reconstructed and expanded to meet the requirements of animal epidemic prevention and in compliance with the development plan of animal husbandry and pollution prevention and control plan of livestock and poultry breeding, and such farms and districts must undergo environmental impact assessment. In the livestock and poultry farms and breeding districts there must be relevant facilities for faeces of livestock and poultry, shunting sewage and rains, storage of faeces and sewage, and comprehensive utilisation and harmless treatment facilities for anaerobic digestion and stack retting of faeces, organic fertiliser processing, methane producing, separation and delivery of dregs and fluid of methane, sewage treatment and corpse treatment. China encourages and supports comprehensive use of wastes of breeding of livestock and poultry by way of rebuilding farms with manure, production methane and organic fertiliser, and the like; and China encourages and supports the disposal and containment of wastes of breeding of livestock and poultry by way of combining planting and breeding to utilise wastes such as manure of livestock and poultry and sewage nearby; and China encourages and supports comprehensive utilisation such as methane and organic fertiliser production and construction of facilities for delivery and utilisation of dregs and fluid of methane and methane electricity generation and the like.

For pig breeding projects, according to the Notice on Further Work Related to Environmental Assessment Management of pig breeding scale (關於進一步做好當前生豬規模養殖環評管理相關工作的通知) issued by the General office of MARA, more than 96% of pig breeding projects (pig breeding projects with an annual production capacity of less than 5,000 pigs) are required to fill in the environmental impact registration form online, other than obtaining environmental evaluation approval. For pig breeding projects with an annual quota of 5,000 pigs or more, an attempt shall be made to carry out the reform of the eia notification and commitment system. The construction entity shall submit the signed notification and commitment letter, environmental impact statement and other necessary documents to the environmental assessment and approval department before the construction begins. Environmental assessment for examination and approval department after receiving the letter of commitment and environmental impact statements and other documents, without evaluation, review of examination and approval decision directly, such attempt from the date of the notice issued by the 31 December 2021, for the following scale pig-breeding projects and do not set the size of the sewage outfalls pig breeding project, administration does not ask for emission permits and economic aggregates. For new pig breeding projects (including reconstruction and expansion of pig breeding projects), supporting facilities for recycling feces and sewage shall be constructed simultaneously, and the cultivated land occupied shall be returned in line with the breeding scale. If feces and sewage cannot be utilized for recycling, pollution disposal measures shall be made clear, and emission shall be up to the standard in accordance with national and local regulations.

## REGULATIONS RELATING TO THE OPERATIONS OF OUR GROUP

### Labor

In accordance with the Labor Law (中華人民共和國勞動法) amended by the Standing Committee of the National People's Congress and became effective on 29 December 2018, employers shall establish and improve their rules and regulations in accordance with the law so as to ensure that workers enjoy labor rights and perform their labor obligations.

In accordance with the Labor Contract Law (中華人民共和國勞動合同法) amended by the Standing Committee of the National People's Congress, came into effect on 28 December, and the Regulation on the Implementation of the Labor Contract Law (中華人民共和國勞動法實施條例) issued by the State Council on 18 September 2008 and came into effect on the same day, labor contracts must be concluded in written form. Upon reaching an agreement after due negotiation, an employer and an employee may conclude a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon the completion of certain work assignment. Upon reaching an agreement after due negotiation with employees or under other circumstances in line with legal conditions, an employer may terminate a labor contract and dismiss its employees in accordance with law. Labor contracts concluded before the issuance of Labor Law and existing during its effective term shall continue to be acknowledged.

### Social Insurance

Pursuant to the Law of Social Insurance of the PRC (中華人民共和國社會保險法) amended by the Standing Committee of the NPC on 29 December 2018 and came into effect on the same day, the Chinese social security system basically consists of five major types of social insurances, namely maternity insurance, endowment insurance, medical insurance, unemployment insurance and industrial injury insurance, and each company in the PRC is required to contribute social insurance for its employees.

If any company fails to fully pay the social insurance premiums, relevant administration authority on social insurance premiums collection (the premiums collection authority) shall order such company to fully pay the outstanding social insurance premiums within a time limit; if such company fails to pay the premiums in accordance with the order, the premiums collection authority is entitled to check the company's bank account with banks or other financial institutions, and could ask the relevant PRC authorities to order the bank or other financial institutions in writing to settle the outstanding social insurance premiums with the money in such company's bank account. If the balance of the company's bank account is lower than the amount of the social insurance premiums payable, the premiums collection authority is entitled to require such company to provide guarantee and enter into an agreement in relation to late payment of social insurance premiums. Provided such company fails to fully pay the social insurance premiums and has not provided any guarantee, the premiums collection authority is entitled to apply to the people's court to detrain, seal up and auction such company's property, and the proceeds from the auction will be appropriated by the premiums collection authority to pay up the outstanding social insurance premiums.

Under the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險徵繳暫行條例) amended by the State Council on on 24 March 2019 and took effect on the same day, employers and individuals shall pay social insurance premiums timely in full amount, at the same time, it clarified that if an employer fails to pay and withhold social insurance premiums, the labour insurance administrative department or the tax authority shall order it to pay within a prescribed time limit. In addition to arrears, 0.2% of the number of arrears per day shall be collected.

Pursuant to the Regulation on Labour Security Supervision (勞動保障監察條例) promulgated by the State Council on 1 November 2004, and implemented on 1 December 2004, and the Administrative Penalty Law of the PRC (中華人民共和國行政處罰法) amended by the Standing Committee of the NPC on 1 September 2017, where an act of violating labour security laws, regulations or rules is neither investigated by the labour security administration nor reported or complained by others within 2 years, the labour security administration shall no longer investigate it. The period prescribed above shall be counted from the date on which the violation is committed. However, if the violation is of a continuous or continual nature, it shall be counted from the date on which such a violation is terminated.

According to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilising the Collection of Social Security Contributions (關於貫徹落實國務院常務會議精神切實做好穩定社保徵收工作的緊急通知) issued by Ministry of Human Resources and Social Security (人力資源社會保障部) on 21 September 2018, the existing policies of collection in relation to basic endowment insurance premiums and the rates apply to residents in different areas shall remain unchanged until the implementation of restructuring of institutions responsible for collection of social insurance. The local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection in a centralized manner of unpaid social insurance contributions from enterprises for the previous years.

According to the Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy (關於進一步支持和服務民營經濟發展若干措施的通知) issued by State Taxation Administration (國家稅務總局) on 16 November 2018, the State Administration of Taxation shall actively cooperate with relevant departments in conducting research into proposals for cuts in social insurance contribution rates, so as to ensure that the overall burden on enterprises will not be increased and the actual social insurance contribution burden borne by enterprises will be relieved substantially. In the process of reforming the collection and administration mechanism of social insurance contributions, the tax authorities at all levels must ensure that the payment methods are stable, actively cooperate with relevant departments in reasonably preparing the revenue budget of social insurance contributions that reflects the requirements for cuts in such contributions, and strictly levy such contributions according to the budget adopted by the National People's Congress upon deliberation. With regard to the arrearages of contributors including private enterprises for previous years, centralized settlement shall not be organized or implemented without authorization.

**Housing Provident Fund**

Pursuant to the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例) amended by the State Council on 24 March 2019 and took effect on the same day, employers in the PRC must register with the housing provident fund management centre. Employers will then need to open housing fund accounts with specified banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

Any entity fails to make payment and deposit registration of housing provident fund or go through the formalities for opening housing provident fund account for its employees will be ordered by the housing provident management centre to process the foregoing within prescribed period, otherwise it will be imposed a fine ranging from RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund within the time limit or have shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management centre is entitled to apply for compulsory enforcement with the people's court.

**Intellectual Property**

***Patent Law***

Pursuant to the Patent Law (中華人民共和國專利法) amended by the Standing Committee of the NPC on 27 December 2008, and its Implementation Rules (中華人民共和國專利法實施細則), amended by the State Council on 9 January 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent and 10 years for a utility model patent and a design patent, commencing from their respective application dates.

***Trademark Law***

Pursuant to the Trademark Law (中華人民共和國商標法) amended by the Standing Committee of the NPC on 23 April 2019 and came into effect on 1 November 2019, and its Implementation Rules (中華人民共和國商標法實施條例) amended by the State Council on 29 April 2014, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry, if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark.

***Copyright law***

The Copyright Law of the PRC (中華人民共和國著作權法) amended by the Standing Committee of the National People's Congress on 26 February 2010 and became effective on 1 April 2010, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

***Domain Name***

In accordance with Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) amended by the Ministry of Industry and Information Technology (工業和信息化部) on 24 August 2017, and came into effect on 1 November 2017, those who carry out such activities as service provision, operation and maintenance as well as supervision and administration of Internet domains within PRC shall be subject to the said measures. The registration of a domain name shall follow the principle of "registration being granted to the first applicant", and if it is otherwise provided for in relevant detailed rules for the implementation of domain name registration, such rules shall prevail.

**Taxation**

***Enterprise Income Tax***

Pursuant to the Enterprise Income Tax Law (中華人民共和國企業所得稅法) amended by the Standing Committee of the NPC on 29 December 2018 and became effective on the same day, and the Regulation on Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) amended by the State Council on 23 April 2019, unless specified, a uniform income tax rate of 25% applies to all enterprises within the territory of the PRC. These enterprises are classified as either resident companies or non-resident companies. Under the the Enterprise Income Tax Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "resident enterprises" and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. However, for the income from agriculture, forestry, husbandry and fishery projects, the enterprise income tax may be exempted or reduced.

***Value-added Tax***

Pursuant to the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) amended by the State Council on 19 November 2017, and the Detailed Rules for Implementing the Interim Regulations of the PRC on Value-Added Tax (中華人民共和國增值稅暫行條例實施細則) amended by the Ministry of the Finance (財政部) on 28 October 2011 and became effective on 1 November 2011, all enterprises and individuals engaged in sale of goods, provision of processing, repair and replacement services, sale of services, intangible assets and, or real estate, and the importation of goods within the territory of the PRC shall pay VAT. For general VAT taxpayers selling or importing goods other than those specifically listed in relevant laws and regulations, the VAT rate is 17%, and in certain limited circumstances the VAT rate is 11%.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知) amended by the Ministry of Finance (財政部) and the State Taxation Administration (國家稅務總局) on 4 April 2018 and implemented on 1 May 2018, the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) promulgated by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs of the PRC (海關總署) on 20 March 2019 and became effective on 1 April 2019, tax rates of the Value-Added Tax on sales, imported goods that were previously subject to 16% and 10% were adjusted to 13% and 9% respectively.

***Urban Maintenance and Construction Tax and Education Surtax***

Pursuant to Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) amended by the State Council on 8 January 2011 and took effect on the same day, any entity or individual liable to consumption tax, VAT and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, VAT and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

## FOREIGN EXCHANGE REGULATIONS OF THE PRC

In accordance with Regulations on the Administration of Foreign Exchange (中華人民共和國外匯管理條例) amended by the State Council on 5 August 2008 and became effective on the same day, foreign currency earnings of domestic entities or individuals can be transferred back to the PRC or deposited overseas; the conditions and time limit of transferring back to China and overseas deposit shall be specified by the foreign exchange administration department of the State Council in accordance with the international receipts and payments status and requirements of foreign exchange administration. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange in accordance with the relevant provisions of the State. Domestic entities or individuals who directly make overseas investment or involve in distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council. If the above entities or individuals shall be subjected to the approved of or record-filing with the competent department in advance as required by the state, they should submit related documents for inspection, approval and record-filing before foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

In accordance with the Provisions on Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) issued by the People's Bank of China (中國人民銀行) on 20 June 1996 and came into effect on 1 July 1996, foreign exchange receipts under the current account of foreign-invested enterprises may be retained within the maximum amount approved by the foreign exchange administration department and the exceeding part shall be sold to a designated foreign exchange bank or sold through the foreign exchange swap center.

In accordance with the Notice of State Administration of Foreign Exchange on Reforming and Regulating the policies for the Administration of Foreign Exchange Settlement under the Capital Account (國家外匯總局關於改革和規範資本項目結匯管理政策的通知) issued by the State Administration of Foreign Exchange (國家外匯總局) on 9 June 2016 and came into effect on the same day, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement in accordance with relevant policies, shall be conducted in the banks as actually needed for business operation. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. The State Administration of Foreign Exchange may adjust the above ratio in due time in accordance with the balance of payment status.

## REGULATIONS RELATED TO THE "FULL CIRCULATION" OF H-SHARE

"Full circulation" means listing and circulating on the Hong Kong Stock Exchange of the domestic unlisted shares of a domestic joint stock company ("**H-share listed company**"), including unlisted Domestic Shares held by domestic shareholders prior to overseas listing, unlisted Domestic Shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (Announcement of the CSRC [2019] No. 22) (《H股公司境內未上市股份申請「全流通」業務指引》(中國證監會公告[2019]22號)) ("**Guidelines for the 'Full Circulation'**").

According to the Guidelines for the "Full Circulation", shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". To file an application for "full circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company". An H-share listed company may apply for "Full Circulation" separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas initial public offering. After the application for "full circulation" has been approved by the CSRC, an H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the CSDCC of the shares related to the application has been completed. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

On December 31, 2019, CSDCC and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股「全流通」業務實施細則》) ("**Measures for Implementation**"). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDCC and CSDCC (Hong Kong) and Shenzhen Stock Exchange.

According to the Measures for Implementation, after having completed relevant information disclosure, the H-share listed companies with the approval of the CSRC to engage in the H-share "Full Circulation" business shall apply to the CSDCC for the deregistration of part or all of the non-foreign listed shares, and shall re-register the fully circulated H-shares which are not pledged, frozen, restricted to transfer to the share register institutions in Hong Kong. Such shares shall become eligible for listing and circulation on the Stock Exchange.

Relevant securities are centrally deposited in CSDCC for settlement. As the nominal holder of the above-mentioned securities, CSDCC handles the depository and holding details maintenance, cross-border clearing and settlement and other businesses involved in the "full circulation" of H-shares, and provides nominal holder services for investors. The H-share listed company shall be authorized by "Full Circulation" shareholders to choose domestic securities companies that participate in the "full circulation" business of H-shares. "Full Circulation" shareholders submit trading instructions of H-shares "Full Circulation" shares through domestic securities companies. Domestic securities companies shall select a Hong Kong Securities Company to submit trading instructions of their "Full Circulation" shareholders to Hong Kong Stock Exchange for trading. After the transaction is concluded, CSDCC and CSDCC (Hong Kong) shall handle the cross-border clearing and settlement of relevant shares and funds. The settlement currency of H-share "full circulation" transaction business is Hong Kong dollars. Where an H-share listed company entrusts CSDCC to distribute cash dividends, it shall file an application with CSDCC. An H-share listed company distributing cash dividends may apply to the CSDCC for the holding details of relevant "fully-tradable" shareholders on the securities registration date. The non-H-share "fully circulated" securities listed on the Stock Exchange obtained due to the distribution and conversion of H-share "fully circulated" securities may be sold but shall not be purchased. Where the right to subscribe for the shares listed on Hong Kong Stock Exchange is obtained and the subscription right is listed on Hong Kong Stock Exchange, it may be sold, but shall not be exercised.

In order to fully promote the reform of H-shares "full circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDCC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈〈H股「全流通」業務指南〉的通知》) in February 2020, which specified the business preparation, account arrangement, cross-boarder share transfer registration and overseas centralized custody, etc. In February 2020, CSDCC (Hong Kong) also promulgated the Guide to the Program for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股「全流通」業務指南》) to specify the relevant escrow, custody, agent service of CSDCC (Hong Kong), arrangement for settlement and delivery and other relevant matters.

## OUR HISTORY

### Overview

We are a pig farming company aimed to provide high-quality breeding stock, with revenue mainly derived from, among others, sales of breeding stocks and market hogs. Our origin dated back to 2004 when Tianson Real Estate and Tianzow Food founded our Company (which was named Sichuan Tianson Husbandry Technology Company Limited ("**Tianson Husbandry**") (四川省天生畜牧科技有限公司) at the time of establishment), with registered capital of RMB5,000,000. Since our establishment, we underwent several capital increases and equity transfers. As at the Latest Practicable Date, Tianzow Food was controlled by Mr. Yu and Ms. Tan, who are the founders of our Company, through Tianson Real Estate. Mr. Yu and Ms. Tan become involved in the wet market building and leasing business since 1999 when they established Tianson Real Estate. They noticed that pork is an essential item for the public with good prospect. Therefore, Mr. Yu and Ms. Tan decided to enter into the pig farming industry and founded the Group in 2004. For details of the said capital increases and equity transfers, please refer to section sub-headed "– Changes in the Registered Capital and Major Changes in our Shareholding Structure".

In preparation for the listing of the NEEQ, our Company was converted from a limited liability company into a joint stock limited liability company and renamed as Sichuan Tianzow Breeding Technology Co., Ltd (四川天兆豬業股份有限公司) on 20 June 2016. Our Company was listed on the NEEQ on 18 November 2016. Afterwards, by our Company's voluntary application, our Company's Shares were delisted from the NEEQ on 4 April 2019. For details of the said prior listing on and delisting from the NEEQ, please refer to the section sub-headed "– Our Corporate Development".

### Milestones

The following set forth the key milestones of our business development:

| Year | Event |
|---|---|
| 2004 | Tianson Husbandry, our predecessor, was established in Sichuan on 10 November 2004. |
| 2008 | We imported 866 purebreds from a Canada based company, including Duroc, Landrace and Yorkshire, together with their breeding technology. |
| 2011 | We were awarded National Key Leading Enterprise of Agricultural Industrialization (農業產業化國家重點龍頭企業榮譽). |
| 2014 | Our brand "Tianzow Breeding" (天兆豬業) was awarded PRC Well-known Trademark (中國馳名商標). |

| | |
|---|---|
| 2015 | In March 2015, our Company was awarded the Sichuan Provincial Science and Technology Award (四川省科學技術進步獎). |
| 2016 | On 18 November 2016, our Company listed its Shares on the NEEQ (stock code: 839932). |
| 2017 | We imported from a France based company 975 purebreds and obtained their support to set up our selection and evaluation programme. |
| 2019 | Our Company de-listed from the NEEQ on 4 April 2019 as part of our development strategy. |

## OUR COMPANY

### Our Corporate Development

The major corporate developments of our Company and our key operating subsidiaries which were material to our performance during the Track Record Period and up to the Latest Practicable Date are set out below.

Our predecessor, Tianson Husbandry was established in the PRC on 10 November 2004 as a limited liability company with a total registered capital of RMB5,000,000, in which RMB3,000,000 was contributed by Tianson Real Estate and RMB2,000,000 was contributed by Tianzow Food, respectively.

On 11 May 2007, Tianson Husbandry was renamed as Sichuan Tianzow Husbandry Technology Company Limited (四川省天兆畜牧科技有限公司).

On 20 June 2016, to prepare for the listing on NEEQ, our predecessor was converted from a limited liability company into a joint stock limited liability company and renamed as Sichuan Tianzow Breeding Technology Co., Ltd (四川天兆豬業股份有限公司). After the conversion, the share capital of our Company was RMB54,935,600 divided into 54,935,600 Shares with a nominal value of RMB1.00 each, of which Tianzow Food, Tianson Real Estate and Tianpan Technology held 36,131,500 Shares, 13,680,100 Shares and 5,124,000 Shares, approximately 65.77%, 24.90% and 9.33% of our issued share capital, respectively.

On 31 October 2016, our Company received approval for its Shares to be listed on NEEQ in the PRC. Our Company was listed on NEEQ on 18 November 2016 (stock code: 839932).

On 1 February 2019, our Shareholders resolved to voluntarily delist our Company's Shares from NEEQ ("**NEEQ Delisting**"). The NEEQ Delisting was approved by Shareholders holding approximately 99.85% of our Company's total Shares entitled to vote on the matter. On 2 April 2019, our Company received regulatory approval for the NEEQ Delisting. The NEEQ Delisting was completed on 4 April 2019. The NEEQ Delisting was a decision made as part of our corporate development strategy. Immediately before our then issued Shares were delisted from the NEEQ, none of our then issued Shares were publicly traded on the NEEQ market, and hence, there was no trading price and no market capitalisation was recorded.

***Compliance during listing on NEEQ***

Our Directors confirm, to the best of their knowledge and belief, that:

(a) during the period that our Company was listed on NEEQ:

  (i) it had been in compliance in all material respects with all applicable rules and regulations in the PRC;

  (ii) it had not been subject to any disciplinary action by any relevant law enforcement authority or regulator; and

(b) there are no further matters in relation to the prior listing of our Company that need to be brought to the attention of the Stock Exchange or our Shareholders.

Our PRC Legal Adviser has confirmed that, during our Company's listing on the NEEQ, neither our Company nor our Directors were subject to any disciplinary actions or administrative penalties for non-compliance with the applicable regulatory rules of the NEEQ. The Sole Sponsor concurs with our Directors' confirmation that (i) there are no further matters in relation to the prior listing of our Company that need to be brought to the attention of the Stock Exchange or our Shareholders; (ii) our Company had been in compliance in all material respects with all applicable rules and regulations in the PRC; and (iii) our Company had not been subject to any disciplinary action by any relevant law enforcement authority or regulator.

***Reasons for our delisting from the NEEQ & Listing on the Stock Exchange***

Our Directors considered, and our Shareholders subsequently approved, Hong Kong to be a suitable location for listing our business. We consider that the NEEQ Delisting is beneficial to the Company as (i) the NEEQ is a market in the PRC open to qualified investors only, and it adopts a market maker, negotiated transfer or investor competing transfer trading mechanism rather than continuous auction mechanism, which significantly limits investor discovery and order execution; (ii) as a gateway between the PRC and the international market, Hong Kong would give us greater access to international investors and global markets; accordingly, the Listing would provide us a viable source of capital to support our business growth; and (iii) our Shares would be listed on a competitive and established exchange with a long-standing reputation as one of the leading stock exchanges globally. For these reasons, our Directors consider the NEEQ Delisting, and listing of Shares of our Company on the Stock Exchange to be in the interests of our Group and our Company, as a whole.

***Reasons for the inconsistencies of the information disclosed in this prospectus as compared to the filing on the website of NEEQ***

There are few inconsistencies of the information disclosed in this prospectus as compared to the filing on the website of NEEQ:

(a) our financial results of the Group for FY2017 disclosed in this prospectus is inconsistent with the results set out in our Annual Report for FY2017 during our listing on NEEQ (the "**Annual Report 2017**"). Such inconsistency is mainly arising from the different accounting standards adopted, specifically the Annual Report 2017 was prepared in accordance with the PRC Generally Accepted Accounting Principles; whilst the historical financial information in this prospectus was prepared in accordance with applicable International Financial Reporting Standards as set out in Appendix I – Accountants' Report.

(b) the identities and the transaction amounts of the top five customers and the top five suppliers of the Group for FY2017 disclosed in this prospectus are inconsistent with the disclosure in the Annual Report 2017. Such inconsistency is primarily because of the grouping of entities under common control in this prospectus to illustrate the concentration risk.

Our Directors confirm and the Sole Sponsor concurs that the inconsistencies disclosed above have been properly dealt with, and save for the disclosure above, there is no other material inconsistency of the information disclosed in this prospectus as compared to the filing on the website of NEEQ.

**Changes in the Registered Capital and Major Changes in our Shareholding Structure**

At the time of establishment on 10 November 2004, the registered capital of Tianson Husbandry was RMB5,000,000, which was held as to 60% by Tianson Real Estate and as to 40% by Tianzow Food.

On 15 March 2007, Tianson Real Estate and Tianson Food entered into an equity transfer agreement, pursuant to which Tianson Real Estate transferred 59% of interests in Tianson Husbandry to Tianzow Food for a consideration of RMB6,950,000. Immediately following the transfer, the equity interests of Tianson Husbandry was held as to 99% by Tianzow Food and as to 1% by Tianson Real Estate.

On 12 November 2007, in view of financial needs for business development, our Shareholders resolved to increase the registered capital of our Company from RMB5,000,000 to RMB15,000,000, with additional capital contribution of RMB9,900,000 by Tianzow Food and RMB100,000 by Tianson Real Estate. Thereafter, our Company was held as to 99% by Tianzow Food and as to 1% by Tianson Real Estate. The registration of the registered capital increase with the Administration for Industry and Commerce was completed on 19 November 2007.

On 3 June 2008, in view of financial needs, our Shareholders resolved to increase the registered capital of our Company from RMB15,000,000 to RMB30,000,000, with additional capital contribution of RMB14,850,000 from Tianzow Food and RMB150,000 from Tianson Real Estate. Thereafter, our Company was held as to 99% by Tianzow Food and as to 1% by Tianson Real Estate. The registration of the registered capital increase with the Administration for Industry and Commerce was completed on 24 June 2008.

On 18 August 2009, Tianson Real Estate and Tianzow Food entered into an equity transfer agreement, pursuant to which Tianson Real Estate transferred 1% of interests in our Company to Tianzow Food for a consideration of RMB300,000. Immediately following the transfer, the equity interests of our Company was 100% held by Tianzow Food.

On 13 May 2012, in view of financial needs, our Shareholders resolved to increase the registered capital of our Company from RMB30,000,000 to RMB35,124,000, with additional capital contribution of RMB5,124,000 by Tianpan Technology. Following such increase, the equity interests of our Company was held as to 85.41% by Tianzow Food and as to 14.59% by Tianpan Technology. The registration of the registered capital increase with the Administration for Industry and Commerce was completed on 22 May 2012.

On 10 November 2014, in view of financial needs, our Shareholders resolved to increase the registered capital of our Company from RMB35,124,000 to RMB48,954,200, with additional capital contribution of RMB4,663,900 from Tianzow Food and RMB9,166,300 from Tianson Real Estate. Following such increase, the equity interests of our Company was held as to 70.81% by Tianzow Food, 18.72% by Tianson Real Estate, and as to 10.47% by Tianpan Technology. The registration of the registered capital increase with the Administration for Industry and Commerce was completed on 28 November 2014.

On 5 February 2015, in view of financial needs, our Shareholders resolved to increase the registered capital of our Company from RMB48,954,200 to RMB54,935,600, with additional capital contribution of RMB4,513,800 from Tianson Real Estate and RMB1,467,600 from Tianzow Food. Following such increase, the equity interests of our Company was held as to 65.77% by Tianzow Food, 24.90% by Tianson Real Estate, and 9.33% by Tianpan Technology. The registration of the registered capital increase with the Administration for Industry and Commerce was completed on 11 February 2015.

On 20 June 2016, to prepare for the listing on NEEQ, our predecessor was converted into a joint stock company with limited liability under the laws of the PRC with an issued share capital of RMB54,935,600, comprising 54,935,600 Shares with a nominal value of RMB1.00 each.

On 18 November 2016, our Company was listed on the NEEQ.

On 18 September 2017, our issued share capital was increased from RMB54,935,600 to RMB57,938,600. As a result of such increase, our Company was owned as to 62.3617% by Tianzow Food, 23.6114% by Tianson Real Estate, 8.8438% by Tianpan Technology and the remaining 5.1831% by 32 individual Shareholders, majority of which were the Company's then directors, supervisors and employees with remaining as external individual investors.

On 1 September 2018, our Shareholders resolved to distribute stock dividend at a ratio of 10 Shares per 10 Shares to all Shareholders. As a result of such Share issue, our issued share capital was increased from RMB57,938,600 to RMB115,877,200.

On 1 February 2019, our Shareholders resolved to voluntarily delist our Company's Shares from NEEQ. As part of the application for NEEQ Delisting, our Company's Controlling Shareholders, Mr. Yu and Ms. Tan, undertook that they (or their designated party) would repurchase any dissenting or abstaining Shareholders' Shares at a price not lower than their original consideration. Accordingly, from April to June 2019, Tianson Real Estate entered into share transfer agreements with four dissenting Shareholders, pursuant to which 20,000, 16,000, 120,000 and 20,000 Shares, representing an aggregate of 0.1520% of the then total issued share capital in our Company were transferred from Chen Fujun, Zhao Fazong, Zhou Qun and Zhu Xiaodi (all being ex-employees), respectively, to Tianson Real Estate. During the period from April to June 2019, the price paid for the repurchase of Shares from each of the four dissenting Shareholders was RMB10.32 per Share which was set based on the original purchase price of each Share of RMB9.00 per Share, hence the total consideration involved amounted to RMB1,816,320. As at the Latest Practicable Date, the considerations for the share repurchase have all been settled. As advised by our PRC Legal Adviser, considering that the considerations for the share repurchase have been settled, there is no potential litigation risks arising from the Group's repurchases of shares from all of the then Shareholders.

In June 2019, each of our 18 then Shareholders entered into a share transfer agreement with Tianson Real Estate, pursuant to which 775,556 Shares, representing an aggregate of approximately 0.6693% of our then total issued share capital, were transferred to Tianson Real Estate. The same selling price in the amount of RMB10.32 per Share was agreed with all these selling Shareholders which was set after taking into account the original consideration of each Share at RMB9.00 per Share, with the following exceptions: (a) the selling price was RMB9.00 per Share for the transaction with Sun Quanxing, who was willing to sell 8,000 Shares at a lower price due to urgent financial needs; and (b) the selling price was RMB9.92 per Share for the transaction with Xie Kaili and He Rui who sold 240,000 Shares and 100,000 Shares, respectively. The price was set after deducting the divided declared in the amount of RMB0.4 yuan per Share from the uniform repurchase price of RMB10.32 per Share. The consideration for such transfer has been fully settled on 3 September 2019.

For the purpose of family wealth management, on 19 January 2020, a share transfer agreement was executed, pursuant to which Tianson Real Estate agreed to transfer 28,311,756 Shares, representing approximately 24.4326% of our then issued share capital, to Ms. Tan at consideration of RMB49,673,497.92, which represented the amount of capital contribution attributed to the relevant Shares. The consideration for such transfer has been fully settled.

The shareholding structure of our Company upon completion the above Share transfers was as follows:

| **Shareholders** | **No. of Shares** | **Amount of Issued Share Capital** *(RMB)* | **Approximate Percentage of Shareholding** |
|---|---|---|---|
| Tianzow Food | 72,263,000 | 72,263,000 | 62.3617% |
| Ms. Tan | 28,827,756 | 28,827,756 | 24.8778% |
| Tianpan Technology | 10,248,000 | 10,248,000 | 8.8438% |
| 12 individual Shareholders *(Note)* | 4,538,444 | 4,538,444 | 3.9167% |
| **Total** | 115,877,200 | 115,877,200 | 100.0000% |

*Note:* The remaining equity interest is held as to (i) 2,540,000 Shares by Jin Xiangyu (an ex-Director), (ii) 660,000 Shares by Zhang Renna (an employee), (iii) 604,000 Shares by He Rui (Mr. Yu's brother-in-law and an employee), (iv) 400,000 Shares by Wang Degen (an Independent Third Party), (v) 240,000 Shares by Wang Xianmin (an Independent Third Party), (vi) 24,000 Shares by Li Hua (an Independent Third Party), (vii) 20,000 Shares by Xie Kaili (an employee), (viii) 14,444 Shares by Ou Shijiu (an employee), (ix) 14,000 Shares by Ren Dongmei (an employee), (x) 10,000 Shares by Ma Chenglong (an employee), (xi) 8,000 Shares by Liu Yebin (Mr. Yu's cousin and an employee), and (xii) 4,000 Shares by Song Ruibin (an employee).

Save as disclosed above, there have been no major changes in our shareholding during the Track Record Period and up to the Latest Practicable Date.

As advised by our PRC Legal Adviser, save as disclosed in this prospectus, the establishment and the conversion of nature of our Company and each change in the shareholding structure of our Company were legally and properly completed and settled and complied with all applicable laws, rules and regulations from time to time in force in the PRC. As at the Latest Practicable Date, we had obtained all necessary approvals, permits, authorisations and consents from the relevant PRC authorities with respect to such changes in all material aspects and such approvals, permits, authorisations and consents are valid, current, subsisting and not revoked and the equity interest held by our Company in each of our subsidiaries is valid.

**Former directors**

Some of our Group's directors and supervisors resigned during the Track Record Period. Our Directors confirmed that such directors and supervisors have no disagreement or disputes with the Group. The Sole Sponsor is of the view that there are no further matters in relation to the resignation of the former directors and supervisors that need to be brought to the attention of the regulatory authorities and the investors.

## OUR SUBSIDIARIES

The following table sets out the details of our subsidiaries as at the Latest Practicable Date:

| No. | Name of subsidiaries | Place of Establishment | Date of Establishment | Registered capital as at the Latest Practicable Date *(RMB'000)* | Our Company's effective interest | Principal business activities |
|---|---|---|---|---|---|---|
| 1. | Heilongjiang Tianzow | PRC | 22 May 2017 | 66,000 | 100% | Production and sales of breeding stock and market hogs |
| 2. | Heilongjiang Tianzow Feed | PRC | 3 June 2019 | 10,000 | 100% | Feed production |
| 3. | Chongqing Tianzow | PRC | 18 November 2014 | 10,000 | 100% | Production and sales of breeding stock and market hogs |
| 4. | Tianmu Feed | PRC | 13 June 2014 | 1,000 | 100% | Feed production |
| 5. | Ya'an Tianzow | PRC | 6 May 2014 | 10,000 | 100% | Production and sales of breeding stock and market hogs |
| 6. | Tian'an Pharmaceuticals | PRC | 24 June 2013 | 1,000 | 100% | Sales of animal drugs |
| 7. | Tiansai Consulting | PRC | 8 May 2012 | 500 | 100% | Breeding technology consultancy |
| 8. | Gansu Tianzow | PRC | 28 February 2012 | 20,000 | 100% | Production and sales of breeding stock and market hogs |

| No. | Name of subsidiaries | Place of Establishment | Date of Establishment | Registered capital as at the Latest Practicable Date *(RMB'000)* | Our Company's effective interest | Principal business activities |
|---|---|---|---|---|---|---|
| 9. | Guizhou Tianzow | PRC | 12 January 2011 | 20,000 | 100% | Production and sales of breeding stock and market hogs |
| 10. | Wusheng Tianzow | PRC | 29 January 2010 | 10,000 | 100% | Production and sales of breeding stock and market hogs |
| 11. | Guang'an Tianzow | PRC | 26 October 2004 | 30,000 | 100% | Meat processing |
| 12. | Boli Tianzow | PRC | 3 April 2018 | 120,000 | 54.55% | Production and sales of breeding stock and market hogs |
| 13. | Xinjiang Bayin | PRC | 5 September 2019 | 100,000 | 100% | Production and sales of breeding stock and market hogs |
| 14. | Jiayuguan Tianzow | PRC | 6 September 2019 | 40,000 | 60% | Production and sales of breeding stock and market hogs |
| 15. | Lanzhou Tianzow | PRC | 7 December 2018 | 150,000 | 100% | Production and sales of breeding stock and market hogs |
| 16. | Nanchong Yuxing | PRC | 22 December 2008 | 1,200 | 100% | Production and sales of breeding stock and market hogs |

| No. | Name of subsidiaries | Place of Establishment | Date of Establishment | Registered capital as at the Latest Practicable Date *(RMB'000)* | Our Company's effective interest | Principal business activities |
|---|---|---|---|---|---|---|
| 17. | Guang'an Tianzow Trading | PRC | 9 May 2016 | 1,000 | 100% | Pork meat trading |
| 18. | Pengshui Tianzow Husbandry | PRC | 24 October 2019 | 10,000 | 100% | Production and sales of breeding stock and market hogs |
| 19. | Chengdu Tianzow Husbandry | PRC | 25 December 2019 | 4,000 | 100% | Production and sales of breeding stock and market hogs |
| 20. | Jiangsu Tianzow | PRC | 26 November 2008 | 60,000 | 100% | Production and sales of breeding stock and market hogs |
| 21. | Ebian Tianzow | PRC | 19 November 2019 | 60,000 | 60% | Production and sales of breeding stock |
| 22. | Jinyang Tianzow | PRC | 15 October 2020 | 50,000 | 100% | Production and sales of breeding stock and feeding stuff |

For changes in the share capital of our principal subsidiaries, please refer to the section headed "Statutory and General Information – Further information about our Group – Changes in share capital of our principal subsidiaries" in this prospectus.

## ACQUISITIONS DURING THE TRACK RECORD PERIOD

During the Track Record Period, the Company has completed the following acquisitions and, as advised by our PRC Legal Adviser, they have been properly and legally completed and settled.

### Acquisition of the entire equity interest in Guang'an Tianzow

On 30 June 2018, our Company entered into an equity transfer agreement with Tianson Real Estate, pursuant to which our Company acquired 100% of the equity interest in Guang'an Tianzow from Tianson Real Estate for a total consideration of RMB35,293,300, which was determined on the basis of the assets appraisal report issued by an independent valuer. Upon completion of such acquisition, Guang'an Tianzow became a wholly owned subsidiary of our Company. This acquisition enabled us to engage in slaughtering and was part of our strategic plan.

### Acquisition of the equity interest in Jiangsu Tianzow

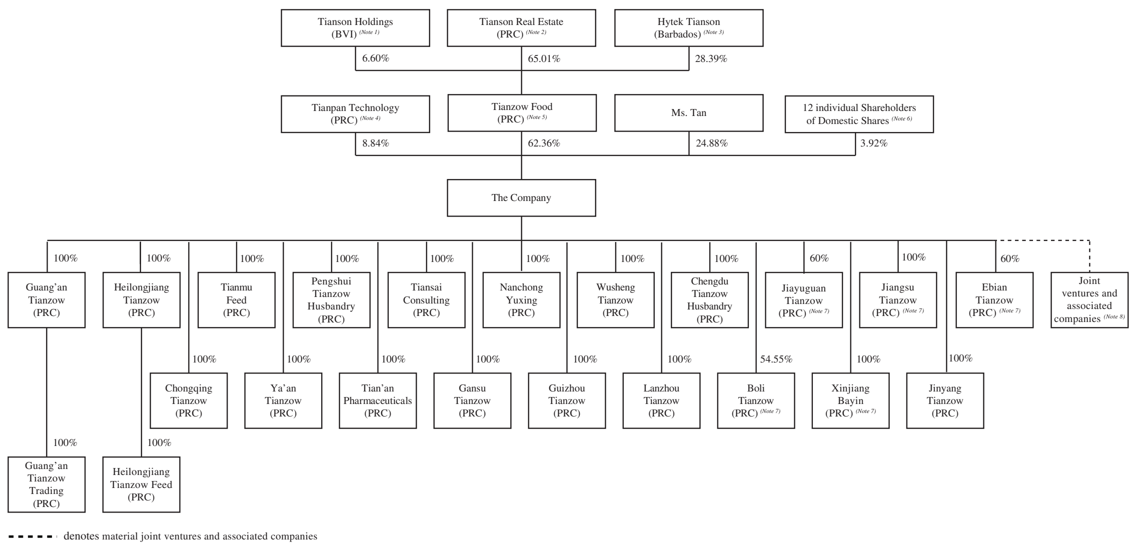
On 30 December 2019, our Company entered into an equity transaction contract with SJTU Education Service Industry Investment Management (Group) Co. Ltd (上海交大教育服務產業投資管理(集團)有限公司), pursuant to which our Company acquired 47.62% of the equity interest in Jiangsu Tianzow from SJTU Education Service Industry Investment Management (Group) Co. Ltd, through Shanghai United Assets and Equity Exchange (上海聯合產權交易所有限公司), for a total consideration of RMB15,500,000, which was determined on the basis of the assets appraisal report issued by an independent valuer. On 6 May 2020, our Company entered into an equity transfer agreement with Shanghai Xinzhou Investment Management Company Limited (上海新周投資管理有限公司) ("**Shanghai Xinzhou**"), pursuant to which our Company acquired 4.76% of the equity interest in Jiangsu Tianzow from Shanghai Xinzhou for a total consideration of RMB1,550,000, taking into account the consideration paid for the acquisition of 47.62% of the equity interest in Jiangsu Tianzow on 30 December 2019. Upon completion of such acquisition, the equity interests of Jiangsu Tianzow was held as to 100% by the Company and became our wholly owned subsidiary. Jiangsu Tianzow is primarily engaged in stockbreeding and the acquisition is part of our strategic development.

Our Company confirmed that all applicable approvals had been obtained and the acquisitions disclosed above have been properly and legally completed and settled.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any major acquisition, disposal or merger.

## CORPORATE STRUCTURE

The following diagram illustrates our shareholding structure as at the Latest Practicable Date and immediately prior to the Global Offering:




*Notes:*

1. As at the Latest Practicable Date, Mr. Tam Kwok King, who is the uncle of Ms. Tan, owned the entire equity interest of Tianson Holdings.

2. Tianson Real Estate is a company incorporated in the PRC in 1999 and is primarily engaged in wet market leasing. As at the Latest Practicable Date, Mr. Yu and Ms. Tan respectively held 80% and 20% of the registered capital of Tianson Real Estate. Mr. Yu is the spouse of Ms. Tan.

3. As at the Latest Practicable Date, Hytek Tianson was wholly owned by HyLife Foods International Limited. HyLife Foods International Limited, principally engages in the pork distribution business, was wholly owned by HyLife Group Holdings Ltd. HyLife Group Holdings Ltd., the Canadian parent holding company of all HyLife group of operating companies globally which is primarily engaged in pig production and pork distribution and sales, was owned as to 49.9% by Itochu Corporation, a company listed on the Tokyo Stock Exchange, Inc. (stock code: 8001), with various business segments including food distribution, and 50.1% by CPF Canada Holdings Corp. CPF Canada Holdings Corp. is ultimately controlled by Charoen Pokphand Foods PCL, a company listed on the Thailand Stock Exchange (symbol: CPF), a leading agro-industrial and food conglomerate.

4. Tianpan Technology is an investment holding company established in the PRC. On 19 January 2020, each of Mr. Yu and Ms. Tan signed an equity transfer agreement with Mr. Yu Zhengbo (the son of Mr. Yu and Ms. Tan) pursuant to which Mr. Yu and Ms. Tan agreed to transfer 20.2% and 23.95% of the equity interest in Tianpan Technology to Mr. Yu Zhengbo, respectively, at nil consideration. As at the Latest Practicable Date, Tianpan Technology was owned by the following individuals: as to (i) 63.24% by Mr. Yu Zhengbo whose Shares were gifted by his parents; (ii) 5.42% in aggregate by eight family members and relatives of Mr. Yu and Ms. Tan (including Chen Defang (1.98%, the sibling of Mr. Yu's mother); Yu Huan (0.99%, the sister of Mr. Yu); Yu Dingfu (0.49%, the brother of Mr. Yu); Tan Guohong (0.49%, the father of Ms. Tan); Wei Bingxin (0.49%, the mother of Ms. Tan); Yu Jiahui (0.49%, the sister of Mr. Yu); Wang Cuimei (0.3675%, the spouse of the sibling of Mr. Yu); Yu Meixuan (0.1225%, the child of Mr. Yu's brother)); (iii) 0.3% by Ms. Huang Yuanling (our Supervisor); (iv) 0.05% by Ms. Jiang Kunping (our Supervisor); (v) 1.78% by four employees ;(vi) 29.21% by 15 Independent Third Parties (among which, 0.79% was held by three former employees and no individual held more than 5% equity interest). Based on the best knowledge of the Directors, except for Mr. Yu Zhengbo whose Shares were gifted by his parents, Mr. Yu and Ms. Tan, the Shares held by other shareholders of Tianpan Technology were financed by their own source of funds.

5. Tianzow Food is a Sino-foreign equity joint venture company and an investment holding company. As at the Latest Practicable Date, Tianson Holdings, Hytek Tianson and Tianson Real Estate were directly interested in 6.60%, 28.39% and 65.01% respectively of the equity interest in Tianzow Food.

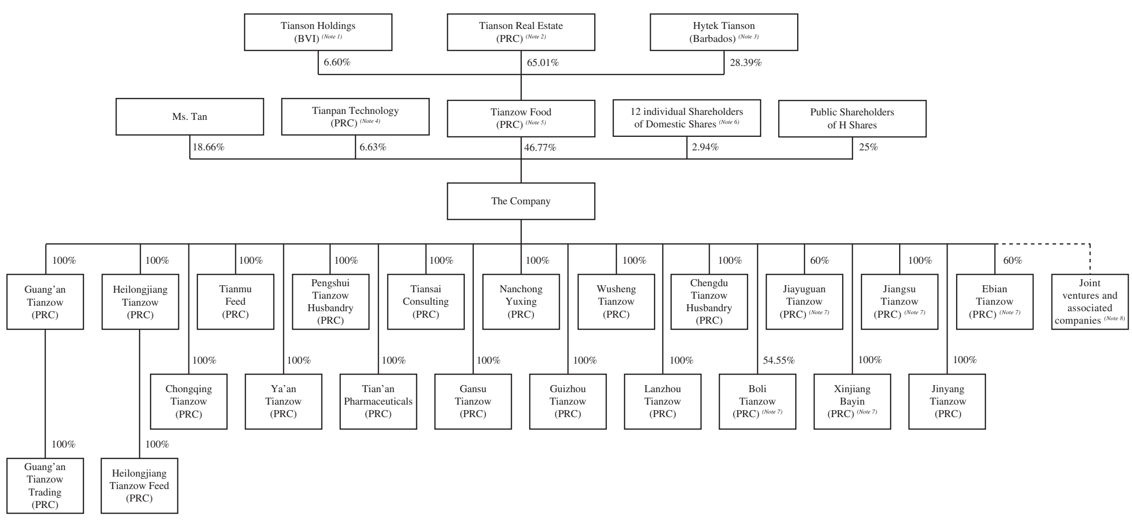
6. This aggregate equity interest is held by 12 individual Shareholders, of whom one is an ex-Director, two are relatives of Mr. Yu and employees, six are employees, and remaining three are Independent Third Parties.

7. The remaining equity interest is held by an Independent Third Party.

8. Include associates and joint ventures as set out in Note 15 and Note 16 of the Accountants' Report in Appendix I in this prospectus.

## Our Group's Shareholding Structure after the Global Offering

The following diagram illustrates our shareholding structure immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised:




*Notes:*

1. As at the Latest Practicable Date, Mr. Tam Kwok King, who is the uncle of Ms. Tan, owned the entire equity interest of Tianson Holdings.

2. Tianson Real Estate is a company incorporated in the PRC in 1999 and is primarily engaged in wet market leasing. As at the Latest Practicable Date, Mr. Yu and Ms. Tan respectively held 80% and 20% of the registered capital of Tianson Real Estate. Mr. Yu is the spouse of Ms. Tan.

3. As at the Latest Practicable Date, Hytek Tianson was wholly owned by HyLife Foods International Limited. HyLife Foods International Limited, principally engages in the pork distribution business, was wholly owned by HyLife Group Holdings Ltd. HyLife Group Holdings Ltd., the Canadian parent holding company of all HyLife group of operating companies globally which is primarily engaged in pig production and pork distribution and sales, was owned as to 49.9% by Itochu Corporation, a company listed on the Tokyo Stock Exchange, Inc. (stock code: 8001), with various business segments including food distribution, and 50.1% by CPF Canada Holdings Corp. CPF Canada Holdings Corp. is ultimately controlled by Charoen Pokphand Foods PCL, a company listed on the Thailand Stock Exchange (symbol: CPF), a leading agro-industrial and food conglomerate.

4. Tianpan Technology is an investment holding company established in the PRC. On 19 January 2020, each of Mr. Yu and Ms. Tan signed an equity transfer agreement with Mr. Yu Zhengbo (the son of Mr. Yu and Ms. Tan) pursuant to which Mr. Yu and Ms. Tan agreed to transfer 20.2% and 23.95% of the equity interest in Tianpan Technology to Mr. Yu Zhengbo, respectively, at nil consideration. As at the Latest Practicable Date, Tianpan Technology was owned by the following individuals: as to (i) 63.24% by Mr. Yu Zhengbo whose Shares were gifted by his parents; (ii) 5.42% in aggregate by eight family members and relatives of Mr. Yu and Ms. Tan (including Chen Defang (1.98%, the sibling of Mr. Yu's mother); Yu Huan (0.99%, the sister of Mr. Yu); Yu Dingfu (0.49%, the brother of Mr. Yu); Tan Guohong (0.49%, the father of Ms. Tan); Wei Bingxin (0.49%, the mother of Ms. Tan); Yu Jiahui (0.49%, the sister of Mr. Yu); Wang Cuimei (0.3675%, the spouse of the sibling of Mr. Yu); Yu Meixuan (0.1225%, the child of Mr. Yu's brother)); (iii) 0.3% by Ms. Huang Yuanling (our Supervisor); (iv) 0.05% by Ms. Jiang Kunping (our Supervisor); (v) 1.78% by four employees ;(vi) 29.21% by Independent Third Parties (among which, 0.79% was held by three former employees). Based on the best knowledge of the Directors, except for Mr. Yu Zhengbo whose Shares were gifted by his parents, Mr. Yu and Ms. Tan, the Shares held by other shareholders of Tianpan Technology were financed by their own source of funds.

5. Tianzow Food is a Sino-foreign equity joint venture company and an investment holding company. As at the Latest Practicable Date, Tianson Holdings, Hytek Tianson and Tianson Real Estate were directly interested in 6.60%, 28.39% and 65.01% respectively of the equity interest in Tianzow Food.

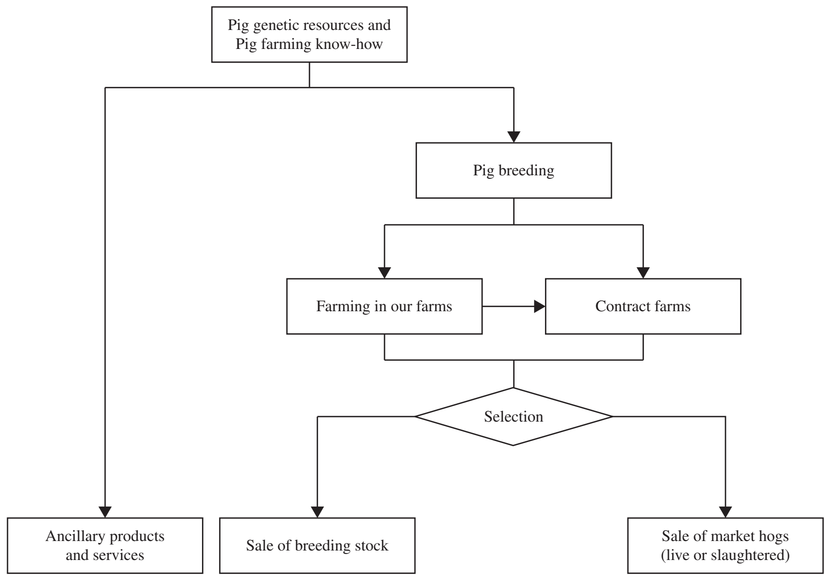
6. This aggregate equity interest is held by 12 individual Shareholders, of whom one is an ex-Director, two are relatives of Mr. Yu and employees, six are employees, and remaining three are Independent Third Parties.

7. The remaining equity interest is held by an Independent Third Party.

8. Include associates and joint ventures as set out in Note 15 and Note 16 of the Accountants' Report in Appendix I in this prospectus.

## OVERVIEW

We are a pig farming company aimed to provide high-quality breeding stock. We generate our revenue from (i) providing high-quality breeding stock and market hogs; (ii) providing ancillary products and services such as compound premix and pig farming services; and (iii) sales of fresh meat business. We temporarily suspended our sales of fresh meat business since April 2020. For details, please refer to the paragraph headed "Our business model – Sales of fresh meat" in this section. For FY2017, FY2018, FY2019 and 4M2020, our revenue from selling breeding stock to external customers were RMB198.3 million, RMB76.6 million, RMB224.5 million and RMB90.8 million, representing 41.8%, 17.1%, 28.6% and 25.8% of our total revenue, respectively; our revenue from selling market hogs to external customers were RMB229.3 million, RMB266.6 million, RMB442.5 million and RMB210.7 million, representing 48.3%, 59.4%, 56.4% and 59.9% of our total revenue, respectively; and our revenue from selling market hogs (small) to external customers were RMB22.2 million, RMB9.8 million, RMB27.1 million and RMB31.9 million, representing 4.7%, 2.2%, 3.5% and 9.1% of our total revenue, respectively. For FY2017, FY2018, FY2019 and 4M2020, our gross profit of the breeding stock sub-segment were RMB120.5 million, RMB41.6 million, RMB174.8 million and RMB79.3 million, representing 69.7%, 40.8%, 45.5% and 34.2% of our gross profit before biological assets fair value adjustment, respectively; our gross profit of the market hogs sub-segment were RMB35.0 million, RMB30.7 million, RMB161.3 million and RMB125.9 million, representing 20.3%, 30.1%, 42.0% and 54.3% of our gross profit before biological assets fair value adjustment, respectively; and our gross profit of the market hogs (small) sub-segment were RMB6.3 million, RMB0.4 million, RMB17.0 million and RMB24.6 million, representing 3.7%, 0.4%, 4.4% and 10.6% of our gross profit before biological assets fair value adjustment, respectively. We believe we are positioned to benefit from the recent market drivers of the pig farming industry such as recovery of production capacity, pursuit of higher-quality breeding stock, rise of large-scale pig farming and the need to comply with increasingly stringent safety control and environmental regulations. According to the CIC report, both breeding stock and market hogs markets are highly fragmented with massive numbers of small-scale personal pig farmers in China, we ranked the first, the fourth and the second among all breeding stock farming companies in terms of breeding stock sales revenue in 2019, 2018 and 2017, with a market share of 0.34%, 0.12% and 0.25%, respectively, in the PRC. We were also among the top 50 market hogs companies in the PRC in 2019, with a market share of 0.04%. The following diagram illustrates the business model of our main business:




**Pig genetic resources and modern pig farming**

We imported breeding stock, pig breeding system and pig genetic resources from Canada and France-based pig breeding companies. Based on the research and development results of these breeding stock companies and through our own continually probing and selection for genetic improvement purpose, we have gradually owned our pig genetics resources and pig farming know-how. We have extensive experience of modern pig farming. For example, we use data driven approach to conduct continuous analyses on the production data of pig farms; we have a veterinarian team specialising in pig health management; and we use batch production for systematic pig production. Over the years, we received a number of recognitions from various authorities in the PRC, including Agriculture Industrialisation National Key Enterprise (農業產業化國家重點龍頭企業) and National Nucleus Pig Breeding Farm (國家生豬核心育種場). As a result, we become the partner of choice of the market players in the pig farming industry value chain such as other pig farms, slaughtering houses, pig dealers and food companies in the PRC.

Leveraging on our pig farming know-how, our pig genetic resources and our extensive experience in the pig farms management, we invest in pig farming companies to expand rapidly throughout the country. Through providing breeding stock resources, pig farming know-how and ancillary products and services to these pig farming companies to support their efficient pig farming, we gain sales revenue, service fees and share of profits in return. We have a vision to help the pig farming value chain improve operating efficiency through modern pig farming.

**Pig production**

As at the Latest Practicable Date, we were operating 47 pig farms located in the PRC. The majority of which were located in Chongqing municipality and Sichuan province, the remaining pig farms were located in the Heilongjiang, Gansu, Jiangsu and Guizhou provinces. We had an annual maximum output capacity of approximately 0.3 million pigs as at 31

December 2019. We sold approximately 238.1 thousand, 224.7 thousand, 277.4 thousand pigs and 73.8 thousand pigs to our customers for FY2017, FY2018, FY2019 and 4M2020, respectively. We generally raise our breeding stock candidates in our own pig farms and engage contract farms to raise our market hogs in order to expand our maximum output while focusing on our core competency of pig genetic resources and modern pig farming. We have implemented stringent quality control measures for our pig breeding and pig farming process to ensure the safety and quality of our products.

Going forward, we will continue to adhere to our mission of building China's own breeding stock gene pool, and creating a world-class pig farming services platform. Our Directors believe that our relentless pursuit of these goals will lead to sustainable growth, solidify our leading market position and create long-term value for our Shareholders, employees and our communities.

## OUR COMPETITIVE STRENGTHS

### We have sufficient supply capability of breeding stock and wide geographical coverage

In 2008, we imported 866 purebreds from a Canada-based pig breeding company, including Duroc, Landrace and Yorkshire, together with their pig breeding technology. We also imported frozen semen of the elite boars in the Canadian nucleus herd and the research and development results of its genetic improvement in pig breeding. In 2017, we imported from a France based company 975 purebreds and obtained their support to set up our selection and evaluation programme.

With the imported breeding technology and our own pig breeding experience, we aim to achieve good performance indicators of our pigs such as bigger litter size, high lean yield, high growth rate and high feed conversion rate.

We have sufficient supply capability of breeding stock. We can provide a large quantity of breeding stock from each batch of production. According to the CIC report, we ranked the first, the fourth and the second among all breeding stock farming companies in terms of breeding stock sales revenue in 2019, 2018 and 2017, respectively, in the PRC.

We have established pig farms in various locations in Southwest, Northeast and Northwest regions of China. Our wide geographical coverage enables us to provide breeding stock and market hogs to customers in different locations cost efficiently.

In the future, we plan to import breeding stock from other countries to continuously enrich our genetic resources, and to further improve the quality of our breeding stock and expand their population.

## We adopt modern pig production and management system

### *Effective disease prevention and control system*

We adopted epidemic disease prevention and control measures. We have a veterinarian team specialising in health management as well as clinical diagnosis and treatment of pigs. We formulate immunisation and healthcare procedures in order to handle epidemic situation in a timely and effective manner. We treat our pigs in accordance with the principles of "precision, timeliness and minimum dosage" and implemented the diagnosis and treatment model consisting of "self-checkup and remote diagnosis", which aims to improve the capability and the effectiveness of disease prevention and control in each pig farm.

In terms of farm layout, we plan the layout on a small unit basis to prevent cross-infection of epidemic diseases and invasion of external pathogens. In term of breeding process, we adjust the production rhythm of pig production in order for sows to give birth during the same period, and adopt the "all-in, all-out" batch production model to reduce the risk of diseases.

### *Data driven pig farming management*

We use "Tianzow Cloud Smart Pig Farming Management System" (天兆雲智能養豬管理系統) to conduct continuous analyses on the production data of pig farms, with a view to identify areas for improvement to improve our productivity. The system is used to collect and analyze pig production data, such as mortality record, treatment records, as well as sales and inventory record that facilitate the management and control of our biological assets, inventory level and human resources. Using the data in the system, we can conduct a comprehensive statistical analysis of the productivity of each farm, and visualise it in the form of tables and graphs.

### *Real time monitoring*

We monitor and analyse the data of our pigs on a real time basis. We track the consumption and conversion of materials as well as the implementation of the feeding plan. As such, we believe we can provide prompt response to pig farming problems.

To meet the challenges posed by the cyclical fluctuations in market prices, we regularly collect and analyse our selling price against the market prices to produce a corresponding price report. We have also set up sales trainings to enhance the efficiency and selling skills of our sales personnel.

## We have in-depth pig breeding and pig farming know-how

### *Continue to improve our pig breeding know-how*

Based on the research and development results of breeding technology we obtained from the pig breeding companies based in Canada and France, and through our own repeated experiments and tests, we have gradually established our own set of breeding technology.

Our breeding technology includes pedigree files and records, ear tag identification, breeding stock performance measurement, BLUP genetic evaluation, breeding stock selection. We believe pig breeding shall be guided by the consumption demand of end consumers for pork, and that the lean yield, growth speed, and meat quality shall be the main criteria for boar selection and breeding, while sows are selected and bred mainly based on indicators including their reproductive performance and growth speed indicators. We strive to improve the heredity and genetic quality of our pigs by continuous research and testing.

Our Directors believe that our breeding technology will enable us to stay competitive in the fragmented pig farming industry in China.

### *Customized feed nutrition program*

We develop customised nutrition programmes for pigs. The formulae of feeding stuff are designed by professionals in animal nutrition and customized in accordance with the nutritional needs of our pigs. We monitor the quality of raw materials, feed production processing to ensure the quality of feeding stuff. We have established a specialised animal nutrition analysis laboratory to perform comprehensive tests on the conventional and hygiene indicators for feeding stuff to monitor the quality of feeding stuff. Various experiments were carried out, and adjustments were made according to different breeding and farming conditions, so that nutrition programmes can be continuously optimised. We purchase feeding stuff from selected suppliers which manufacture the feeding stuff based on our formulae and requirements.

## We have an experienced, visionary and dedicated management team

Since the commencement of our operation, our founder, Mr. Yu has led the strategic direction of our operations. Mr. Yu's vision to modernise pig breeding and pig farming in the PRC has been the guiding principles of our business. Our executive Directors including Mr. Yu, Ms. Tan and Mr. Yu Zhengbo form a core management team that embodies the Tianzow values and develops our business strategies to drive our growth. The core management team is complemented by our professional staff with in-depth knowledge, experience and insights in modern pig breeding and pig farming.

## OUR BUSINESS STRATEGIES

### Expand our farming capacity and supply capability

As at 1 January 2020, we had an annual maximum output capacity of approximate 0.3 million pigs. We believe there is huge market potential for us to further penetrate into the local market. We plan to construct new farms and expand pig farming capacity of our existing farms.

We plan to use 45% and 15% of our net proceeds from the Global Offering, or approximately HK$536.6 million and HK$175.6 million for constructing one new farm in Lanzhou City and one new farm in Weili county, respectively.

We plan to use 13% of our net proceeds from the Global Offering, or approximately HK$150.7 million for expanding one of our existing pig farms and purchase additional farming equipments such as sow fences, farrowing crates, fermentation beds and feeding equipment; and pig breeding equipments such as probing station and selecting equipment and tools.

The following table sets out further details of the new farm and the existing pig farm we plan to expand with our net proceeds from the Global Offering:

| **Location of farm** | **Approximate additional number of gilts** *(heads)* |
|---|---|
| Our existing farm in Chongqing municipality | 6,600 (Approximately 1,500 before expansion) |
| Our new farm in Lanzhou City, Gansu Province | 13,200 |
| Our new farm in Weili county, Xinjiang Uygur Autonomous Region | 8,000 |
| **Total** | 27,800 |

We expect that after the completion of the construction and commencement of operation of these new pig farms, our annual maximum output capacity of pigs will increase by approximately 444.8 thousand of pigs, an increase of approximately 126% of our existing maximum output capacity as at 1 January 2020.

**Continue to enhance the genetic performance of our breeding stock and expand our product lines**

We believe that the quality of our products is the key to become a flagship breeding stock and market hogs supplier. We believe our good reputation have been built upon the quality of our products. Quality control measures are implemented in the entire production process, from purchasing of feeding stuff and medicines, pig breeding and farming, disease prevention up to the delivery of our pigs to our customers. We will continue to review and improve our quality control measures.

Currently, we offer two genetic product lines based on breeding stock imported from Canada and France. We plan to import GGP nucleus from overseas to expand our product offerings. We aim to become the breeding stock supermarket in the PRC with a wide variety of purebreds and two-breed crossbreed gilts with different performance traits for our customers to choose from. We will continue to invest in the research and development of genetic development technologies and enhance the genetic performance of our breeding stock. We plan to use 5% of our net proceeds from the Global Offering, or approximately HK$38.1 million for purchasing GGP nucleus.

**Enhance brand awareness and company reputation**

We will continue to develop our Tianzow brand and reinforce recognition of our pig breeding technology and stringent quality control. We believe that brand image and its recognition are the key factors for the consumers in making their purchase decision. To enhance brand recognition, we plan to place more advertisement and join more trade exhibitions.

## OUR BUSINESS MODEL

### Our services and products

We are a pig farming company aimed to provide high-quality breeding stock. We generate our revenue from (i) providing high-quality breeding stock and market hogs; (ii) providing ancillary products and services such as compound premix, pig farming services; and (iii) sales of fresh meat. The table below sets forth our revenue breakdown by product categories:

| | FY2017 | | | | FY2018 | | | | FY2019 | | | | 4M2019 | | | | 4M2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue |
| | (RMB in thousands, except the percentage) | | | | | | | | | | | | | | | | | | | |
| Pig selling | | | | | | | | | | | | | | | | | | | | |
| Breeding stock | 198,305 | – | 198,305 | 40.6% | 76,623 | – | 76,623 | 15.1% | 224,480 | – | 224,480 | 26.5% | 25,543 | – | 25,543 | 12.2% | 90,759 | – | 90,759 | 24.4% |
| Market hogs(4) | 229,311 | – | 229,311 | 47.0% | 266,591 | 35,922 | 302,513 | 59.7% | 442,482 | 30,763 | 473,245 | 55.7% | 128,435 | 10,311 | 138,746 | 66.3% | 210,726 | 5,917 | 216,643 | 58.3% |
| Market hogs (small)(5) | 22,221 | – | 22,221 | 4.6% | 9,756 | – | 9,756 | 1.9% | 27,093 | – | 27,093 | 3.2% | 4,858 | – | 4,858 | 2.3% | 31,865 | – | 31,865 | 8.6% |
| Ancillary products and services | 24,688 | 13,355 | 38,043 | 7.8% | 42,614 | 22,420 | 65,034 | 12.8% | 36,858 | 33,479 | 70,337 | 8.3% | 12,633 | 8,947 | 21,580 | 10.3% | 10,280 | 13,272 | 23,552 | 6.3% |
| Sales of fresh meat(6) | – | – | – | – | 53,282 | – | 53,282 | 10.5% | 53,205 | – | 53,205 | 6.3% | 18,431 | – | 18,431 | 8.8% | 8,295 | 462 | 8,757 | 2.4% |
| **Total** | 474,525 | 13,355 | 487,880 | 100% | 448,866 | 58,342 | 507,208 | 100% | 784,118 | 64,242 | 848,360 | 100% | 189,900 | 19,258 | 209,158 | 100% | 351,925 | 19,651 | 371,576 | 100% |

*Notes:*

(1) Represents the revenue of each business segment or sub-segment after any inter-segment elimination.

(2) Inter-segment revenue mainly arises from the inter-segment sales made by ancillary products and service segment to pig selling sub-segment and by pig selling segment to sales of fresh meat.

(3) Represents the revenue of each business segment or sub-segment before any inter-segment elimination.

(4) This includes revenue of culled breeding stock.

(5) Represents market hogs weighing under 30kg.

(6) We temporarily suspended our sales of fresh meat business since April 2020. For details, please refer to the section headed "Business – Our business model – Sales of fresh meat".

The table below sets forth the number of pigs sold breakdown by product categories:

| | FY2017 | | | | FY2018 | | | | FY2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | External sales | Inter-segment sales[1] | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales | External sales | Inter-segment sales[1] | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales | External sales | Inter-segment sales[1] | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales |
| | (heads) | | | | | | | | | | | |
| Breeding stock | 70,863 | – | 70,863 | 29.8% | 30,495 | – | 30,495 | 12.3% | 58,216 | – | 58,216 | 19.8% |
| Market hogs[2] | 138,427 | – | 138,427 | 58.1% | 175,035 | 22,225 | 197,260 | 79.9% | 197,319 | 16,977 | 214,296 | 72.8% |
| Market hogs (small)[3] | 28,837 | – | 28,837 | 12.1% | 19,200 | – | 19,200 | 7.8% | 21,909 | – | 21,909 | 7.4% |
| **Total** | 238,127 | – | 238,127 | 100% | 224,730 | 22,225 | 246,955 | 100% | 277,444 | 16,977 | 294,421 | 100% |

| | 4M2019 | | | | 4M2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | External sales | Inter-segment sales[1] | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales | External sales | Inter-segment sales[1] | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales |
| Breeding stock | 9,646 | – | 9,646 | 9.7% | 12,701 | – | 12,701 | 16.9% |
| Market hogs[2] | 76,841 | 7,009 | 83,850 | 84.4% | 45,007 | 1,200 | 46,207 | 61.6% |
| Market hogs (small)[3] | 5,888 | – | 5,888 | 5.9% | 16,106 | – | 16,106 | 21.5% |
| **Total** | 92,375 | 7,009 | 99,384 | 100.0% | 73,814 | 1,200 | 75,014 | 100.0% |

*Notes:*

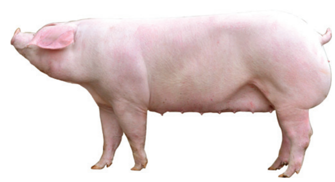
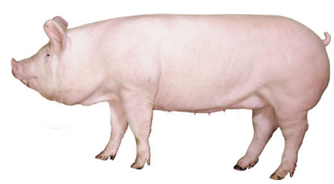
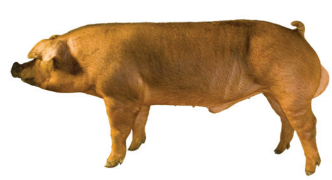
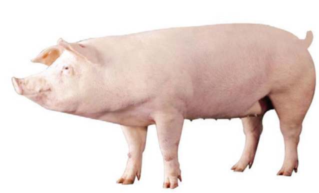
(1) It represents inter-segment sales from pig selling segment to sales of fresh meat segment.

(2) This includes sales volume of culled breeding stock.

(3) Represents market hogs weighing less than 30 kg.

***Our major products – breeding stock***

Our breeding stock are mainly purebreds or two-breed crossbreed gilts. The following table sets forth types of our major breeding stock products:

| Name of our breeding stock product | Sample picture | Features | Typical use |
|---|---|---|---|
| Landrace |  | Large long frames, good milking ability and large litter size | For Landrace purebred breeding or crossbreeding with Yorkshire in breeding two-breed parents |
| Yorkshire |  | White with erect ears; ability to produce large litter size | For Yorkshire purebred breeding or crossbreeding with Landrace in breeding two-breed parents |
| Pietrain |  | White with black spots; renowned for its very high yield of lean meat | For Pietrain purebred breeding or crossbreeding with Duroc in breeding parents |
| Duroc |  | Red and golden; have good meat quality traits | For Duroc purebred breeding or crossbreeding with two-breed sows in breeding three-breed market hogs |
| Two breed crossbreed pigs |  | Ability to produce large litters; renowned for its high yield of lean meat | Crossbreed with Duroc to breed market hogs |

***Our major products – Market hogs***

We aim to provide high-quality breeding stock and raise purebreds and two-breed crossbreed gilts. We select part of our pigs as breeding stock candidates according to our standard selection procedures. We choose elite pigs with good physical characteristics, fast growth rate without hereditary diseases to be our breeding stock candidates. These breeding stock candidates are mainly female purebred and two-breed crossbreed gilts. The pigs not been selected as breeding stock candidates will be raised and sold as market hogs. Those breeding stock candidates finally not been sold as breeding stock will also be sold as market hogs. Market hogs are pigs primarily held for trading and production of pork products.

***Ancillary products and services***

Such ancillary services and products mainly include the sale of compound premix to mixed feeding stuff manufacturers and provision of pig farming services to pig farming companies we invest in. The pig farming services we provide to pig farming companies include technical support, management consultancy, and operation consultancy.

*Technical support –*

- Provision of pig genetic resources
- Batch production and biosecurity guidance
- Pig farming staff and veterinarian training and supervision
- Assisting in the selection and procurement of feeding stuff, pig medicine and equipment
- Provision of nutrition formulae of feeding stuff

*Pig farm management consultancy –*

- Management structure guidance
- Provision of human resources, finance and data management software and systems

*Pig farm operation consultancy –*

- Production cost analysis and benchmarking
- Market price analysis and benchmarking
- Sales strategies training and guidance

***Sales of fresh meat***

We commenced the operation of slaughtering and sales of fresh meat through the acquisition of Guang’an Tianzow, which was one of our top five customers in FY2017 and FY2018 and was wholly owned by Tianson Real Estate, our Controlling Shareholder before it became one of our subsidiaries in June 2018. The profit margin of pig slaughtering industry is thin; nevertheless, Guang'an Tianzow could still make profit before the acquisition. In order to reduce the amount and proportion of our connected transactions, during the listing of NEEQ, the Company undertook that within three years from the date of the Company's listing on the NEEQ, the Company would, if approved in a shareholders' meeting, acquire Guang'an Tianzow. The acquisition of Guang'an Tianzow not only enabled us to reduce our related-party transactions but also enabled us to diversify our income through vertical integration. This acquisition enabled us to engage in slaughtering and was part of our strategic plan. Since the commencement of our operation of slaughtering and sales of fresh meat through Guang'an Tianzow from July 2018, this segment contributed insignificant profit to the Group.

Guang'an Tianzow owned a slaughterhouse, located at Guang'an city, Sichuan province. The maximum slaughtering capacity of the slaughterhouse is approximately 130,000 pigs per annum.(1) Apart from pigs raised in our farms and contract farms, we also purchased pigs from Independent Third Parties on a market price, including other pig farms, pig trading companies and individual pig dealers for slaughtering. Our Directors are not aware of any other past nor present relationships between each of these suppliers and our Group, joint ventures and associated companies, their shareholders, directors and senior management or any of their respective associates. The pigs carcasses were cut into heads, intestines and internal organs of pigs and wholesaled to local supermarket, schools and individual local pork product traders, who are all Independent Third Parties.

The table set forth below illustrated the revenue and profit contributions to our Group in relation to the slaughtering of the pigs raised by own farms/contract farms or purchased from other pig farms/pig trading companies/individual pig dealers.

| | | **6M2018** | **FY2019** | **4M2020** |
|---|---|---|---|---|
| Revenue of sales of fresh meats segment (*RMB'000*) | Pigs from our own farms and contract farms | 37,837 | 34,351 | 6,591 |
| | Pigs purchased from other parties(2) | 15,445 | 18,854 | 2,166 |
| | **Total** | **53,282** | **53,205** | **8,757** |
| Cost of sale of sales of fresh meats segment (*RMB'000*) | Pigs from our own farms and contract farms | 38,056 | 31,713 | 6,325 |
| | Pigs purchased from other parties(2) | 14,792 | 18,044 | 2,117 |
| | **Total** | **52,848** | **49,757** | **8,442** |

| | | 6M2018 | FY2019 | 4M2020 |
|---|---|---|---|---|
| Gross (loss)/profit of sales of fresh meats segment (*RMB'000*)[3] | Pigs from our own farms and contract farms | (219) | 2,638 | 266 |
| | Pigs purchased from other parties[2] | 653 | 810 | 49 |
| | **Total** | **434** | **3,448** | **315** |

*Notes:*

1. The slaughtering capacity is calculated based on the assumption that the slaughterhouse operating at the designed slaughtering capacity of 60 pigs per hour, 365 working days per year and 6 operating hours per day in one shift.

2. Other parties include other pig farms/pig trading companies/individual pig dealers.

3. The profitability of our sales of fresh meat business is generally in line with the pork price.

   We recorded a gross loss margin of 0.6% for the slaughtering of pigs raised by our own farms/contract farms for the six months ended 31 December 2018, which is primarily due to the low annual average pork price in 2018; whilst a gross profit margin of 4.2% was recorded for the slaughtering of pigs purchased from other pig farms/pig trading companies/individual pig dealers for the same period, which is mainly because (i) the people in Sichuan and Chongqing usually consume more pork to make homemade sausages and cured meat in the winter, which caused the significantly higher pork price of Sichuan in the fourth quarter of 2018 as compared to the annual average of 2018, and (ii) the majority portion of our pigs for slaughtering procured from other parties took place in the fourth quarter of 2018 due to the increased local demand of pork and the improved profitability while we slaughtered pigs raised by our own farms/contract farms throughout the six months ended 31 December 2018.

   The profitability of the slaughtering of pigs raised by our own farms/contract farms improved for FY2019 and we recorded a gross profit margin of 7.7% for the period, which is mainly because the pork price surged in the fourth quarter of FY2019; whilst our gross profit margin for the slaughtering of pigs purchased from other pig farms/pig trading companies/individual pig dealers remained stable at 4.3%, because (i) our slaughtering of pigs procured from other parties concentrated in the first three quarters of 2019, during which the pork price maintained at low level, and (ii) when the pork price surged in the fourth quarter of 2019, we procure insignificant amount of market hogs from third parties, due to the shortage of supply of market hogs caused by the African Swine Fever.

The utilisation rates of our slaughterhouse for 6M2018 and FY2019 were 50.7% and 21.9% respectively. The utilisation rate decreased in 2019, mainly because we put more focus on our pig selling business. Our sales of fresh meat business contributed a small portion of the gross profit to us during the Track Record Period. Due to the outbreak of the African Swine Fever, there has been a shortage of supply of pigs since the second half of 2019. Such imbalance between the supply and the demand of pigs, resulting in a surge of the pig price, significantly increased the gross profit margin of our pig selling business, which is much higher than the gross profit margin of our sales of fresh meat business. Further, due to the shortage of supply of market hogs in the local market, our slaughterhouse was unable to procure sufficient market hogs from other pig farms, pig trading companies and individual pig dealers for slaughtering and sales.

The utilisation rates of our slaughterhouse further decreased to approximately 5% in the first quarter of 2020 and the scale of sales of fresh meat business was minimized. Therefore, we temporarily suspended our sales of fresh meat business since April 2020. The suspension of our sales of fresh meat business has no material impact to our business operation and financial performance, because (i) our sales of fresh meat business contributed a small portion of the gross profit to us; and (ii) there has been a shortage of supply of market hogs since the second half of 2019. Our own pigs originally planned to be slaughtered and sold as fresh meats will be sold as live pigs. The revenue derived from the sales of fresh meats in relation to the slaughtering of the pigs purchased from other pig farms and individual pig dealers is small. We are currently looking for suitable management personnel to manage and operate our slaughterhouse. If suitable candidates can be identified, we plan to resume its operation in the end of this year or early next year.

*Upgrade plan of our slaughterhouse*

If we are able to resume our sales of fresh meat business next year, we plan to upgrade the production facilities to improve profitability. The total expenditure of the upgrade plan is estimated to be approximately RMB7.0 million. Among the estimated total capital expenditure, approximately RMB3.3 million will be used for the construction work, approximately RMB2.1 million will be spent in the upgrade of the existing slaughtering and related equipment, and approximately RMB1.6 million will be allocated to the upgrade of the cold storage warehouse. If we decide to implement the upgrade plan, the upgrade work is expected to be completed within 3 months and we plan to fund all the capital expenditure by using our cash generated from operation. After the completion of the upgrade, our slaughterhouse will be in a higher degree of automation and efficiency as compared to what it used to be and the maximum slaughtering capacity will increase to approximately 300,000 pigs per annum. We plan to invest in automated and modernised equipment which can process pork cutting and packaging to produce various pork cuts and small-pack fresh pork products.

*Rules and regulations of the sales of fresh meat business*

Pig slaughtering in the PRC should comply with the Administrative Provisions for Pig Slaughtering (生豬屠宰管理條例) which was amended on 6 February 2016 by the State Council (國務院) and became effective on 6 February 2016 and the Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法). Besides, the establishment and operation of a pig slaughterhouse should also comply with the rules regarding environment protection.

Our slaughterhouse has obtained all the required permits for operation. Our slaughterhouse has renewed the Live Pig Slaughtering Permit (生豬定點屠宰證) issued by Guang'an Municipal People's Government on March 31, 2017. Regulations on the Administration of Slaughtering of Pigs (生豬屠宰管理條例) does not specify a validity period of the Live Pig Slaughtering Permit. Live Pig Slaughterings Permit (生豬定點屠宰證) is valid for an indefinite period unless it is disqualified by the government. Our slaughterhouse has also renewed the Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) issued by Wusheng Animal Husbandry Bureau on June 16, 2017. The Animal Epidemic

Prevention Law of the PRC (中華人民共和國動物防疫法) does not specify a validity period of the Animal Epidemic Prevention Qualification Certificate. Except for alteration of site or business scope and other circumstances, under the circumstances of regularly reporting on the conditions of animal epidemic prevention and the implementation of the epidemic prevention system in accordance with the law, Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) shall be valid for an indefinite period. In addition, our slaughterhouse has renewed the Pollutant Discharge Permit (排污許可證) issued by the Environmental Protection Bureau of Guang'an City on October 29, 2018 for a period of three years.

Our slaughterhouse was operated in compliance with all applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. According to our PRC Legal Adviser, there has not been any administrative penalty imposed by any governmental authority for our slaughterhouse's non-compliance during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Adviser, our upgrade plan of slaughterhouse is required to be filed with the local government for project construction and conduct an environmental impact assessment. After the upgrade of the slaughterhouse, the environmental impact assessment approval shall be obtained before the slaughterhouse is put into production. Our upgrade plan does not fall within the restricted category of projects prescribed in the Directory Catalogue on Readjustment of Industrial Structure (Version 2019) (產業結構調整指導目錄2019年本). Our Directors confirmed that, from the perspective of environmental protection and economic benefits, the upgrade plan of slaughterhouse complies with the relevant industrial policies and is feasible, and there is no material obstacle in obtaining the environmental impact assessment approval.

**Operation flow of pig breeding**

***Breeding nucleus***

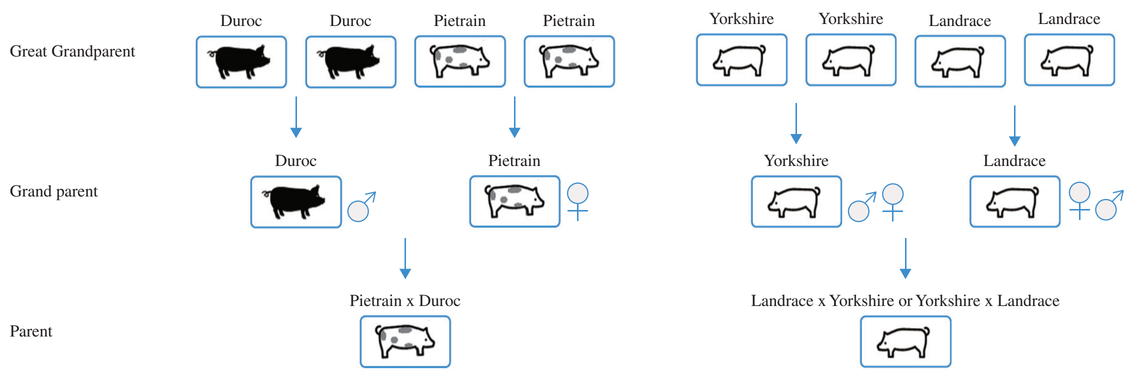
We entered into a breeding cooperation agreement with a Canada-based pig breeding company in 2006, pursuant to the which, we imported 866 purebreds together with the pig breeding technology. We were granted an exclusive right to use its pig genetic research results and breeding technology in China. Other rights include using the trademarks of the licensor and receiving training and technical support. The agreement was terminated in 2015 because the licensor decided to sell its business in the PRC.

Further, we imported from a France-based pig breeding company 975 purebreds in 2017 and we entered into a breeding cooperation agreement for a term of ten years. Pursuant to the agreement, the France-based pig breeding company agreed to provide us support to set up a genetic selection and evaluation programme. The licensor also grants us the non-exclusive rights to use its trademark in exercising the pig breeding and selection activities. The agreement shall be automatically renewed for one year in the absence of its termination.

We developed our own breeding nucleus based on the breeding stock and genetic improvement results imported. This allowed us to build two genetic product lines with the nucleus breeding system based on breeding technology from Canada and France.

***Tianzow breeding program***

After purchasing GGP breeding stock including Duroc, Pietrain, Yorkshire and Landrace from overseas pig breeding companies we adopt a systematic breeding program to breed our purebreds. These purebreds will be used as our own breeding nucleus for future pig breeding or for sale. Generally, Landrace sows or boars are mated to Yorkshire sows or boars to produce parent hogs (Landrace x Yorkshire) or (Yorkshire x Landrace), and Pietrain sows are mated to Duroc boars to produce parent hogs (Pietrain x Duroc). The diagram below illustrates our typical pig breeding program.




***Breeding nucleus selection***

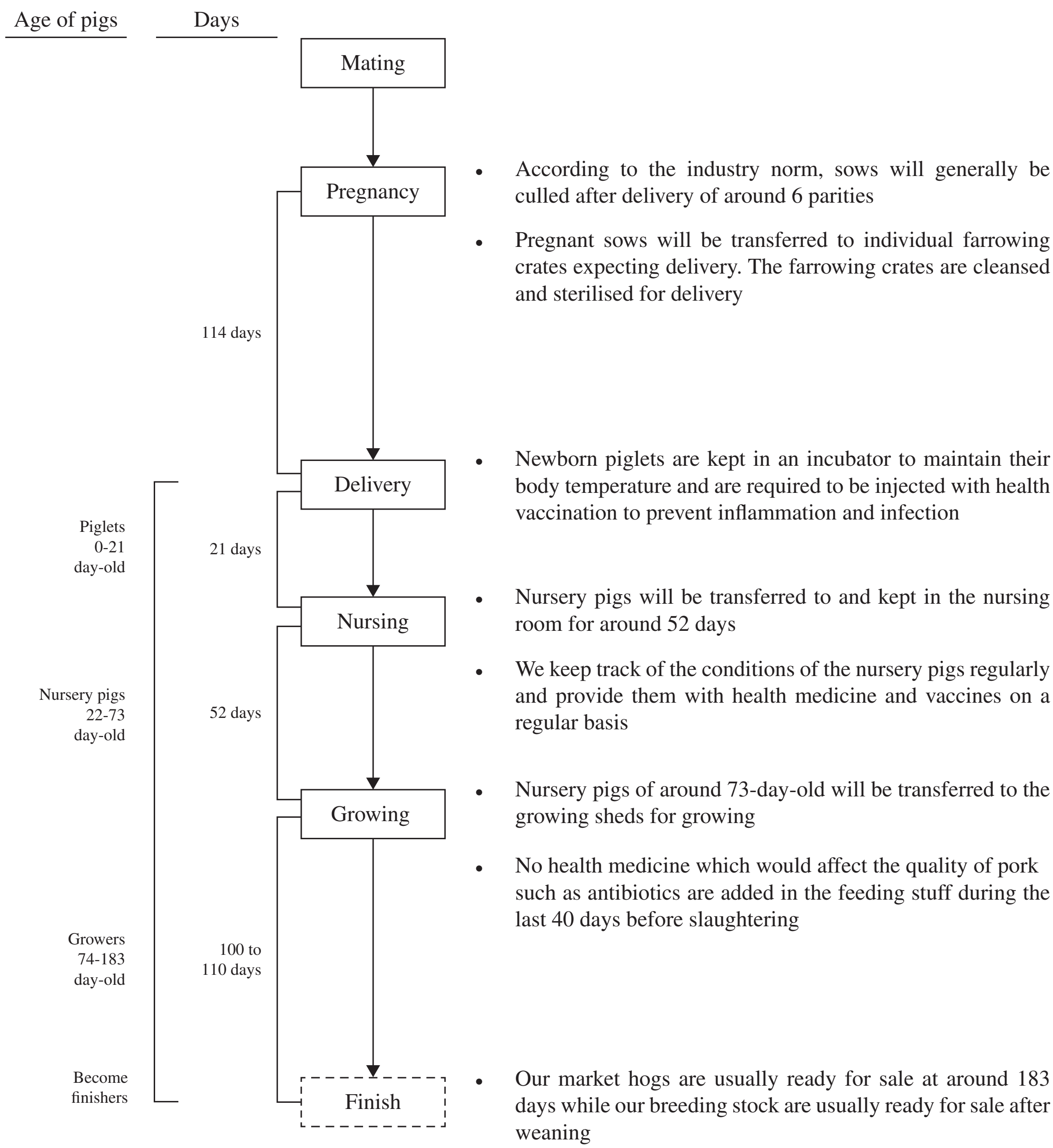
Genetic improvement in productivity per pig in the shortest possible time is the main aim of pig breeding. Effective pig breeding can help improve multiple pig qualities such as survivability, growth speed, feed conversion rate, meat characteristics, etc., which in turn increase profitability of our customers. We adopt the closed or semi-open nucleus breeding system (封閉式, 或半開放式核心群選育體系) to test and select only the elite pigs into the breeding nucleus.

We carefully select the breeding nucleus using a stage testing process. The table below sets forth the typical testing process:

| **Step** | **Testing target** | **Details** |
|---|---|---|
| 1 | Piglets | Select piglets which are in good physical condition. |
| 2 | Nursery pigs | Select nursery pigs that are in good physical condition and do not have any hereditary defects. |
| 3 | Growers | Use the best linear unbiased prediction (BLUP) approach to estimate the estimated breeding value (EBV) of a pig. EBV is an estimation of the genetic value of an animal. It indicates its value as a parent. EBVs are effective selection tools. Individuals with the best EBVs for a given trait have the highest probability of producing superior progeny for that trait. Selected growers will be placed into our breeding nucleus. |

**Operation flow of pig production**

The following diagram illustrates the typical process of pig production and the approximate days require for each stage.




***Our farms***

As at the Latest Practicable Date, we were operating 47 pig farms located in the PRC, the majority of which were located in Chongqing municipality or Sichuan province, the remaining pig farms were located in the Heilongjiang, Gansu, Jiangsu and Guizhou provinces. Among 47 pig farms we operated as at the Latest Practicable Date, 28 pig farms were leased by us. Such leased pig farms, including the buildings and the equipment thereof, were constructed and owned by the Independent Third Parties, who mainly are the local governments. We raise the pigs in the leased pig farms without the need of any further major alteration work or installation of equipment.

The following table illustrates the estimated maximum output capacity and utilisation rate of our pig farms during the Track Record Period:

| Beginning of the year | Number of pig farms | Number of self-owned pig farms | Number of leased pig farms | Maximum number of sows(1) *(heads)* | Actual number of sows(2) *(heads)* | Utilization rate(3) | | Estimated annual output for the year(4) *(heads)* | Actual output for the year *(heads)* |
|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2017** | 19 | 19 | – | 16,026(6) | 13,966 | 87.1% | **FY 2017** | 223,456 – 256,416 | 238,127 |
| **As at 1 January 2018** | 18 | 18 | – | 17,086(6) | 14,098 | 82.5% | **FY 2018** | 225,568 – 273,376 | 246,955 |
| **As at 1 January 2019** | 33 | 18 | 15 | 21,072(7) | 19,720 | 93.6% | **FY 2019** | 315,520 – 337,152 | 294,421(5) |
| **As at 1 January 2020** | 44 | 20 | 24 | 22,065(8) | 18,147 | 82.2% | **FY 2020** | 290,352 – 353,040 | N/A |

*Notes:*

(1) Represents the theoretical maximum number of sows that could be raised in our pig farms based on the number of sow fences available in our pig farms. The maximum number of sows increased during the Track Record Period was primarily due to the commencement of operation or expansion of our pig farms. The total output is limited by the number of sows. Nursery pigs and growers can be transferred to contract farms for further farming until they become finishers and are ready for slaughtering.

(2) Represents the actual number of sows in our nucleus herd we had in our own sow farms as at the beginning day of the relevant year/period, i.e. 1 January 2017, 2018, 2019 and 2020. The actual number of sows increased more during the year ended 31 December 2018, because our new pig farms were gradually in operation after they were built. The actual number of sows decreased during the year ended 31 December 2019 primarily due to the swine diseases epidemic in 2019. For details, please refer to the section headed "Business – Recent development – African Swine Fever epidemic and other swine diseases" in this prospectus.

(3) Utilisation rate is calculated by dividing actual number of sows by maximum number of sows. The utilisation rate as at as at 1 January 2020 decreased primarily because of the depopulation of some of our pig farms for the year and it takes at least three months to resume normal pig production after disinfection and multiple testing.

(4) Represent the theoretical estimated number of finishers that could be produced which is estimated based on (i) the actual number of sows and the maximum number of sows at the beginning of the relevant year, and (ii) each sow could deliver 16 finishers each year. The mortality and farrowing rate of our pigs farms were in line with the pig farming industry.

(5) The actual output of the pigs for the year ended 31 December 2019 was less than the estimated annual output, primarily due to the swine diseases epidemic in 2019.

(6) All of sows were raised in 11 self-owned pig farms and the rest of self-owned pig farms only raised nursery pigs and/or growers for the specific year.

(7) All of sows were raised in 11 self-owned pig farms, and the rest of self-owned pig farms and all the leased pig farms only raised nursery pigs and/or growers for the year.

(8) Except for one sow farm located in our leased pig farm which has a production capacity to raise 3,000 sows to deliver 48,000 pigs annually, all of our sows were located in our 10 self-owned pig farms. The rest of the self-owned pigs and the leased pig farms only raised nursery pigs and/or growers for the year.

Estimated annual output are mainly determined by the number of sows in the stock and utilisation rates calculated by dividing actual number of sows by maximum number of sows to measure the proportion of potential maximum output that is actually realized. Estimated annual maximum output and utilisation rates are not applicable for all product types for our own farms and joint ventures and associated companies because we choose elite pigs with good physical characteristics, fast growth rate without hereditary diseases to be our breeding stock candidates. The pigs not been selected as breeding stock candidates will be raised and sold as market hogs. Those breeding stock candidates finally not been sold as breeding stock will also be sold as market hogs. Number of breeding stock, market hogs and market hogs (small) sold each year would depend on the demand for such product.

Contract farms are only responsible for certain processes of the pig production. Our pigs are transferred to the contract farms when they become nursery pigs at around 22-day-old or reach the growing stage at around 73-day-old for further farming until they become finishers and are ready for slaughtering. Each contract farm has its own maximum pig farming capacity and utilisation rates. We do not record the production capacity and utilisation rates of each contract farm, because the production capacity of our Group is not limited by the capacity of each contract farm. There is no shortage of contract farming service in the market.

We plan to construct new farms and expand our existing farms in order to increase our farming capacity. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for details.

**Contract farms**

Some of our pigs are transferred to the contract farms when they become nursery pigs at around 22-day-old or reach the growing stage at around 73-day-old for further farming until they become finishers and are ready for slaughtering.

We outsource the growing phase to contract farms for the following reasons:

i. According to our experience, throughout the whole pig farming process, the procedures of mating, pregnancy and nursing of newborn piglets are more crucial and require more professional attention, while the growing process comparatively requires more labour work and involves lower level of technical skills which can be easily adhered to by the contract farmers;

ii. We can focus our resources on our operation of breeding and sale of gilts such as breeding technologies research and selection of breeding stock which has a higher profit margin;

iii. Contract farms are in general of smaller size and we can easily identify suitable farms for future expansion due to large number of small-sized family-owned pig farms in the PRC; and

iv. The outsourcing arrangement can accelerate our expansion as our Group is not required to acquire land for the farms, construct, maintain and operate such farms.

The table below illustrates the movement of the number of contract farms we engaged during the Track Record Period:

| | FY2017 | FY2018 | FY2019 | 4M2020 |
|---|---|---|---|---|
| As at beginning of the year/period | 82 | 101 | 123 | 97 |
| Addition during the year | 39 | 43 | 22 | 17 |
| Termination during year/period[(1)] | (20) | (21) | (48) | (26) |
| As at ending of the year/period[(2)] | 101 | 123 | 97 | 88 |

*Notes:*

1. The reason of termination is normally failure to meet the contractual standards by the relevant contract farmer, such as high mortality of pigs and poor pig health.

2. The number of contract farms we engaged increased from 101 as at 31 December 2017 to 123 as at 31 December 2018 mainly due to increased scale of production. The decline in number of contract farms as at 31 December 2019 and 30 April 2020 was primarily because (i) we leased additional small scale pig farms for pig production, and (ii) we terminated our cooperation with a large number of small contract farms and intentionally selected scaled pig farms with good environmental protection compliance as our contract farms, in order to have better biosecurity control in view of the African Swine Fever epidemic. We engaged 101, 123, 97 and 88 contract farms as at 31 December 2017, 2018 and 2019 and 30 April 2020, all of them are Independent Third Parties.

Our contract farms are operated by Independent Third Parties, and are primarily located in the Sichuan province and Chongqing municipality. Under our contract farm arrangements, contract farms provide the pig farming facility, labor and frontline management in exchange for contract farming service fees to raise our pigs, which vary by factors including the number of pigs raise, the weight gain, the mortality and feed conversion rate. We retain ownership of the pigs raised by our contract farms. In FY2017, FY2018, FY2019 and 4M2020, approximately 64.3%, 76.7%, 59.9% and 41.2% of our pigs sold were grown on contract farms and the revenue derived from the sales of such pigs in the periods were approximately RMB298.4 million, RMB288.2 million, RMB355.3 million and RMB151.4 million, respectively. We adopt the model of 28-day batch production, by which we breed new pigs every 28 days, or 13 batches of pigs for a year. We generally raise our breeding stock candidates in our own pig farms and engage contract farms to raise our market hogs in order to expand our maximum output while focusing on our core competency of pig genetic resources and modern pig farming. We tend to raise a batch of market hogs in our pig farms by considering many factors, for instance, there is an outbreak of swine diseases in the region where the contract farms located, the batch of pigs is planned to be sold as market hogs (small) which will be sold shortly after the weaning, or the contract fee asked by the contract farms in the region is higher than the market rate. We may transfer the batch of pigs raised in our pig farms to contract farms at a later stage, if there is a change of our production plan or sales plan. We newly leased a number of pig farms in 2018 and 2019. We tend to raise more our pigs by ourselves after the outbreak of the African Swine Fever in the PRC in light that we could more easily achieve a better biosecurity control in our pig farms than that in our contract farms. The sales volume and revenue contribution from the sales of the pigs finished on contract farms for FY2019 and 4M2020 consequently decreased.

We do not enter into long term contracts with our contract farms. We generally enter into one contract farming contract for each batch of pigs, with terms ranging from approximately three to six months. According to the contract farming contracts, among others, the contract farm shall bear such expenses of environmental protection and maintenance of the relevant facilitates; we shall supply the contract farm with pigs together with the feeds, medicines, vaccines; the contract farm shall raise the pigs according to our farming requirements; we shall collect the finishers when all feed supplied by us are fed to the pigs; the contract farming fee payable is calculated by the number of pigs raised by the contract farms with reference to the weight gain during the contract farming period and adjusted by factors such as mortality rate and feed conversion rate; we shall pay the contract farming fee within 10 business days after pig collection; the contract farm shall indemnify our losses in the event that any contract farm uses feeding stuff or medicine not provided by us; the contract farm shall be responsible for any losses incurred arising from death of pigs exceeding the standard mortality rate as stipulated in contract and shall compensate our losses according to the penalty per pig as stipulated in the contract.

A breakdown of pig sold from our farms and contract farms during the Track Record Period is summarized as follow:

| | FY2017 | | | | FY2018 | | | | FY2019 | | | | 4M2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | External sales *(heads)* | Inter-segment sales *(heads)* | Total segment sales *(heads)* | % of total | External sales *(heads)* | Inter-segment sales *(heads)* | Total segment sales *(heads)* | % of total | External sales *(heads)* | Inter-segment sales *(heads)* | Total segment sales *(heads)* | % of total | External sales *(heads)* | Inter-segment sales *(heads)* | Total segment sales *(heads)* | % of total |
| Total quantity sold of pigs raised in our farms | 84,911 | – | 84,911 | 35.7% | 49,788 | 7,730 | 57,518 | 23.3% | 112,418 | 5,525 | 117,943 | 40.1% | 43,012 | 1,083 | 44,095 | 58.8% |
| Total quantity sold of pigs raised in contract farms[1] | 153,216 | – | 153,216 | 64.3% | 174,942 | 14,495 | 189,437 | 76.7% | 165,026 | 11,452 | 176,478 | 59.9% | 30,802 | 117 | 30,919 | 41.2% |
| **Total quantity sold** | 238,127 | – | 238,127 | 100.0% | 224,730 | 22,225 | 246,955 | 100.0% | 277,444 | 16,977 | 294,421 | 100.0% | 73,814 | 1,200 | 75,014 | 100% |

*Note:*

(1) These pigs were raised in our own pig farms before they reached the stage of nursery pigs or growers.

The following table illustrates the contract farming fee, number of pigs raised in contract farms and average contract farming fee per pig:

| Year/period | Contract farming fee (RMB'000) | Total output of pigs raised in contract farms (heads) | Average contract farming fee per head (RMB/head) |
|---|---|---|---|
| **FY2017** | 27,525 | 153,216 | 179.6 |
| **FY2018** | 29,947 | 189,437 | 158.1 |
| **FY2019** | 27,908 | 176,478 | 158.1 |
| **4M2020** | 8,830 | 30,919 | 285.6 |

There is no direct relationship between number of contract farms and contract farming fee. The contract farming fee is generally determined on the basis of the number of pigs raised by the contract farms with reference to weight gain of the pigs and adjusted by other factors such as mortality rate and feed conversion rate. The average contract farming fee decreased from RMB179.6 per head for FY2017 to RMB158.1 per head for FY2018 and remained stable for FY2019. The decrease of contract farming fee in 2018 and 2019, mainly because (i) the pig farming industry experienced turndown in 2018 due to the impact of the "pig cycle" and (ii) the market demand of contract farming decreased in 2019 resulting from the significant drop the number of pigs in stocks due to the spread of the African Swine Fever in the PRC. The average contract farming fee increased to RMB285.6 per head for 4M2020, mainly because (i) we delayed the pig output for 4M2020 due to the impact of COVID-19 and more contract farming fee were paid for the longer contract farming period, and (ii) the market fee rates increased due to the pig price maintained at the high level since the fourth quarter of 2019.

As advised by our PRC Legal Adviser, all contracts entered into between the contract farms and us are legal, valid and enforceable.

*Selection of contract farms*

Before entering into any farming contracts, our staff will carry out inspection at the intended contract farm to ensure that the conditions and facilities of the intended contract farms satisfy our requirements.

We mainly evaluate the farming experience and personal character of the owner or operator of the intended contract farm and also the area, farming capacity, environmental protection compliance and number of employees of the intended contract farm.

To ensure the contract farm's compliance with our requirements, we designate at least one technician to closely monitor each of the contract farm by visits and inspections on the contract farms from time to time. We inspect the contract farms more frequently to ensure compliance during pig disease epidemic. We will keep written records in relation to the observations of visits and inspections. When inspecting the contract farm, our technician will check, inter alia, the overall animal health condition, the environment of the contract farm and the performance of the contract farm staff. To minimize the risk of using prohibited additives during the contract farming process, we provide all the feeding stuff and medicines to the contract farms. Contract farms are required to report to us immediately if there is any disease or death occurred in contract farms. We evaluate the extent of compliance with our requirements by contract farms through reviewing the mortality of pigs, which the contract farms are contractually bound to compensate us for the death of pigs exceeding the prescribed limit of mortality rate under the farming contract; and checking the quality of pigs farmed by contract farms through examining weight gain, growth rate and whether such pigs have signs of disease.

Since the contracts with contract farms are entered for each batch of pigs for a short period of time, there is no specific termination clause. In case the performance of the contract farms is not up to standard, we will consider not to engage with that particular contract farm in the future. Our Directors confirm that we did not have any material disagreements or disputes with our contract farms during the Track Record Period and up to the Last Practicable Date.

**Pig farming companies we invest in**

We invest in pig farming companies which become our joint ventures and associated companies. As at the Latest Practicable Date, our joint ventures and associated companies' farms covered 14 provinces, autonomous regions and municipalities in the PRC. In this way, we can expand without heavy investment on fixed assets such as land parcels and farm equipment. We provide breeding stock resources, pig farming know-how and ancillary products and services to our joint ventures and associated companies to support their efficient pig farming. The joint ventures and associated companies may also use the Tianzow trademark. In view of the foregoing, pigs sold by our joint ventures and associated companies can be considered as originated from our Group or "Tianzow Pigs". The number of pigs sold as disclosed in this prospectus does not include the pigs sold by our joint ventures and associated companies. Our share of profits less losses of our joint ventures and associated companies amounted to net profits of RMB36.8 million, net losses of RMB8.1 million, net profits of RMB84.4 million and net profit of RMB19.5 million for FY2017, FY2018, FY2019 and 4M2020, respectively.

We entered into cooperation agreements with independent third-party business partners to set up joint ventures and associated companies. To the best of our Directors' knowledge, these third-party business partners are generally individuals or corporations intending to enter the pig farming industries and approached us for cooperation opportunity. We generally select business partners passionate in pig farming with sufficient capital resources. Pursuant to the cooperation agreement, the parties shall invest and set up a joint venture company to engage in the production and sale of breeding stock and market hogs. In general, the respective business partner and we shall contribute capital in cash in a certain proportion. The parties agreed that, among others, the joint venture and associated companies shall (i) under the same market condition, give priority to buying from the Group "Tianzow Pigs" and genetic resources from the Group; (ii) give priority to the purchase of our ancillary products and services from the

Group; (iii) upload data, financial statements and management reports to our "Tianzow Cloud Smart Pig Farming Management System"; and (iv) implement our nutrition scheme. To the best of knowledge of our Directors, our joint ventures and associated companies did not purchased any breeding stock from other independent third party suppliers apart from our Group.

We entered into transactions with our joint ventures and associated companies during the Track Record Period. Please refer to Note 34 of the Accountants' Report in Appendix I in this prospectus for the names of the joint ventures and associated companies we had material transactions with.

We sold 11,486 heads, 2,754 heads, 4,457 heads and 2,319 heads of breeding stocks to our joint ventures and associated companies for FY2017, FY2018, FY2019 and 4M2020, respectively.(1) The sales volume of breeding stocks decreased in FY2018 and FY2019 as compared to FY2017, because there was no incentive for our joint ventures and associated companies to increase the production capacity in FY2018 and the first half of FY2019 during which the pig price generally maintained at a low level.

*Notes:*

(1) We sold 12, nil, nil and two market hogs to our joint ventures and associated companies for FY2017, FY2018, FY2019 and 4M2020, respectively. To the best knowledge of our Directors, such market hogs were purchased by our joint ventures and associated companies in FY2017 and 4M2020 for their employee's pork consumption.

(2) We sold nil of market hogs (small) to our joint ventures and associated companies during the Track Record Period.

*Actual sales volume, estimated annual output and utilisation rates of pig farms operated by our joint ventures and associated companies*

To the best of knowledge of our Directors, the actual sales volume, the estimated annual output and utilisation rates of the pig farms operated by our joint ventures and associated companies are as follows:

| | Maximum number of sows(1) *(heads)* | Actual number of sows(2) *(heads)* | Utilisation rate(3) | | Estimated annual output for the year(4) *(heads)* | Actual output for the year(5) *(heads)* |
|---|---|---|---|---|---|---|
| **As at 1 January 2017** | 24,376 | 19,471 | 79.9% | **FY 2017** | 311,536 – 390,016 | 421,364 |
| **As at 1 January 2018** | 29,921 | 26,126 | 87.3% | **FY 2018** | 418,016 – 478,736 | 508,266 |
| **As at 1 January 2019** | 33,131 | 27,473 | 82.9% | **FY 2019** | 439,568 – 530,096 | 488,082 |

*Notes:*

(1) Represents the theoretical maximum number of sows that could be raised in the pig farms operated by our joint ventures and associated companies based on the number of sow fences available in the pig farms.

(2) Represents the actual number of sows in the pig farms operated by our joint ventures and associated companies as at the beginning of the relevant year, i.e. 1 January 2017, 2018 and 2019.

(3) Utilization rate is calculated by dividing actual number of sows by maximum number of sows.

(4) Represent the theoretical estimated number of finishers that could be produced which is estimated based on (i) the actual number of sows and the maximum number of sows in the relevant year and (ii) each sow could deliver 16 finishers each year.

(5) The range of annual output is estimated on the basis of (i) the actual number of sows and the maximum number of sows at the beginning of the relevant year, and (ii) the assumption that each sow could deliver 16 finishers each year. During the Track Record Period, approximately 25% of the sows in the stocks of the Group's joint ventured and associated companies were located in Xinjiang Uygur Autonomous Region and each sow in such pig farms delivered approximately 20 – 24 finishers each year on average, due to the dry and sunny climatic condition for pig farming, vast land and relatively low concentration of pigs and relatively low disease transmission in Xinjiang Uygur Autonomous Region. Therefore, the actual outputs of our joint venture and associated companies for FY2017 and FY2018 exceeded the range of estimated annual output.

*Overlapping Customers between our Group and our Joint Ventures and Associated Companies*

Our joint ventures and associated companies engage in the production and sale of breeding stock and market hogs. There were several overlapping customers between our Group and our joint ventures and associated companies for FY2017, FY2018 and FY2019 and no overlapping customers for 4M2020. The table below illustrates the number of pigs our Group or our joint ventures and associated companies sold to such overlapping customers (excluding the market hogs sold to Sichuan Gaojin Industry Company Limited and Guang'an Tianzow).

| **FY2017** | **Our Group** | | **Our joint ventures/ associated companies** | |
|---|---|---|---|---|
| | **Heads** | **Average selling price** | **Heads** | **Average selling price** |
| **Breeding stock** | 650 | RMB2,516/head | 1,959 | RMB2,183/head |
| **Market hog** | 16,978 | RMB14.2/kg | 2,982 | RMB14.4/kg |
| **Market hog (small)** | 5,912 | RMB495/head | 8,592 | RMB520/head |

| **FY2018** | **Our Group** | | **Our joint ventures/ associated companies** | |
|---|---|---|---|---|
| | **Heads** | **Average selling price** | **Heads** | **Average selling price** |
| **Breeding stock** | 603 | RMB2,254/head | 2,776 | RMB1,825/head |
| **Market hog** | 7,298 | RMB13.4/kg | 6,227 | RMB12.0/kg |
| **Market hog (small)** | – | – | – | – |

| FY2019 | Our Group | | Our joint ventures/ associated companies | |
|---|---|---|---|---|
| | Heads | Average selling price | Heads | Average selling price |
| **Breeding stock** | 276 | RMB3,733/head | 12,943 | RMB2,761/head |
| **Market hog** | 14,888 | RMB15.5/kg | 6,368 | RMB18.9/kg |
| **Market hog (small)** | – | – | – | – |

Our joint ventures and associated companies operate independently from us. The customers negotiate and enter into transactions independently with our joint ventures and associated companies and us. Therefore, the sales volume of pigs sold to the overlapping customers by our joint ventures and associated companies and us were uncorrelated and independent during the Track Record Period. For FY2019, the reasons for the significantly higher sales volume of breeding stocks sold to the overlapping customers by our joint ventures and associated companies as compared to that by us is primarily because our pig farms in northeast China could only provide purebreds to our customers in the region; whilst our joint ventures and associated companies in this region sold a significant number of two-breed crossbreed pigs to the overlapping customers.

During the Track Record Period, the cost of pig farming generally remained stabled for us and our joint ventures and associated companies; therefore, the gross profit margin of such sales was mainly determined by the pig price and type of pig breeds. The price of purebred is generally higher than the price of two-breed crossbreed pigs. The pig price in the PRC fluctuated during the Track Record Period, which generally declined in 2017, 2018 and the first half of 2019 along with the pig cycle, and surged in the second half of 2019 due to the impact of the African Swine Fever. In addition, the pig price may vary across different provinces, cities and districts due to China's vast geographical area. We and our joint ventures and associated companies generally follow the industry practice not to grant credit terms to the pig selling customers.

For FY2017, the average selling price of the breeding stock sold by us to the overlapping customer was higher than that of our joint ventures and associated companies, because a higher percentage of purebred in volume was sold by us in our sales to the overlapping customers as compared to the sales of our joint ventures and associated companies. The average selling price of market hogs and market hog (small) sold by us was generally in line with that of our joint ventures and associated companies for FY2017.

For FY2018, the average selling price of the breeding stock sold by us to the overlapping customer was higher than that of our joint ventures and associated companies, because almost all the sales of breeding stock by our joint ventures and associated companies to the overlapping customers were two-breed crossbreed pigs; whilst we sold a significant portion of purebreds to the overlapping customers. The average selling price of market hogs sold by us was higher than that of our associated companies and joint ventures for FY2018, because our joint ventures' and associated companies' sales to one of the major overlapping customers were made in March to September 2018; whilst our sales to that major overlapping customer were made in November and December 2018, when the price of market hogs in Sichuan was significantly higher than the annual average of 2018, because the people in Sichuan and Chongqing usually consume more pork to make homemade sausages and cured meat in the winter.

For FY2019, the average selling price of the breeding stock sold by us to the overlapping customer was higher than that of our joint ventures and associated companies for the same reason as it was for FY2018. The average selling price of market hogs sold by us was lower than that of our joint ventures and associated companies for FY2019, because our joint ventures' and associated companies' sales to one of the major overlapping customers were in September to December 2019, when the price of market hogs in the PRC surged in the fourth quarter of 2019 due to the impact of the African Swine Fever; whilst our sales to that major customer were made in September 2019.

*Monitoring of our joint ventures and associated companies*

Our Group principally monitors the operations and evaluates the financial and business performance of our joint ventures and associated companies through the appointment of the senior management in these joint ventures and associated companies. Depending on the respective capital commitment and shareholding structure of these ventures and associated companies, we are normally entitled to appoint representative(s) to be the board member(s) and/or supervisor(s) of these joint ventures and associated companies. Such arrangement allows us to oversee the operations and financial performance of these joint ventures and associated companies by participating in board meetings and inspecting corporate documents and/or financial information, including the management accounts of these joint ventures and associated companies.

In relation to credit risk exposures of provision of guarantees to joint ventures and associated companies, during the Track Record Period, we provided guarantee to Jiangsu Tianzow (which became the Group's subsidiary in 2020) and another joint venture. The guarantee given to the joint venture was in proportion to the equity interest held by us and on a several basis. As at the Latest Practicable Date, the guarantee provided by the Group to our associated companies and joint ventures amounted to RMB2 million only. We are very cautious in managing our credit risk exposure and will not normally provide guarantees to our joint venture and associated companies which are unproportioned to our capital commitment in such entities.

As mentioned above, we oversee the operation and financial performance of our joint ventures and associated companies through participation in board meetings and regular inspections of the financial information of these joint ventures and associated companies.

*Legal compliance of our joint ventures and associated companies*

To the best of the knowledge of our Directors, there were no material non-compliance incidents, claims or litigations involving our joint venture and associated companies during the Track Record Period and up to the Latest Practicable Date. According to due diligence by the PRC Legal Adviser, our joint ventures and associated companies were not subject to any public administrative penalty imposed by any governmental authorities due to the non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, and there was no public material pending litigations or claims during the Track Record Period and up to the Latest Practicable Date.

The uses of owned and leased properties by our joint ventures and associated companies have complied in all material aspects with all applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date. According to our PRC Legal Adviser, there has been no material public administrative penalty imposed by any governmental authority due to non-compliance of the land use of our joint ventures and associated companies during the Track Record Period and up to the Latest Practicable Date.

## SALES AND DISTRIBUTION

### Sales team structure

Our sales team comprise of three departments: the sales management department, the marketing department and local project managers.

Our sales management department is responsible for formulating the sales plans with the project companies in light of our production plans, determining the selling prices, developing the selling system, and performing supervision on the performance of sales, analysis on sales data and client reviews.

Our marketing department are responsible for making deep market penetration in our selected market and seeking expansion opportunities.

Our local project managers are responsible for implementing the sales plans developed by the sales management department and operating in accordance with the sales and distribution process of our products.

### Our customers

Our customers fall into two main categories, being customers for breeding stock and customers for market hogs. Customers for breeding stock include mainly pig farms. The products purchased by them are mainly purebreds and two-breed crossbreed pigs. Customers for market hogs include mainly pig dealers, and to a lesser extent, slaughtering houses and food companies. Customers for pork products mainly include local supermarket, schools and individual local pork product traders. We generally entered into sales agreement with our breeding stock customers and sales orders with our other customers. The settlement method for our top five customers is generally by bank transfer and point of sales. The payment terms of the breeding stock customers is generally prepayment of the standard price and on-site payment of the balance according to the weight of the breeding stock. The payment terms for the market hogs customers is generally on-site payment before taking the pigs. We generally followed the industrial practice not to grant credit period to our pig selling customers, especially the individual pig dealers, and required them to fully settle the payment before the pigs left our pig farms. Before selling to a new pig dealer, we would generally conduct assessment on the pig dealer. We would record the pig dealer's identification, and evaluate the pig dealer in terms of years of experience, purchasing capacity, operation scale and its sales channels to determine whether to accept the pig dealer as a customer. We have no product return policy. Our customers are generally not allowed to return our breeding stock, market hogs or pork products after acceptance of the products. During the Track Record Period, our Directors confirmed that we did not receive any material complaints and did not make any material refund.

The following table provides an overview of the key information about our top five customers during the Track Record Period:

| | | | | For 4M2020 | | | |
|---|---|---|---|---|---|---|---|
| **No.** | **Customer[1]** | **Background** | **Locations** | **Products purchased from our Group** | **Purchase amount** *(RMB'000)* | **Percentage of our total revenue** *(%)* | **Years of relationship with us** |
| 1. | Customer A[2] | Individual pig dealer | PRC | Market hogs | 66,496 | 18.9 | Since 2018 |
| 2. | Customer B[3] | Individual pig dealer | PRC | Market hogs | 23,046 | 6.5 | Since 2019 |
| 3. | Customer C[4] | Husbandry breeding | PRC | Breeding stock | 15,023 | 4.3 | Since 2015 |
| 4. | Customer D[5] | Individual pig dealer | PRC | Market hogs | 13,470 | 3.8 | Since 2016 |
| 5. | Customer E[6] | Husbandry breeding | PRC | Breeding stock | 13,381 | 3.8 | Since 2020 |
| | **Total** | | | | **131,416** | **37.3** | |

**For FY2019**

| No. | Customer[1] | Background | Locations | Products purchased from our Group | Purchase amount (RMB'000) | Percentage of our total revenue (%) | Years of relationship with us |
|---|---|---|---|---|---|---|---|
| 1. | Customer C[4] | Husbandry breeding | PRC | Breeding stock | 132,558 | 16.9 | Since 2015 |
| 2. | Customer A[2] | Individual pig dealer | PRC | Market hogs | 45,435 | 5.8 | Since 2018 |
| 3. | Customer F[7] | Individual pig dealer | PRC | Market hogs | 25,094 | 3.2 | Since 2017 |
| 4. | Xinxiwang Liuhe Co., Ltd. (新希望六和股份有限公司)[8] | Husbandry breeding | PRC | Breeding stock | 24,355 | 3.1 | Since 2016 |
| 5. | Customer D[5] | Individual pig dealer | PRC | Market hogs | 22,998 | 2.9 | Since 2016 |
| | **Total** | | | | **250,440** | **31.9** | |

**For FY2018**

| No. | Customer[1] | Background | Locations | Products purchased from our Group | Purchase amount (RMB'000) | Percentage of our total revenue (%) | Years of relationship with us |
|---|---|---|---|---|---|---|---|
| 1. | Sichuan Gaojin Industry Company Limited (四川高金實業集團股份有限公司)[9] | Pig slaughtering, processing, freezing, sales and meat products | PRC | Market hogs | 50,576 | 11.3 | Since 2013 |
| 2. | Customer G[10] | Individual pig dealer | PRC | Market hogs | 31,205 | 7.0 | Since 2017 |
| 3. | Guang'an Tianzow[11] | Wholesale of meat, poultry, eggs, milk and aquatic products | PRC | Market hogs | 25,992 | 5.8 | Since 2016 |
| 4. | Customer H[12] | Individual pig dealer | PRC | Market hogs | 15,943 | 3.6 | Since 2017 |

| No. | Customer[1] | Background | Locations | For FY2018 Products purchased from our Group | Purchase amount *(RMB'000)* | Percentage of our total revenue *(%)* | Years of relationship with us |
|---|---|---|---|---|---|---|---|
| 5. | Customer I[13] | Husbandry breeding | PRC | Breeding stock | 10,263 | 2.3 | Since 2017 |
| | **Total** | | | | **133,979** | **30.0** | |

| No. | Customer[1] | Background | Locations | For FY2017 Products purchased from our Group | Purchase amount *(RMB'000)* | Percentage of our total revenue *(%)* | Years of relationship with us |
|---|---|---|---|---|---|---|---|
| 1. | Guang'an Tianzow[11] | Wholesale of meat, poultry, eggs, milk and aquatic products | PRC | Market hogs | 64,639 | 13.6 | Since 2016 |
| 2. | Customer C[4] | Husbandry breeding | PRC | Breeding stock | 60,113 | 12.7 | Since 2015 |
| 3. | Sichuan Gaojin Industry Company Limited (四川高金實業集團股份有限公司)[9] | Pig slaughtering, processing, freezing, sales and meat products | PRC | Market hogs | 55,233 | 11.6 | Since 2013 |
| 4. | Huachuan Shuangzhao Breeding Technology Co., Ltd (樺川雙兆豬業有限公司)[14] | Husbandry breeding | PRC | Breeding stock | 20,709 | 4.4 | Since 2016 |
| 5. | Tailai Tianzow Breeding Co., Ltd (泰來天兆豬業有限公司)[15] | Husbandry breeding | PRC | Breeding stock | 14,063 | 3.0 | Since 2017 |
| | **Total** | | | | **214,757** | **45.3** | |

*Notes:*

(1) Entities under common control are grouped together.

(2) Customer A is an individual pig dealer in the PRC, Customer A has been engaged in trade of market hogs business for approximately 10 years and mainly trades the market hogs to slaughtering houses and food companies in Sichuan province with an annual trading volume of more than 120 thousand heads.

(3) Customer B is an individual pig dealer in the PRC, Customer B has been engaged in trade of market hogs business for more than 10 years and mainly trades the market hogs to big slaughtering houses in Sichuan province with an annual trading volume of approximately 100 thousand heads.

(4) Company C is a company established in the PRC in 2003 and whose principal activities include sales and production of breeding stock and market hogs. It is a subsidiary of a company listed on the Shenzhen Stock Exchange with total revenue of approximately RMB24.5 billion for FY2019.

(5) Customer D is an individual pig dealer in the PRC, Customer D has been engaged in trade of market hogs business for more than 20 years and mainly trades the market hogs to slaughtering houses and food companies with an annual trading volume of approximately 50 thousand heads.

(6) Customer E is a company established in the PRC in 2019 with a registered capital RMB2 million and whose principal activities include animal husbandry.

(7) Customer F is an individual pig dealer in the PRC, Customer F has been engaged in trade of market hogs business for more than 20 years and mainly trades the market hogs to big slaughtering houses and food companies around Chengdu city with an annual trading volume of more than 60 thousand heads.

(8) Xinxiwang Liuhe Co., Ltd. (新希望六和股份有限公司) is a company listed on the Shenzhen Stock Exchange whose principal activities include provision of agricultural and animal husbandry technology development services with total revenue of approximately RMB82.1 billion for FY2019.

(9) Sichuan Gaojin Industry Company Limited (四川高金實業集團股份有限公司) is a company established in the PRC in 2014 with a registered capital of RMB300 million whose principal activities include pig slaughtering, processing, freezing, sales and meat products. For details, please refer to "Connected Transactions" section in this prospectus.

(10) Customer G is an individual pig dealer in the PRC, Customer G has been engaged in trade of market hogs business for nearly 15 years and mainly trades the market hogs raised in Sichuan province to big food companies with an annual trading volume of approximately 50 thousand heads.

(11) Guang'an Tianzow is our wholly-owned subsidiary and was wholly-owned by Tianson Real Estate, one of our Controlling Shareholders before it became our subsidiary in June 2018. For details, please refer to "History and corporate structure" section in this prospectus.

(12) Customer H is an individual pig dealer in the PRC, Customer H has been engaged in trade of market hogs business for nearly 15 years and mainly trades the market hogs raised in Sichuan province to food companies with an annual trading volume of more than 10 thousand heads.

(13) Customer I is a company established in the PRC in 2016 whose principal activities include sales of breeding stock and husbandry breeding. It is a subsidiary of a company listed on the Shenzhen Stock Exchange with total revenue of approximately RMB16.6 billion for FY2019.

(14) Huachuan Shuangzhao Breeding Technology Co., Ltd (樺川雙兆豬業有限公司) is a company established in the PRC in 2016 with a registered capital of RMB80 million whose principal activities include husbandry breeding, sales of breeding stock and design of pig farms. It is also an associated company of the Company.

(15) Tailai Tianzow Breeding Co., Ltd (泰來天兆豬業有限公司) is a company established in the PRC in 2017 whose principal activities include production and sales of breeding stock. It is one of our associated companies and recorded revenue of RMB97.5 million for FY2019. Please refer to p. 1-53 of this Prospectus for its financial information.

For FY2017, FY2018, FY2019 and 4M2020, sales to our five largest customers represented approximately 45.3%, 30.0%, 31.9% and 37.3% of the Group's total revenue respectively. Sales to our largest customer represented approximately 13.6%, 11.3%, 16.9% and 18.9% of our total revenue for the said period respectively. Mr. Jin Xiangyu (金翔宇), a former non-executive Director of the Company who was appointed in May 2018 and resigned in December 2019, exercises more than 30% voting rights in one of our five largest customers, Sichuan Gaojin Industry Company Limited (四川高金實業集團股份有限公司). Guang'an Tianzow, one of our top five customers in FY2017 and FY2018, was wholly owned by Tianson Real Estate, one of our Controlling Shareholders before it became one of our subsidiaries in June 2018. Our transactions with Guang'an Tianzow before it became one of our subsidiaries were conducted on normal commercial terms in the ordinary and usual course of our business. For details, please refer to the "Connected Transactions" section in this prospectus. Save as disclosed in this prospectus, during the Track Record Period, none of the Directors, their respective associates or Shareholders who owned 5% or more of the total issued share capital of the Company had any interest in any of the five largest customers.

**Overlapping customer and supplier**

Xinxiwang Liuhe Co., Ltd. (新希望六和股份有限公司) ("**Xinxiwang**") is a company listed on the Shenzhen Stock Exchange whose principal activities include provision of agricultural and animal husbandry technology development services. It was one of our five largest suppliers in FY2017, FY2018, FY2019 and 4M2020 and was also one of our five largest customers in FY2019. To the best knowledge and belief of our Directors, Xinxiwang and their ultimate beneficial owners are Independent Third Parties. During the Track Record Period, we purchased the feeding stuff from Xinxiwang for our pig farming; while supplying it with compound premix, market hogs (small) and breeding stocks for its feeding stuff production and pig farming. For FY2017, FY2018, FY2019 and 4M2020, our purchase from Xinxiwang amounted to approximately RMB36.8 million, RMB21.3 million, RMB47.6 million and RMB14.1 million, respectively, accounting for approximately 16.1%, 7.9%, 15.7% and 13.9% of our total purchases, respectively. For FY2017, FY2018, FY2019 and 4M2020, our sales to Xinxiwang amounted to approximately RMB2.7 million, RMB10.4 million, RMB24.4 million and RMB11.6 million, respectively, accounting for approximately 0.6%, 2.3%, 3.1% and 3.3% of our total revenue, respectively. For FY2017, FY2018, FY2019 and 4M2020, the gross profit derived from our sales to Xinxiwang amounted to approximately RMB0.5 million, RMB4.1 million, RMB19.0 million and RMB8.6 million, respectively.

Our sales and purchases with Xinxiwang were independent transactions which were not inter-connected or inter-conditional. We entered into the procurement or sales agreements with different segments of Xinxiwang. We procure feeding stuff from the qualified suppliers by tender. The orders would be awarded to Xinxiwang if it won the tender. Our sales agreements with Xinxiwang were determined based on arm's length negotiation between it and us. The selling pricing and credit terms of our sales with Xinxiwang were comparable to our other customers for the same period and the gross profit margin of such sales were comparable to our subsegment gross profit margins for each year/period of the Track Record Period.

***Revenue derived from the sales to Xinxiwang –***

| | FY2017 | FY2018 | FY2019 | 4M2020 |
|---|---|---|---|---|
| | | *(RMB'000)* | | |
| Sales of compound premix | 2,672 | 7,269 | 4,164 | 2,883 |
| Sales of pig | | | | |
| – Breeding stock | – | 5 | 20,191 | 6,308 |
| – Market hogs (small) | – | 3,152 | – | 2,424 |
| **Total** | 2,672 | 10,426 | 24,355 | 11,615 |

***Gross profit derived from the sales to Xinxiwang and the gross profit margins thereof –***

| | FY2017 | | FY2018 | | FY2019 | | 4M2020 | |
|---|---|---|---|---|---|---|---|---|
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | | | | *(RMB'000, except the percentages)* | | | | |
| Sales of compound premix | 452 | 16.9% | 4,005 | 55.1% | 2,282 | 54.8% | 1,493 | 51.8% |
| Sales of pig | | | | | | | | |
| – Breeding stock | – | – | 2 | 46.5% | 16,743 | 82.9% | 5,336 | 84.6% |
| – Market hogs (small) | – | – | 95 | 3.0% | – | – | 1,724 | 71.1% |
| **Total** | 452 | 16.9% | 4,102 | 39.3% | 19,025 | 78.1% | 8,553 | 73.6% |

To the best knowledge and belief of our Directors after making reasonable inquiries, saved as disclosed above, none of our other major customers were also major suppliers during the Track Record Period.

**Sales planning**

Since our products are primarily live pigs, they have specific growth and development stages that cannot be changed by manipulation. Therefore, our sales plan is formulated based on the plan of production. We adopted the model of 28-day batch production, by which we breed new pigs every 28 days, or 13 batches of pigs for a year. Accordingly, we formulate the sales plan based on our 13 batches of pigs every year.

The production department will share the data of each batch of piglets such as breed or quantities with the sales department. The sales department will develop the sales plan for each batch of pigs one month before the sales so that detailed arrangements can be made in light of the pigs that reached the age for sale in the market.

**Cash management**

| | **Revenue settled in cash** | **Revenue** | **Percentage** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | |
| **FY2017** | 19,059 | 474,525 | 4.0% |
| **FY2018** | 11,527 | 448,866 | 2.6% |
| **FY2019** | 1,937 | 784,118 | 0.2% |
| **4M2020** | 158 | 351,925 | Less than 0.1% |

During the Track Record Period, 4.0%, 2.6%, 0.2% and less than 0.1% of our revenue were settled in cash for FY2017, FY2018, FY2019 and 4M2020, respectively and none of our purchase was settled in cash. We have managed to reduce the cash transactions since FY2018 and the cash transaction is minimal since FY2019. We nevertheless employ stringent internal control measures to control the cash transactions in the Group's sales, comprising the steps set forth below:

- the sales staffs of the Group shall submit the sales plan at least one day prior to the proposed sales for their sales managers' approval;

- after the sales, the sales staffs of the Group shall record and upload the sales information to our system, such as species, weight, quantities and prices, within one day. The whole process will be supervised by at least one staff assigned from our headquarters. Cash received shall be deposited into the Group's bank accounts within two days;

- the finance department of the Group conducts a reconciliation between the sales record in our systems against the customers' payment collection on a daily basis. If the cash deposited into the Group's bank accounts is found to be less than the amount recorded in our system, the responsible staff is liable to reimburse us for the difference.

- cashier is responsible for keeping records of cash receipts on cash ledger for cash transactions. Cash counts are also carried out by cashier under the supervision of accounting staff of the finance department on monthly basis.

During the Track Record Period, we did not experience any misappropriation of cash by our employees that had any material adverse impact on our business and results of operations.

## Pricing

Our ability to price our products at desired levels has been, and will continue to be, important to our results of operations. Generally, we set a benchmark price for a given product according to the market price, which is subject to adjustments reflecting the local competitive environment or nature of the particular targeted points of sales. We determine our benchmark prices by a number of factors such as the dynamics of market demand and supply, types of our products and prices set by competitors.

## Seasonality

### *Price fluctuation within the year*

There are seasonal patterns in respect of pork consumption during the year. Consumer purchases more pork products in China during the periods before the major traditional Chinese festivals, such as the Chinese Lunar New Year, Mid-Autumn Festival and National Day, and hence higher demand for market hogs. Our customers for breeding stock, the pig farms, usually plan their production plan and purchase breeding stock after the Chinese Lunar New Year.

### *Pig production and price cycle*

Pig production and price cycles are recurring changes in production and price which typically last for three to four years. Pig production and price cycles exist primarily because pig producers respond to changing economic conditions. When pig farming have been profitable for a while, producers as a group begin to expand production to take advantage of the expected profit opportunity. Expansion typically continues until larger supplies cause prices to drop to unprofitable levels for most producers. Some producers respond by either cutting back on their production or by leaving the business. Prices return to equilibrium when supply decreases, and the stage is set for another period of cyclical expansion.

## Marketing

Our marketing strategy focus on continuous growth of the "Tianzow" brand. We utilise the following marketing channels:

### *Exhibition and trade activities*

We have been participating in the China Animal Husbandry Expo for many years. We have organised and joined trade events such as International Pig Veterinary Society Congress, Leman China Swine Conference, China Swine Industry Development Conference, China (Northeast) International Animal Husbandry Expo, China Hog Farming Industry Development Summit (Tangshan) and the China Swine Science Conference.

***Sponsorship***

We sponsored or joined various contests and themed events organized by industry players such as the Top 100 Reliable Companies in the Industry Among Netizen at www.zhue.com.cn (豬e網) (豬易網網友信得過企業口碑百強) and Model in the Hog Farming Industry in China; Award of Hog Farming Industry in China (中國豬業風雲榜) at xinm123.com (新牧網).

***Advertisements***

We published commercial advertisements on trade magazines such as Nongcaibodian (《農財寶典》), Saier Hog Farming Market (《賽爾養豬市場》), Economies of E-hog farming (《規模e豬》), Aviation Data Analysis and Forecast Report on Hog Farming Industry (《養豬航企分析預測報告》). We also placed advertisements on aviation magazines such as Southern Airlines (《南方航空》). In addition, we placed advertisements on websites, mobile application and official wechat accounts of trade media such as https://m.zhuwang.cc (中國養豬網), xinm123.com (新牧網), http://www.fa-today.top (豬場動力網).

***Placing editorial contents***

We placed business editorial contents on websites/app/official wechat accounts of trade media such as https://m.zhuwang.cc (中國養豬網), xinm123.com (新牧網), www.zhue.com.cn (豬e網), http://www.fa-today.top (豬場動力網), http://52swine.com (愛豬網), Zhudou (豬兜) and Pigs Today.

**SUPPLIERS, RAW MATERIALS AND INVENTORY**

**Our suppliers**

During the Track Record Period, we mainly purchased feeding stuff and medicine such as vaccines and antibiotics.

We engage external suppliers to manufacture our feeding stuff according to the nutrition formulae we design and using the compound premix we produce. Our feeding stuff suppliers will then procure other raw materials such as corn and soybean meal by themselves and manufacture the feeding stuff in their own factories.

While we procure the feeding stuff from our suppliers, we adopt stringent measure in selecting our suppliers. We maintain an internally approved list of suppliers, which is subject to our regular review including on-site inspection. We evaluate these suppliers based on their product quality, production capacity, technical capability and ability in meeting our delivery schedule. In identifying potential suppliers, our senior management will generally peruse their corporate documents and perform physical inspection at their production sites.

We choose our suppliers of medicine by tender based on their product quality, reliability of supply and product price. We only purchased raw materials from the qualified suppliers.

During the Track Record Period, our five largest suppliers are suppliers of feeding stuff. For FY2017, FY2018, FY2019 and 4M2020, purchases from our five largest suppliers represented approximately 83.9%, 80.8%, 87.2% and 91.0% of the Group's total purchases respectively. Purchases from our largest supplier represented approximately 29.4%, 39.4%, 40.4% and 38.9% of our total purchases for the said years/periods respectively. During the Track Record Period, none of the Directors, their respective associates or Shareholders who owned 5% or more of the total issued share capital of the Company had any interest in any of the five largest suppliers.

The following table provides an overview of the key information about our top five suppliers during the Track Record Period:

**For 4M2020**

| No. | Supplier[1] | Background | Locations | Products supplied to our Group | Purchase amount by our Group *(RMB'000)* | Percentage of our total purchases *(%)* | Years of relationship with us |
|---|---|---|---|---|---|---|---|
| 1. | Supplier A[2] | Husbandry breeding research and development | PRC | Feeding stuff | 39,254 | 38.9 | Since 2016 |
| 2. | Supplier B[3] | Feeding stuff production and sales | PRC | Feeding stuff | 16,910 | 16.8 | Since 2010 |
| 3. | Xinxiwang Liuhe Co., Ltd. (新希望六和股份有限公司)[4] | Feeding stuff production | PRC | Feeding stuff | 14,051 | 13.9 | Since 2015 |
| 4. | Supplier C[5] | Feeding stuff production | PRC | Feeding stuff | 11,896 | 11.8 | Since 2018 |
| 5. | Supplier D[6] | Feeding stuff production | PRC | Feeding stuff | 9,564 | 9.5 | Since 2018 |
| Total | | | | | 91,675 | 90.9 | |

**For FY2019**

| No. | Supplier[1] | Background | Locations | Products supplied to our Group | Purchase amount by our Group *(RMB'000)* | Percentage of our total purchases *(%)* | Years of relationship with us |
|---|---|---|---|---|---|---|---|
| 1. | Supplier A[2] | Husbandry breeding research and development | PRC | Feeding stuff | 122,259 | 40.4 | Since 2016 |
| 2. | Supplier B[3] | Feeding stuff production and sales | PRC | Feeding stuff | 48,062 | 15.9 | Since 2010 |
| 3. | Xinxiwang Liuhe Co., Ltd. (新希望六和股份有限公司)[4] | Feeding stuff production | PRC | Feeding stuff | 47,605 | 15.7 | Since 2015 |
| 4. | Supplier C[7] | Feeding stuff production | PRC | Feeding stuff | 24,389 | 8.1 | Since 2018 |
| 5. | Supplier D[6] | Feeding stuff production | PRC | Feeding stuff | 21,453 | 7.1 | Since 2018 |
| Total | | | | | 263,768 | 87.2 | |

**For FY2018**

| No. | Supplier[1] | Background | Locations | Products supplied to our Group | Purchase amount by our Group *(RMB'000)* | Percentage of our total purchases *(%)* | Years of relationship with us |
|---|---|---|---|---|---|---|---|
| 1. | Supplier A[2] | Husbandry breeding research and development | PRC | Feeding stuff | 106,457 | 39.4 | Since 2016 |
| 2. | Supplier B[3] | Feeding stuff production and sales | PRC | Feeding stuff | 55,451 | 20.6 | Since 2010 |
| 3. | Supplier E[8] | Feeding stuff processing and sales | PRC | Feeding stuff | 22,956 | 8.5 | Since 2013 |
| 4. | Xinxiwang Liuhe Co., Ltd. (新希望六和股份有限公司)[4] | Feeding stuff production | PRC | Feeding stuff | 21,337 | 7.9 | Since 2015 |
| 5. | Supplier F[9] | Research and development of biological agents | PRC | Feeding stuff | 11,915 | 4.4 | Since 2017 |
| Total | | | | | 218,116 | 80.8 | |

For FY2017

| No. | Supplier[1] | Background | Locations | Products supplied to our Group | Purchase amount by our Group (*RMB'000*) | Percentage of our total purchases (*%*) | Years of relationship with us |
|---|---|---|---|---|---|---|---|
| 1. | Supplier A[2] | Husbandry breeding research and development | PRC | Feeding stuff | 67,196 | 29.5 | Since 2016 |
| 2. | Supplier B[3] | Feeding stuff production and sales | PRC | Feeding stuff | 51,427 | 22.5 | Since 2010 |
| 3. | Xinxiwang Liuhe Co., Ltd. (新希望六和股份有限公司)[4] | Feeding stuff production | PRC | Feeding stuff | 36,757 | 16.1 | Since 2015 |
| 4. | Supplier E[8] | Feeding stuff processing and sales | PRC | Feeding stuff | 30,198 | 13.2 | Since 2013 |
| 5. | Sichuan Youce Agricultural Technology Consulting Co., Ltd. (四川佑策農業技術諮詢有限公司)[10] | Sale of medicine and feeding stuff | PRC | Feeding stuff | 5,838 | 2.6 | Since 2010 |
| Total | | | | | 191,416 | 83.9 | |

*Notes:*

(1) Entities under common control are grouped together.

(2) Supplier A is a company established in the PRC in 2016 whose principal activities include research and development and provision of breeding technology services.

(3) Supplier B is a company established in the PRC in 2014 whose principal activities include production and sales of feeding stuff, veterinary drugs and animal epidemic prevention.

(4) Xinxiwang Liuhe Co., Ltd. (新希望六和股份有限公司) is a company listed on the Shenzhen Stock Exchange whose principal activities include feeding stuff production, slaughtering of livestock and meat products.

(5) Supplier C is a company listed on the Shanghai Stock Exchange whose principal activities include sales and production of feeding stuff and husbandry breeding.

(6) Supplier D is a company established in the PRC in 1997 whose principal activities include the production of compound and concentrated feeding stuff and supplements.

(7) Supplier E is a company established in the PRC in 2012 whose principal activities include processing and sales of feeding stuff and pig breeding.

(8) Supplier F is a company established in the PRC in 2014 whose principal activities include research and development of biological and related technical services and the production and sales of feeding stuff.

(9) Sichuan Youce Agricultural Technology Consulting Co., Ltd. (四川佑策農業技術諮詢有限公司) is a company established in the PRC in 2008 whose principal activities include sale of medicine and feeding stuff, management of chemical drugs, agricultural technology consulting and promotion.

**Inventory**

We usually keep a low level of inventories, which mainly comprise feeding stuff and medicine. We implemented internal controls on the storage of feeding stuff and medicine. According to the internal policy of the Group, feeding stuff are required to be stored at a cool and dry place with good ventilation. Pig medicine is required to be kept in the pharmacy of our pig farms and shall be marked with clear labels of their names, model numbers, place of origins and expiry dates.

**Employees**

As at 30 April 2020, we had 594 employees. The table below sets out the breakdown of our employees by function as at 30 April 2020.

| Functions | Major duties | Number of employees |
|---|---|---|
| Pig farms staff | • pig farming and pig raising<br>• pig farms maintenance | 364 |
| Pig breeding technicians | • formulating breeding and farming guidelines<br>• pig breeding and pig farming technologies research and development<br>• animal health care | 91 |

| Functions | Major duties | Number of employees |
|---|---|---|
| Sales and marketing | • formulating sales and expansion plan<br>• customer service<br>• sales management and marketing | 29 |
| Management and administration | • strategic development and planning<br>• overall administration<br>• human resources management<br>• formulating internal control policy<br>• information technology and data management<br>• compliance and legal risk management | 79 |
| Accounting and finance | • financial and tax reporting<br>• budget formulation<br>• stocktaking<br>• financial market research and analysis<br>• ensuring timely disclosures and reporting | 31 |
| **Total** | | 594 |

Our employees are generally remunerated by way of fixed salary plus performance bonus. Our Group utilizes an appraisal system for our employees in conducting their salary reviews and determining the amount of bonus.

Our total staff costs including salaries, wages and other benefits, and contributions to defined contribution retirement schemes were RMB43.0 million, RMB39.7 million, RMB55.0 million and RMB16.4 million, respectively, for FY2017, FY2018, FY2019 and 4M2020, which accounted for 9.1%, 8.8%, 7.1% and 4.7% of our total revenue in the corresponding year/period. The decrease of RMB3.3 million, or 7.7% in the our total staff costs for FY2018 was primarily due to the decreased discretionary bonuses paid to employees, resulting from decreased profitability in FY2018 due to "pig cycle" and low pig prices.

We believe that our management policies, working environment, employee benefits have together contributed to good employer-employee relations. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any difficulty in recruitment and retention of employee or experienced any disruption in our operation as a result of labour disputes with our employees in all material aspects.

Our Group recruits employees based on a number of factors such as working experience, educational background and vacancy needs.

In order to increase the overall competitiveness of our workforce and to attract and retain existing employees and strengthen their knowledge and skill level, we place strong emphasis on training of our employees. We use our Tianzow Farming and Management College System to provide training to our employees across different functions.

Pursuant to applicable PRC regulations, we have made contributions for our employees to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds. During the Track Record Period, we failed to make full contributions to the social insurance and housing provident fund for certain employees. Contributions to the social insurance and housing provident fund were made to 92.8% and 82.3% of our total number of employees entitled to social insurance and housing provident fund respectively as at 30 April 2020. Please refer to the paragraph headed "Non-compliance incidents" in this section for details. Our subsidiaries in the PRC have not established labor unions.

***Occupational health and safety***

We are subject to PRC laws and regulations regarding labor, safety and work-related incidents. During the Track Record Period, we complied with relevant PRC workplace safety regulatory requirements in all material respects and there were no major workplace injuries.

To reduce the potential risk of work injuries, we have implemented a comprehensive occupational health and safety system including proper operation and maintenance of equipment, handling of substances with harmful constituents, hygiene and sterile procedures. Our Group would also arrange regular staff trainings on production safety and proper ways to handle emergency and accidents. Regular checks by the management of each shift would also be carried out to ensure proper implementation of the production safety procedures. Staff who fails to comply with our Group's production safety guidelines would be penalised. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, our production safety procedures had been implemented properly and no staff had been injured due to the failure of compliance of our Group's production safety guidelines. Our Directors are of the view that the production safety measures currently adopted are in line with the market practice.

## RESEARCH AND DEVELOPMENT

Our research and development team aims to deliver the sound genetic improvement, a biologically secured pig farming system and a well-balanced product portfolio which meets the market demands. Our research and development had 16 staff as at 30 April 2020 and is led by a pig breeding expert who has obtained doctorate degree in animal breeding. Majority of the team members obtained master degree in animal breeding and related disciplines. Our research and development functions mainly include provision of pigs and pig farming data to research partners. Since December 2019, we cooperated with Huazhong Agricultural University (華中農業大學) to research on the genome breeding technology so as to improve performance of breeding stock and pork quality. We believe this new technology can assist breeding programme enhance accuracy in genetic selection, and enable us to select the best breeding stock candidates efficiently. The objectives of research includes conducting gene chip tests (基因芯片檢測) on our breeding stock, connecting our cloud system with the genomic selection platform of Huazhong Agricultural University, and analyzing the genetic parameter of our breeding stock.

### Intellectual property

We hold a variety of intellectual properties including various trademarks and computer software copyrights in the PRC and Hong Kong. For details, please refer to the section headed "Statutory and general information – Further information about our business" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any intellectual property rights infringement that had a material impact on us. We may be subject to claims from third parties claiming that we are infringing on their intellectual property rights.

## ENVIRONMENTAL PROTECTION

Effective environmental management is critical to the success of our business and to the achievement of our long-term sustainability goals. We are subject to PRC environmental laws and regulations including the Law on Prevention and Control of Water Pollution of PRC (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and The Regulations on the Prevention and Control of Pollution Caused by Large-scale Breeding of Livestock and Poultry (《畜禽規模養殖污染防治條例》). Please refer to the section headed "Regulatory Overview" in this prospectus for details. We are subject to annual inspections by regulatory authorities with respect to these laws and regulations. We consider the protection of the environment to be important and have implemented measures in the operation of our business to ensure our compliance with all applicable requirements under Chinese environmental laws and regulations.

To control the environmental impact of our pig production, we have primarily adopted the following environmental protection measures:

**Water –**

Our sewage treatment process includes biogas fermentation and biochemical treatment. This helps us to ensure no waste water is discharged in violation of the applicable PRC laws.

**Animal Waste –**

Faeces and urine are cleaned into the manure collection tank by a scraper, and then solid and liquid are separated. The fermentation pad is where microbial strains are mixed with sawdust, husk and wood chips. The liquid portion from faeces and urine is sprayed to the surface of the fermentation bed where a machine stirs the mixture one time every two days. The manure is fermented for about three days and once fermented it can be used as an ingredient for organic fertilisers.

Dead pigs are heated at a high temperature to kill the pathogenic bacteria.

**Greenhouse Gas –**

We have installed odor control facilities at our pig farms to discharge gas at a high-altitude, so as not to cause odor pollution to the surrounding environment.

**Risk management of environmental protection risks**

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations of China. These laws and regulations require us to adopt measures to effectively control and properly dispose of dead pigs, manure, waste gases, waste water and other environmental waste materials. For FY2017, FY2018, FY2019 and 4M2020, the environmental protection expense amounted to RMB0.2 million, RMB2.0 million, RMB4.1 million and RMB0.9 million, respectively. It is our intention to expand pig farms and construct additional pig farms for pig breeding. The pig farms will be constructed and expanded respectively in accordance with the standards of the existing pig farms and the Group shall obtain all necessary environmental protection licenses and comply with all environmental protection laws and regulations.

Environmental protection risks include the risks of administrative, civil and criminal penalties, liability for damages and negative publicity due to the failure to comply with these environmental protection laws and regulations of China, which may result from unstable production, deficient environmental protection facilities and excessive emission of pollutants. We have designated the Safety and Environmental Protection Department, comprising environmental engineers and equipment maintenance engineers, to identify, assess and manage environmental protection risks. The Safety and Environmental Protection Department carries out regular environmental inspection to identify the environmental protection problems and provide early warnings on environmental protection risks of each pig farms in a timely manner. The Safety and Environmental Protection Department reports their findings and submits the suggested rectification measures to the Board of the Directors for its review. Upon the suggested rectification measures have been approved by the Board, the Safety and Environmental Protection Department follows up the implementation of rectifications and monitor the continuous compliance of environmental protection measures of each pig farms.

**Our environmental related strategy and performance**

In line with our sustainable development vision, we set oversight for environment performance in diverse aspect, such as resource efficiency, air emissions and water consumption. During the Track Record Period, our total greenhouse gas emission, total energy consumption and total water consumption increased due to the expansion of our scales in the period. To achieve a better environmental-friendly production, (i) energy-saving is one of the key points to be considered, when we engage the architects to design our new pig farms; (ii) we continue upgrading the equipment of our existing pig farms to reduce the emission and energy consumption; and (iii) we regularly evaluate the performance of the emission reduction and energy saving measures and identify areas of improvement.

**Greenhouse Gas Emissions (GHG)**

| | **FY2017** | **FY2018** | **FY2019** |
|---|---|---|---|
| Direct Emission ($tCO_2e$) | 1,791.7 | 1,351.3 | 1,172.0 |
| Indirect Emission (tonnes of $CO_2$ equivalent) ($tCO_2e$) | 5,036.3 | 7,066.9 | 8,683.7 |
| Total GHG Emission (tonnes of $CO_2$ equivalent) ($tCO_2e$) | 6,828.0 | 8,418.2 | 9,855.7 |

**Energy Consumption**

| | **FY2017** | **FY2018** | **FY2019** |
|---|---|---|---|
| Electricity Consumption (kWh in ’000) | 7,093.3 | 9,953.4 | 12,230.5 |
| Energy Produced from Fuel (kWh in ’000) | 3,535.4 | 2,688.6 | 2,347.5 |
| Total Energy Consumption (kWh in ’000) | 10,628.7 | 12,642.0 | 14,578.0 |
| Total Energy Consumption Intensity (kWh in ’000/Million RMB Revenue) | 22.4 | 28.2 | 18.6 |

| | Water Consumption FY2017 | FY2018 | FY2019 |
|---|---|---|---|
| Total Water Consumption ($m^3$) | 423,686.3 | 533,811.0 | 631,052.8 |
| Total Water Consumption Intensity ($m^3$/Million RMB Revenue) | 892.9 | 1,189.2 | 804.8 |

## LICENCES AND PERMITS

Our PRC Legal Adviser have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had obtained relevant material requisite licences, approvals and permits from relevant PRC authorities for our operations in China. Save as disclosed in the notes below, our requisite licences and permits were valid as at the Latest Practicable Date. The following table sets forth the permits and licences related to our business operation:

| Permit and license | Issuing authority | Validity period |
|---|---|---|
| Livestock and Poultry Breeders Production Operation Permit (種畜禽生產經營許可證)(1) | County level branch of the MARA | Three years |
| Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證)(2) | County level branch of the MARA | The Animal Epidemic Prevention Law of the PRC (中華人民共和國動物防疫法) does not specify a validity period. Competent authorities have the authority to determine the validity periods and the practice varies among different authorities. |
| Veterinary Medicine Permit (獸藥經營許可證) | County level branch of the MARA | Five years(3) |
| Live Pig Slaughtering Permit (生豬定點屠宰證) | Guang'an Municipal People's Government | Not applicable |

*Notes:*

(1) As at the Latest Practicable Date, we had obtained 14 Livestock and Poultry Breeders Production Operation Permit (種畜禽生產經營許可證) for all of our and leased breeding stock farms to raise the breeding stock candidates, of which three have expired, two will expire in 2021, six will expire in 2022 and three will expire in 2023. For permits which have expired, we have applied to the relevant MARA for renewal. Our Directors confirmed that the application is under process and there is no impediment in obtaining the Livestock and Poultry Breeders Production Permit. As advised by our PRC Legal Adviser, there is no legal impediment for the Group to renew those Livestock and Poultry Breeders Production Operation Permit that will expire in 2020 under similar terms and conditions.

(2) We had obtained Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) for all of our pig farms in operation as at the Latest Practicable Date. We had not obtained Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證) for certain pig farms during the Track Record Period, most of these pig farms were leased from the government, therefore assistance from the government to apply for the Animal Epidemic Prevention Qualification Certificates was required.

According to the provisions of the "Animal Epidemic Prevention Law of the People's Republic of China" (《中華人民共和國動物防疫法》), in the case of a particularly serious case where a pig farm is operated without the "Animal Epidemic Prevention Qualification Certificate", the competent authority may impose a fine of up to RMB100,000. According to the "Measures for Regulating the Discretionary Power of Agricultural Administrative Penalties" (《規範農業行政處罰自由裁量權辦法》), even if an entity fails to obtain the "Animal Epidemic Prevention Qualification Certificate" for operating pig farms and is punished by the competent authority, the fine is generally less than RMB10,000. Having taken into consideration the potential amount of fine, and that the government authorities will not order to suspend our operation of pig farms without the Animal Epidemic Prevention Qualification Certificates, our PRC Legal Adviser advised us that operating pig farms without the Animal Epidemic Prevention Qualification Certificates does not constitute material non-compliances.

(3) Our current Veterinary Medicine Permit will expire in May 2022.

For more information about the laws and regulations that we are subject to, please refer to the section headed "Regulatory Overview" in this prospectus. Some of our material permits and licences have limited periods of validity, such as three years for a Livestock and Poultry Breeders Production Operation Permit. Our legal compliance personnel are responsible for monitoring the validity status of our permits and licences, and preparing timely applications for renewal of the relevant permits and licences.

## QUALITY CONTROL

We are committed to providing quality and reliable products. We follow comprehensive approaches to quality control which address each phase of production from raw material purchase, biosecurity to delivery.

### Quality control over raw materials

The main raw material used in our operations include feeding stuff, medicine and other ancillary materials. We have adopted a series of strict quality control measures with regard to the raw materials we purchase. Please refer to the paragraph headed "Our suppliers" for details of our selection criteria and quality control procedures of our suppliers.

### Biosecurity measures

We implement stringent biosecurity protocol to reduce the risk of the introduction and spread of disease. In view of the African Swine Fever epidemic, we adopt the following enhanced biosecurity measures:

#### *Control of vehicles*

- vehicles shall be for designated purposes, feed trucks, vehicles for sales of pigs and cull pig vehicles shall be designated specifically

- if no vehicles are available, we shall lease vehicles to ensure that vehicles are not shared with other farms

- the vehicle shall be washed and sterilized with disinfectant, and the personnel shall wear protective suits when sterilising the vehicle

- the disinfectant in the vehicle sterilising pool must keep a certain level at all times. The disinfectant shall be changed immediate if it gets polluted. The disinfectant shall contain 3% caustic soda solution

- before entering into the site, the vehicles shall be driven through the vehicle sterilising pool

- a transit depot shall be set up to prohibit the direct contact of external vehicles with the pig farm

***Management of drinking water***

- water quality shall be checked once a day

- in each test, Oxidation-Reduction Potential value, a measure of water cleanliness, must be above 650mv, if failing so, the disinfectant shall be increased to 1.5 times of the original dosage and PH value shall be adjusted to 4 to 6

***Sterilisation of pig farms***

- the field area and the gate area shall be splashed with lime milk and then be sterilized by using 3% caustic soda solution twice a week

- office area shall be sterilised by using 3% caustic soda solution twice a week.

***Insect and rat extermination***

- the desinsectisation procedures for pig shall be executed in strict compliance with immunity procedures, and shall not be postponed

- in order to kill the ticks in pig stalls, all cracks and holes shall be blocked with cement

- the weeds within the pig farm shall be cleaned out regularly and sterilized by splashing disinfectant

- the birds and mosquitoes within the site shall be monitored and controlled and deratisation work shall be carried out twice a month

***Personnel and materials management***

- each staff shall be provided with at least two sets of work clothes, which must be changed prior to his or her admission to the farm each time. The change of clothes and shoes must be completed at the gate of the farm

- the tools used for vaccination, including vaccine tank and injection tool, must be disinfected before and after the use of them

- the accommodation of farming staff shall be separated from the pig farms

- all personnel within the farm are not allowed to have random entrance and exit of the farm

- the main entrance shall be kept closed at any time, customer are prohibited from visiting the farm

- materials shall be strictly examined before entering the farm

**Animal welfare**

Although as confirmed by our PRC Legal Advisers, there are no prevailing PRC laws and regulations on animal welfare applicable to our business and operations, we seek to protect the physical and psychological well-being of our pigs by adoption of internal control procedures during the pig breeding, pig production and slaughtering processes which our Directors believe could help ensure our product quality. In particular, we ensure the well-being of our pigs in the following aspects:

- *Feeding stuff:* To ensure adequate nourishment received by our pigs and to promote their general health, we formulate the nutrition formulae of feeding stuff which are essential to their growth. In addition, feeding stuff are kept in clean and dry place so as to preserve the quality of the feeding stuff.

- *Living conditions:* We have adopted internal standards to provide clean and comfortable living environment for our pigs such as maintaining appropriate temperature and humidity level of our sheds appropriate to our pigs in various stages of their development. In particular:

  - Each of our boars are kept at separate sheds to prevent any fighting between the boars, and each of our pregnant sows will be transferred to separate farrowing sheds when expecting delivery.

  - Newborn piglets are kept in heating pads with temperature of between 28 to 32 degrees Celsius in order to maintain their body temperature, and after that, will be kept separately for nursing during the first three weeks until the batch of newborn piglets is weaned.

- We also adopt internal policy to control the temperature of the living environment of the pigs. Electric fans and water curtain will be used to lower the room temperature within the sheds in the event that the room temperature is too high and heaters will be used to increase the room temperature of the sheds in the event that the room temperature is too low.

- Sheds are required to be cleansed and sanitised on a regular basis to ensure a desirable living environment.

*General health:* To promote general health of our hogs:

- We actively monitor the health condition of our pigs, and they are dewormed and are given appropriate medicine and vaccination based on their age and health condition in accordance with our internal guidelines.

- Our farming process adopts a regular daily routine where pigs shall be regularly fed with consistent portions, and sleep, eat and discharge at specific locations.

- We adopt a stringent disease control system and strict hygienic standard at our farms. For details, please refer to the paragraph headed "Biosecurity measures" in this section.

*Slaughtering:*

- We prohibit the use of violence, such as hitting or kicking when the pigs are being transferred between sheds, farms or to the slaughterhouse.

- In order to minimise unnecessary pain and suffering, the bloodletting process should not exceed 30 seconds.

## INFORMATION SYSTEM

Our major information system include the following:

### Tianzow Cloud Smart Pig Management System (天兆雲智能養豬管理系統)

Tianzow Cloud Smart Pig Management System includes seven function modules, namely fixed assets, supplies management, staff management, pigs management, sales management, data control and review and reporting.

Fixed assets module, which is mainly used for overall statistics and management of construction facilities, equipment and tools and environment protection facilities to ensure the integrity of asset management and provide effective analysis and management on maximum capacity of each pig farm.

Supplies management module, which is mainly used for procurement of supplies and other activities related to the production. It is also used to manage stock-in, stock-out, consumption and deployment of supplies such as feeds, medicines, labor protection, instruments and items used at the laboratory.

Staff management module, which is mainly used to record personal file, personal changes and attendance. This module enables the development of the roster system and understanding of information on number of staff, posts, ages, education attainment and contact details.

Pigs management, which is mainly used to management and statistics of changes in number of pigs and breeding houses as well as record and statistics of death, immunity and treatment. It enables timely presentation of number of pigs and other information, preparation of feed procurement plans with data of pig management, and understanding of information on pigs that can be sold in the market.

Sales management module, which is mainly used to perform statistics of data related to sales by our subsidiaries. Basic date such as batch number of pigs can be selected through the system before entering data such as quantity and weight by the on-site staff. Such data can be used to generate supporting documents for receivables and income.

Data control and review module, which is mainly used to keep track of the log-in details of the employees.

Reporting module, which is used to check the data of different supplies, pigs and sales data, and perform stock-taking of different supplies and calculation of production costs and cost of sale, across our pig farms.

**Tianzow Cloud Pig Breeding and Farming Management System (天兆雲育種養豬管理系統)**

Tianzow Cloud Pig Breeding and Farming Management System includes the following key functions:

***Data entry***

Entry of data during the course of our daily production is performed through the system. Data entry involves information on various areas of boars, sows, piglets growing and gene detection. Statistics report can then be generated from the data.

*Analysis of pig breeding*

It involves matching, selection, analysis on genetic development of breeding stock, analysis on the degree of inbreeding, and evaluation and calculation relating to genetic issues. It enables better analysis on all breeding targets for pigs, which makes EBV values more accurate and reliable.

*Production plan*

The system can perform analysis on production data and generate working plans and warnings. It helps to achieve better operating efficiency.

**Tianzow Farming and Management College System (天兆養殖管理學院系統)**

Tianzow Farming and Management College System is used to (i) publish selective courses for internal training; (ii) prepare examination paper and release exam notices and scores; and (iii) serve as our knowledge centre.

## INSURANCE

We consider our insurance coverage to be adequate and in line with the commercial practice in the PRC.

Our insurance coverage in China primarily consists of insurance of property and employee related insurance. Our property insurance primarily covers our biological assets. Our employer related insurance mainly consists of contributions to or provisions of the employee pension insurance, workplace injury insurance, maternity insurance, unemployment insurance, health insurance, housing funds as required by PRC laws and regulations.

Our Directors believe that this is in line with the general practice in the PRC of the industry in which our Group is engaged. Our Directors are of the view that we have maintained sufficient insurance coverage for our business and operations.

## COMPETITION

We compete with pig breeding companies in the PRC and pig farming companies. According to the CIC report, we ranked the first, the fourth and the second among all breeding stock farming companies in terms of breeding stock sales revenue in 2019, 2018 and 2017, respectively, in the PRC. The PRC pig farming industry is highly fragmented. It is expected that the trend of industry concentration will continue to accelerate due to growing scrutiny over food safety and pork production. Competition for our products in the PRC is primarily based on large-scale batch production capability, brand recognition, quality, genetic traits, price, marketing strategies as well as distribution network. Despite competition from local and international companies, we believe that our well-recognised Tianzow brand, in depth pig farming know-how and dedicated management team will help us stands out from our competitors.

## MAJOR AWARDS

We received some awards and recognition in respect of quality of our products, brand recognition and our social contributions, including the key awards and recognition set forth in the table below:

| Awards and recognition | Year | Issuing authority |
|---|---|---|
| Agriculture Industrialisation National Key Enterprise (農業產業化國家重點龍頭企業) for the Company | November 2018 to December 2020 | Ministry of Agriculture, National Development and Reform Commission, MOF, MOFCOM, PBOC, State Taxation Administration, China Securities Regulatory Commission and All China Federation of Supply and Marketing Cooperatives |
| National Nucleus Pig Breeding Farm (國家生豬核心育種場) for the Company | November 2016 – October 2021 | Ministry of Agriculture |
| National Nucleus Pig Breeding Farm (國家生豬核心育種場) for Jiangsu Tianzow | October 2017 – September 2022 | Ministry of Agriculture |

## RECENT DEVELOPMENT

### African Swine Fever epidemic and other swine diseases

African Swine Fever, first occurred in August 2018 in China, is a fatal disease for pigs. In August 2018, China's first African Swine Fever was discovered in the Northeast China. The epidemic subsequently spread from north to south. As in January 2019, African Swine Fever was discovered in a total of 24 provinces. As in April 2019, all provinces, municipalities and autonomous regions of China had reported African Swine Fever cases. In 2020, the African Swine Fever has subsided compared with 2019. Pig farms dispose infected hogs and result in direct loss under the impact of an outbreak. Currently, there is no vaccine available in the market. The impact of African Swine Fever and other swine diseases on our operation, our financial performance and expansion plan is set out below.

***Impact of African Swine Fever and other swine diseases on our operation***

*Demand of live pigs and pork products –*

There is no material change in the demand for market hogs. Due to the African Swine Fever epidemic, the stocks of live pigs fell sharply, the speed and scale of restocking pigs could not keep up, which led to the shortage of pigs in the market. Further, the government adopted restrictions in the transport of pigs to prevent and control African Swine Fever, resulting in an imbalance between the supply and demand of pigs among regions. On 11 September 2018, pursuant to the "Notice of the Ministry of Agriculture and Rural Affairs on Further Strengthening the Supervision of Trans-provincial Transfer of Live Pigs and Products" (Nong Ming Zi (2018) No. 33) (《農業農村部關於進一步加強生豬及其產品跨省調運監管的通知》(農明字[2018]第33號)) suspended the inter-provincial transfer of live pigs in some provinces. On 28 December 2018, the "Notice of the Ministry of Agriculture and Rural Affairs on Regulating Live Pigs and Live Pig Products Allocation Activities" (《農業農村部關於規範生豬及生豬產品調運活動的通知》) partially lifted the inter-provincial restrictions. In 2019, with the gradual improvement of the African Swine Fever epidemic, the restrictive measures in various provinces were gradually lifted. On 6 September 2019, pursuant to the "Opinions of the General Office of the State Council on Stabilising Live Pigs Production and Promoting Transformation and Upgrading" (Guo Ban Fa (2019) No. 44) (《國務院辦公廳關於穩定生豬生產促進轉型升級的意見》(國辦發[2019]44號)), the restriction had been fully lifted as stipulated by the State Council. For details of the restrictions in the transport of pigs, please refer to the section headed "Regulatory Overview – Prevention and control of African Swine Fever".

*Pig farms operation –*

We have taken measures to ensure the compliance with all applicable laws and regulations in relation to the African Swine Fever including "Opinions of the General Office of the State Council on Strengthening the Prevention and Control of African Swine Fever" (《國務院辦公廳關於加強非洲豬瘟防控工作的意見》) and "Contingency Plan for the African Swine Fever Epidemic" (《非洲豬瘟疫情應急預案》) and was repealed by the MARA on 29 May 2020. We have strengthened our measures to control the African Swine Fever. The strengthening of the biosecurity measures resulted in an increase in feeding cost, which were approximately RMB4.1 million and RMB2.6 million for FY2019 and 4M2020, accounting for 1.0% and 2.1% of our cost of sale for FY2019 and 4M2020, respectively. Our expense relating to the strengthened biosecurity measures mainly were the expenses on the procurement of extra disinfectant and the setup of additional sterilization equipment. We managed to eliminate the African Swine Fever's route of transmission by some strengthened biosecurity measures, such as implementing quarantine measures for our pig farms and disinfecting feeding stuff and materials coming in or out of the area of our pig farms. In light of the fact that no pig raised in our pig farms has been depopulated due to the African Swine Fever from 1 January 2020 to the Latest Practicable Date and the number of pigs in the stock in the PRC was recovering, our Directors believe and the Sole Sponsor concurs that (i) our strengthened biosecurity measures are adequate and effective at this stage and (ii) the outbreak of the African Swine Fever had subsided since late 2019 in the PRC and no material impact caused by the African Swine Fever is expected on the Group going forward. Porcine reproductive and respiratory syndrome (the "**PRRS**") and porcine epidemic diarrhea (the "**PED**") are two widespread swine diseases in the PRC, resulting in direct losses to pig farming through mortality and loss of productivity. The outbreaks of the PRRS during 2006 to 2009 and the PED during 2011 to 2014 in the PRC caused the significant mortality of the pigs in the PRC. The outbreaks of the PRRS and the PED in the PRC subsided since 2014, after the pig farming industry in the PRC has strengthened the prevention and control of the swine infectious diseases. The PRRS and the PED had no material impact on our business operation and financial performance during the Track Record Period and up to the Latest Practicable Date, because we have adopted stringent biosecurity measures for prevention of infectious swine diseases and we use vaccine for PRRS to protect our pigs. Our pig farms had no material infection cases of porcine reproductive and respiratory syndrome and porcine epidemic diarrhea, and we did not depopulate any pig farm due to such two swine diseases during the Track Record Period and up to the Latest Practicable Date. For details of our biosecurity measures, please refer to the paragraph headed "Quality control-biosecurity measures" in this section. Save as disclosed in this prospectus, we did not experienced material disruption of our pig farming operation as a result of African Swine Fever and other swine diseases.

*Supply chain –*

We did not experience any major shortage of feeding stuff as a result of the outbreak of African Swine Fever and other swine diseases.

***Impact of African Swine Fever and other swine diseases on our financial performance***

*Pig output and sales volume –*

According to the CIC Report, due to the impact of African Swine Fever, the output volume of market hogs declined from 702.0 million in FY2017 and 693.8 million in FY2018 and further decreased to 544.2 million in FY2019. The output volume of breeding stock decreased from 41.4 million in FY2017 to 35.7 million in FY2018 and 25.2 million in FY2019 due to the shortage of the supply.

Our total pig output increased during the Track Record Period, which were 238.1 thousand, 247.0 thousand and 294.4 thousand for FY2017, FY2018 and FY2019, respectively. We still achieved an increase in the number of total pig output in FY2019 during the outbreak and the spread of the African Swine Fever in the PRC, which outperformed the industry, primarily because (i) our production capacity for FY2019 increased as compared to that for FY2018 because two new pig farms has been gradually in operation since 2019 after the completion of construction work in 2018 and (ii) our biosecurity system were sufficient and only several pig farms suffered from the African Swine Fever in the FY2019. The production capacity of such pig farms suffering from the African Swine Fever accounted for approximately 13% of our total production capacity for FY2019; while the number of sows in the stock in the PRC as at 31 December 2019 was estimated to decrease by approximately 31% as compared to that as at 31 December 2018.

*Average selling price –*

We sell our products at the prevailing market price, which fluctuates along with the pig cycles. Our average selling price of market hogs dropped in FY2018 as compared to that of FY2017, from RMB1,657/head to RMB1,523/head, representing a decline phase in the last pig cycle. Our average selling price of breeding stock also dropped from RMB2,798/head to RMB2,513/head in the same period along with the drop of market hog price. Our product mix also affected by the pig cycle and the outbreak of the African Swine Fever. In August 2018, China's first African Swine Fever was discovered in the Northeast China. The epidemic subsequently spread from north to south. As in January 2019, African Swine Fever was discovered in a total of 24 provinces. As in April 2019, all provinces, municipalities and autonomous regions of China had reported African Swine Fever cases. Since the spread of the African Swine Fever, the supply of finishers gradually decreased due to the negative impact of the African Swine Fever. However, during the fourth quarter of 2018 and the first half of 2019, many live pigs were sold by pig farms and peasants ahead of schedule when such pigs were still growing, to minimize the potential risk of loss of biological assets, therefore the market supply fluctuated little, and the pig price did not rise significantly in the first half of 2019. Due to the further aggravation of the African Swine Fever and the low volume of pigs raised in the stock, there was a sharp drop in supply in the second half of 2019, resulting in a rapid increase in pig prices since the second half of 2019. Our average selling price of market price of breeding stock and market hogs thus surged to RMB3,856/head and RMB2,242/head for FY2019. The pig price still maintained at the high level due to the shortage of supply caused by the African Swine Fever. The average selling price of breeding stock and market hogs maintained at a high level, which were RMB7,146/head and RMB4,682/head, respectively.

The average selling price of our products fluctuated in line with the market price during the Track Record Period. For details of our average selling price by product, please refer to the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income – Revenue".

*Gross profit margin –*

Our overall gross profit margin decreased from 36.4% for FY2017 to 22.1% FY2018 primarily due to decrease in pig price. Our overall gross profit margin increased from 22.1% for FY2018 to 48.4% for FY2019 and 64.9% for 4M2020, due to the significant surge of the pig price resulting from the shortage of pig supply caused by the outbreak of African Swine Fever. For details of our gross profit margin by product, please refer to the section headed "Financial Information – Principal components of consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin".

*Changes in product mix –*

Our products mainly fall into two categories, being breeding stock and market hogs. Our breeding stock are purchased by our customers located in a wide range of areas all over the PRC for their pig farming, while our market hogs are ultimately slaughtered and used for production of pork products in the region around our pig farms.

The demand for breeding stock fluctuates with the pork price. The percentage of breeding stock segment sales decreased from 29.8% to 12.3% from FY2017 to FY2018 while the percentage of market hogs segment sales increased from 58.1% to 79.9% for the year. More pigs were sold as market hogs instead of breeding stock in FY2018, primarily because (i) the market demand for breeding stocks declined significantly, due to the fall of pork price in FY2018 and (ii) the restriction on inter-provincial transport of pigs due to the African Swine Fever in FY2018, which mainly negatively impact the delivery of breeding stock, because our customers for breeding stock are located in a wide range of areas all over the PRC which requires inter-provincial transport of pigs for delivery purpose, while our market hogs are ultimately slaughtered in the region around our pig farms. The overall pig market recovered gradually beginning in late 2019 due to the shortage of supply of pigs and the decreased volume of pigs in the stock as the result of the outbreak and the spread of the African Swine Fever in the PRC. The percentage of breeding stock segment sales increased from 12.3% to 19.8% in volume from FY2018 to FY2019 while the percentage of market hogs segment sales decreased from 79.9% to 72.8% for the year. The percentage of breeding stock segment sales gradually recovered, mainly because (i) the market demand for breeding stocks gradually recovered, due to the surge of pork price in late 2019 and (ii) the restriction on inter-provincial transport of pigs in various provinces were gradually lifted with the gradual improvement of the African Swine Fever epidemic and fully lifted in September 2019.

Due to the impact of African Swine Fever, a large number of breeding stocks and market hogs are disposed. Breeding stock is the key production resource for market hogs. The combined effect of disposed breeding stock and extra demand from market hog farmers after the outbreak of African Swine Fever leads to a large supply shortage of breeding stock. Our Directors believe that more breeding stock candidates can be sold as breeding stock in FY2020.

*Net loss on disposal of biological assets –*

An outbreak of other swine diseases such as porcine reproductive and respiratory syndrome, porcine circovirus, porcine epidemic diarrhea, pseudorabies, swine parvovirus and swine eperythrozoonosis might adversely impact our production. To avoid the spread of contagious swine diseases, we have to depopulate the pigs raised in the infected pig farms and disinfect the entire area of the infected pig farms. For FY2019, we decided to depopulate the pigs raised in six of our farms and six of our contract farms affected by contagious swine diseases. Approximately 29.4 thousand pigs, including approximately 2.9 thousand sows were depopulated, accounting for approximately 15% of the number of sows in the stock as at 1 January 2019. We did not depopulate the pigs raised in any of our farm or contract farms for 4M2020. As a result, for FY2019, we recorded a net loss on disposal of biological assets due to virulent disease for an amount of RMB31.2 million. We have disinfected the entire area of our pig farms suffering from the African Swine Fever before we gradually re-raised pigs in such pig farms. The output of pigs for such production facilities is estimated to decrease approximately 43.4 thousand, 46.0 thousand, and 7.2 thousand for FY2019, FY2020 and FY2021, respectively, due to the depopulation in FY2019. Save as above, our Directors confirmed that we did not depopulate any pigs raised in our pig farms or our contract farms due to African Swine Fever during the Track Record Period and up to the Latest Practicable Date.

Set forth below are the number of pigs depopulated in FY2019 due to the infection of the African Swine Fever for each of the Group's farms and the contract farms with infected pigs

| | **Number of piglets, weaners and growers** | **Number of Sows** |
|---|---|---|
| | *(head)* | *(head)* |
| Pig farm A | 9,415 | 1,833 |
| Pig farm B | 6,624 | 147 |
| Pig farm C | 2,958 | 897 |
| Pig farm D | 1,536 | – |
| Pig farm E | 807 | – |
| Pig farm F | 538 | – |
| Contract farm A | 2,502 | – |
| Contract farm B | 664 | – |
| Contract farm C | 618 | – |
| Contract farm D | 505 | – |
| Contract farm E | 258 | – |
| Contract farm F | 69 | – |
| **Total** | 26,494 | 2,877 |

***Impact of African Swine Fever and other swine diseases on our business plan***

Overall, our business strategies and expansion plan have not been materially and adversely impacted by the African Swine Fever and other swine diseases.

Our Directors confirmed that the African Swine Fever and other swine diseases had no material negative impact on our Group since 1 January 2020 and up to the Latest Practicable Date. For details of the effect of African Swine Fever on the pig farming industry, please refer to the section headed "Industry Overview – Impact of African Swine Fever on the pig farming industry". For details of risks relating to the African Swine Fever and other swine diseases, please refer to the section headed "Risk Factors – Outbreak of African Swine Fever and other swine diseases can significantly affect our production, demand for our products and our business".

**Impact of COVID-19 on our business**

China, among other countries, encountered an outbreak of COVID-19 in the end of 2019. Due to the outbreak of COVID-19, the construction work of our new pig farm in Lanzhou City, Gansu Province delayed for a few days. The construction work had resumed in February 2020. Apart from this, as at the Latest Practicable Date, the COVID-19 outbreak did not have any material adverse impact on our business and results of operations.

***Supply chain –***

We did not experience material feeding stuff or other raw material shortage since the outbreak of COVID-19. Government policies were issued to require that during the prevention and control of outbreak of COVID-19, the supply of meat and other necessities shall be ensured and the transportation of agricultural material including livestock and feeding stuff should not be intercepted. For details, please refer to the section headed "Regulatory Overview" in this prospectus.

***Sales to customers –***

| | **4M2019** | | **4M2020** | |
|---|---|---|---|---|
| | **External sales volume** | **Average selling price** | **External sales volume** | **Average selling price** |
| | *heads* | *RMB/head* | *heads* | *RMB/head* |
| Breeding stock | 9,646 | 2,648 | 12,701 | 7,146 |
| Market hogs | 76,841 | 1,671 | 45,007 | 4,682 |
| Market hogs (small) | 5,888 | 825 | 16,106 | 1,978 |
| Total | 92,375 | | 73,814 | |

Our sales volume to the external customers decreased by approximately 18.6 thousand pigs or 20.1% from approximately 92.4 thousand pigs for 4M2019 to approximately 73.8 thousand pigs for 4M2020. Such decrease of sales volume is mainly attributable to the decrease of sale volumes of market hogs in the first quarter in 2020, mainly resulting from the temporary shutdown of slaughterhouses in late January to early March of 2020. We had to continue to raise such finishers and delay the output. We arranged the sales of market hogs after the resumption of operation of slaughterhouses. The daily production capacity of the slaughterhouses in the market gradually recovered and a large number of the pigs in the market were available for sale. We expect the pig price would still maintain at a high level for 2020. We thus were not willing to sell our market hogs at a discount price to gain the extra sales in March and April 2020. Our external sales volume of breeding stock increased from 9.6 thousand pigs for 4M2019 to 12.7 thousand pigs for 4M2020, primarily because (i) the lower market hogs price and the seriousness of African Swine Fever lowered the market demand for breeding stock for 4M2019; and (ii) higher market hogs price and sharp decrease of the stock of live pigs increased the demand of breeding stock for 4M2020. Our external sales volume of market hogs (small) significantly increased from 5.9 thousand pigs for 4M2019 to 16.1 thousand pigs for 4M2020, primarily because (i) the market price of market hogs (small) maintained at the high level in 4M2020 due to the significantly increased market demand for market hogs (small). We thus decided to sell more market hogs (small) in 4M2020 instead of further raising them to finishers for sale, due to the high gross profit margin of sales of market hogs (small) in the period; and (ii) the epidemic was under control in the PRC since March 2020, we therefore were able to sell more market hogs (small) to the pig farms around us in March and April 2020. We sold 11.3 thousand market hogs (small) in March and April 2020. We believe that the outbreak of COVID-19 has no material impact on our financial performance for a long run, because (i) our revenue and profits derived from pig selling for 4M2020 surged as compared to these for 4M2019 due to the significantly rise of pig prices, despite that the sales volumes decreased; (ii) pork is one of the major protein sources for Chinese people and one of the important commodities in the PRC; (iii) there are government policies requiring that during the prevention and control of outbreak of COVID-19, the supply of meat and other necessities shall be ensured and that the transportation of agricultural material including livestock and feeding stuff should not be intercepted. On 15 February 2020, the General Office of the Ministry of Agriculture and Rural Affairs, the General Office of the National Development and Reform Commission, and the General Office of the Ministry of Transport jointly issued the "Emergency Notice on Resolving Current Practical Difficulties and Accelerating the Resumption of Production and Production of the Animal Husbandry Industry" (《關於解決當前實際困難加快養殖業復工復產的緊急通知》), proposed to ensure the smooth transportation of materials and agricultural products, accelerate the resumption of work and production of feed enterprises and livestock and poultry slaughtering and processing enterprises, and promote the sales of livestock, poultry and aquatic products. In March 2020, slaughterhouses across the country have resumed operations; (iv) the pig price has maintained at a high level since the late 2019, and we recorded a significant revenue growth and profit growth during the period; and (v) our pig farms are generally located in remote regions. Because of the nature of commodities, our Directors believe that all the pigs raised by us could eventually be sold out, since there is a huge gap between the supply and the market demands of pigs in the future few years resulting from the impact of the African Swine Fever. Our Director confirm and the Sole Sponsor concurs that COVID-19 outbreak did not have any material adverse impact on our business operation and financial performance, and our business has gradually normalized since March 2020 along with a subsequent resumption and normalization of economic and business activities in the PRC, primarily because (i) pork is one of the most important protein sources for Chinese people and pork consumption per person remained stable during the epidemic; (ii) there are government policies which require that during the prevention and control of the outbreak of COVID-19, the supply of meat and other necessities shall be ensured and that the transportation of agricultural material including livestock and feeding stuff should not be intercepted; (iii) the pig price has maintained at a high level since the late 2019, and we recorded a significant revenue growth and profit growth during the period; and (iv) our pig farms are generally located in remote regions and we have adopted the stringent hygiene measures.

***Operation of pig farms***

During the Track Record Period and up to the Latest Practicable Date, none of our pig farms was located in Hubei province. Our pig farms are generally located in remote regions. We did not suspend the operation of our pig farms due to the outbreak of COVID-19 during the Track Record Period and up to the Latest Practicable Date. We had adopted additional internal control and hygiene measures since the outbreak of COVID-19. These measures include monitoring of employees health conditions and travel record, disinfection of office areas, procurement of epidemic prevention materials such as masks, disinfection alcohol spray, and thermometers, strengthening education on epidemic prevention and control and formulating emergency response guidelines. During the Track Record Period and up to the Latest Practicable, none of our employees was infected by COVID-19.

**G4 swine flu virus**

On 29 June 2020, the U.S. journal Proceedings of the National Academy of Sciences of the United States of America (PNAS) published a research article, reporting that a team of Chinese researchers identified G4 swine flu virus, namely, genotype 4 (G4) reassortant Eurasian avian-like (EA) H1N1 virus (基因4型重配歐亞型禽系H1N1病毒), in the swine pollutions of the PRC. Michael J. Ryan, the executive director of the World Health Organization (WHO) Health Emergencies Program in a press conference dated 1 July 2020, stated that this strain of influenza virus was not new and had been under surveillance since 2011. The Chinese Center for Disease Control and Prevision (CCDC) also suggested on 3 July 2020 that G4 swine flu was not new and 13 human-infected cases for EA-H1N1 swine flu has been diagnosed in the PRC since 2010, among which, 3 cases were G4 swine flu infection. The diagnosis result indicated that G4 swine flu may infect human and pose a potential threat to human health. We implement stringent biosecurity protocol to reduce the risk of the introduction and spread of disease. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, there had been no confirmed or suspected cases of G4 swine flu infection among our employees and our raised pigs. We will continue to monitor and evaluation of the potential impact of G4 swine flu and other disease on our business operation, financial performance and cash flows going forward.

**Acquisition after Track Record Period**

On 6 May 2020, our Company entered into an equity transfer agreement with Shanghai Xinzhou Investment Management Company Limited (上海新周投資管理有限公司) ("**Shanghai Xinzhou**"), pursuant to which our Company acquired 4.76% of the equity interest in one our subsidiary Jiangsu Tianzow from Shanghai Xinzhou for a total consideration of RMB1,550,000, taking into account the consideration paid for the acquisition of 47.62% of the equity interest in Jiangsu Tianzow on 30 December 2019, when Jiangsu Tianzow became our subsidiary from an associated company. Upon completion of such acquisition, the equity interests of Jiangsu Tianzow was held as to 100% by the Company and became our wholly owned subsidiary.

On 8 May 2020, the Group acquired 40% of the total equity interest (unpaid share capital) of Suining Gaojin Breeding Co., Ltd. (遂寧市高金農牧有限公司) by subscribing share capital of RMB3.2 million, taking into account that it did not hold any assets and had no track record of business as at the date of the acquisition.

On 13 May 2020, the Group acquired 20% of the total equity interest (unpaid share capital) of Fujian Xingsheng Tianzow Breeding Co., Ltd. ("**Xingsheng Tianzow**") by subscribing share capital of RMB2 million, taking into account the net asset of Xingsheng Tianzow.

On 20 May 2020, the Group increased its ownership from 30% to 60% of the total equity interest of Ebian Tianzow through increasing its subscribed capital from RMB300,000 among the entity's registered capital of RMB1,000,000 to RMB36,000,000 among the entity's changed register capital of RMB60,000,000, Ebian Tianzow has become the Company's non-wholly owned subsidiary thereon.

For additional information in respect of Xingsheng Tianzow and Ebian Tianzow, please refer to Note 36 in Appendix I to this prospectus.

## INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board of Directors to ensure that the Company maintains sound and effective internal controls to safeguard our Shareholders' investment and the Group's assets at all times. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

### Use of hormone, vaccines and antibiotics

We limited the use of antibiotics and vaccines to the minimum dose required. The quantity of antibiotics and vaccines usage on livestock was pre-set on the internal control manual with reference to the standard of China Institute of Veterinary Drug Control (中國獸醫藥品監察所). The approval form of the quantity of antibiotics and vaccines to be used is required to be filled out by the applicant of the user department according to the internal control manual. Then the form is required to be submitted to the department head and Head of the Pig Farming Technology Department for approval before the antibiotics and vaccines being actually used on livestock. We do not add hormones to the feeding stuff.

### Anti-corruption

Our anti-corruption policies provide the tools and resources necessary to enable, monitor and enforce full compliance with the anti-bribery and anti-corruption laws of China. Compliance with our anti-corruption policies is a condition of employment.

### Internal Audit

Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board of Directors that the internal control system is functioning as intended. The Audit Committee in our Board of Directors is responsible for supervising our internal audit function.

### Compliance with Listing Rules

Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connection transactions and securities transactions by our Directors. The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. Based on assessment of our risks in terms of their likelihood and potential impact, we then prioritize and pair each risk with a mitigation plan. We encourage an all-embracing culture of risk management that ensures all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analyzing risks associated with its function, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans, and reporting status of risk management. Our audit personnel, the Audit Committee in our Board of Directors, and ultimately our Board of Directors supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as quality control, research and development and sales, to collaborate on risk issues among different functions. For details about the qualifications and experiences of the members of the Audit Committee in our Board of Directors and our Board of Directors, please see the section headed "Directors, Supervisors and Senior Management".

## PROPERTIES

We occupy certain properties in connection with our business operations. We had investment properties of nil, RMB5.5 million, RMB5.1 million and RMB5.0 million as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively. Apart from the investment properties, our properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our pig farms, waste treatment facilities, offices and dormitories. Pursuant to Rule 5.01A of the Listing Rules, this prospectus is exempt from the requirement to include valuation on property interests of our property activities because the carrying amount of a property interest is less than 1% of our total assets and exempt from the requirement to include valuation on property interests of our non-property activities because the carrying amount of a property interest is less than 15% of our total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of, and paragraph 34(2) of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

**A. Self-owned land**

We had obtained land use right certificates for 55 parcels of state-owned construction land with an aggregate area of approximately 751,544 square meters mainly located in Sichuan province as at the Latest Practicable Date. We had obtained land use right certificate of one parcel of forest land (林地使用權證) with an area of 785 mu located in Gansu province and land use right certificate of one parcel of non-arable land (非耕地使用權證) with an area of 66,986 square meters located in Guizhou province as at the Latest Practicable Date. Our self-owned land are primarily used as pig farms. Our PRC Legal Adviser is of the view that we legally own the land use rights for such land. All of our self-owned land had been pledged to banks except for four parcels with an aggregate area of approximately 484,531 square meters.

**B. Self-owned buildings**

***(i) Buildings/structures constructed on state-owned construction land***

We owned building ownership certificates for 57 buildings with an aggregate floor area of approximately 91,464.76 square meters as at the Latest Practicable Date. These self-owned buildings are primarily located in Sichuan province and primarily used as pig farms and ancillary production facilities. Our PRC Legal Adviser is of the view that we legally own the title to such properties. All of these buildings had been pledged to banks except for five properties with a gross floor area of 39,288 square meters.

***(ii) Buildings/structures constructed on non-arable land with land use rights certificates***

We built pig farms and ancillary production facilities with an aggregate floor area of approximately 8,851 square meters on the non-arable land which we have land use right.

***(iii) Buildings/structures on leased land***

We built pig farms and ancillary production facilities with an aggregate floor area of approximately 131,257 square meters on leased state-owned land and rural collective land as at the Latest Practicable Date. As advised by our PRC Legal Adviser, there is no requirement to obtain building ownership rights certificates for such pig farms, because they are agricultural facilities.

**C. Leased properties**

***(i) Leased land***

As at 30 September 2020, we leased two parcels of state-owned land with floor area of approximately 582,107 square meters and 89 parcels of rural collective land with an aggregate floor area of approximately 6,300 mu, respectively. The leased land parcels are mainly used as pig farms and waste treatment facilities. The lease of one parcel will expire in or before 2020, 12 parcels will expire after 2020 but in or before 2025, 61 parcels will expire after 2025 but in or before 2030, the remaining will expire after 2030. According to the Contract Law of the People's Republic of China (《中華人民共和國合同法》), the lease term must not exceed 20 years. The part of lease term exceeding 20 years is invalid. Our PRC Legal Adviser is of the view that for those lease agreements with a lease term exceeding 20 years, the leased land can still be effectively used within the 20-year lease period. After expiration of 20-year lease period, we negotiate and renew the lease agreement according to the relevant national laws and regulations.

***(ii) Leased properties***

As at 30 September 2020, we leased 31 properties for pig farming, research and office use. Three of our leased properties will expire in 2020, 18 of our leased properties will expire after 2020 but in or before 2025, the remaining will expire after 2025. Our leased land and properties are mainly located in Chongqing municipality, Sichuan province, Heilongjiang, Gansu and Guizhou provinces.

After the leases expire, according to the lease agreements, the leases will be automatically renewed or we are given priority for the renewal of the leases. Our revenue for each of FY2017, FY2018, and FY2019 attributable to the leased land and leased properties, which will expire in 2020, after 2020 but in or before 2025, after 2025 but in or before 2030, or after 2030, is set forth below.

| | **FY2017** | **FY2018** | **FY2019** |
|---|---|---|---|
| | | *(RMB '000)* | |
| The leases will be automatically renewed after the expiry | | | |
| In 2020 | – | – | – |
| After 2020 but in or before 2025 | – | – | – |
| After 2025 but in or before 2030 | 12,766 | 6,043 | 17,079 |
| After 2030 | – | – | – |
| | 12,766 | 6,043 | 17,079 |
| The Group has been given priority for the leases renewal | | | |
| In 2020[(1)] | 12,034 | 2,657 | 18,889 |
| After 2020 but in or before 2025 | 22,493 | 14,670 | 38,339 |
| After 2025 but in or before 2030 | 84,927 | 37,721 | 47,151 |
| After 2030 | 23,623 | 16,446 | 39,820 |
| | 143,077 | 71,494 | 144,199 |
| **Total** | 155,843 | 77,537 | 161,278 |

*Note:*

(1) We and the property owners are under negotiation of the renewal of the leases. The Directors expect the lease will be renewed prior to the expiry. As advised by our PRC Legal Adviser, there is no legal impediment for the Group to renew the lease.

Our Directors believe that the risk of forced curtailment, disruption or discontinuance of business due to any imminent lease expiry is immaterial because (i) the majority of the leased land and leased property will not expire in three years; (ii) our Group may negotiate with the lessor to renew the leases; (iii) our Group did not experience any practical difficulty to renew the leases upon their expiration on terms similar to the original leases during the Track Record Period; and (iv) our Group can opt to relocate the farms if it cannot renew the expired leases.

As at the Latest Practicable Date, we had not completed filings for facility agricultural-use land (設施農用地備案) for two self-owned pig farms in accordance with the laws of the PRC. The respective owner of 21 of our leased pig farms (of which 17 pig farms are owned by the government) had not completed the filings for facility agricultural-use land (設施農用地備案) as at the Latest Practicable Date.

Our Directors confirm and our PRC Legal Adviser concurs that this is an immaterial non-compliance incident. Our PRC Legal Adviser is of the view that (a) the land lease contracts underlying the relevant leased land are in compliance with applicable PRC laws; (b) the non-compliance will not affect our Group's ability to use such land; and (c) the possibility where our Group is subject to administrative penalties is remote because no specific penalty measures are stipulated for such non-compliance in the Laws of the PRC.

Our Group has consulted with the lessor and cooperated with them to go through the formalities of filings. Based on the descriptions by the competent governmental authorities where the pig farms are located, the leased land owned by the government is in conformity with the requirements set forth in the provisions on filing of facility farmland and satisfies the filing conditions. There is no material obstacle for supplementary filing.

Save as disclosed in this prospectus, our PRC Legal Adviser is of the view that (i) there is no defect over title to such land use rights; and (ii) the uses of our owned and leased properties have complied in all material aspects with all applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

## LEGAL PROCEEDINGS AND COMPLIANCE

We have detailed compliance procedures to identify and control the legal risks in our operations. According to our PRC Legal Adviser, other than as disclosed in this prospectus, we have complied in all material aspects with all applicable laws and regulations during the Track Record Period.

### Legal proceedings

We were from time to time involved in legal proceedings arising from the ordinary course of our business during the Track Record Period, but none of them is material to us. As at the Latest Practicable Date, none of our Company, subsidiaries or Directors was a party to any pending or threatened litigation, arbitration or administrative proceeding that could have a material adverse effect on our financial position or results of operations.

### Non-compliance incidents

*One of our pig farms occupied basic farmland (佔用基本農田)*

| Non-compliance incidents | Reason(s) for non-compliance | Relevant laws and regulations, legal consequences and potential maximum penalty | Rectification measures and potential impact on Group | Preventive measures taken |
|---|---|---|---|---|
| One of our pig farms occupied approximately 3.6 mu of basic farmland. | Our Directors confirmed that such non-compliance was mainly attributed to the fact that our local management was not familiar with the land use of the relevant farmland. | According to the relevant provisions of the Land Management Law of the People's Republic of China, the Regulations on the Implementation of the Land Management Law of the People's Republic of China, and the Regulations on the Protection of Basic Farmland 《中華人民共和國土地管理法》、《中華人民共和國土地管理法實施條例》、《基本農田保護條例》, the land administrative department at or above the county level may order restoration of the construction of building or other activities on the basic farmland to the original planting conditions, or impose a fine of one to two times the reclamation fees of the relevant basic farmland. Our Directors estimated that the reclamation fees of the relevant basic farmland would be approximately RMB0.2 million and the potential maximum fine is RMB0.4 million accordingly.<br>According to certificates issued by the competent authorities, our PRC Legal Adviser is of the view that (i) the possibility where we are subject to administrative penalties or are required to stop production and demolish the relevant facilities is remote because the relevant government authority planned to change the land use of the relevant farmland from basic farmland to facility agricultural land and (ii) this non-compliance incident will not have a material impact on our operation because of the small area of basic farmland occupied. | Our Directors are of the view that the relevant pig farm and ancillary production facilities are not individually or collectively, crucial to, and will not have a material impact on our operation as (i) we ceased to raise pigs on the relevant basic farmland since January 2020; (ii) we can easily relocate the pigs to our other pig farms or contract farms in the event that we can no longer continue occupying the relevant pig farm; (iii) we believe replacement premises are readily available and relocation will not cause material interruption to our operation; and (iv) we have applied to the local government for the change of the nature of the land from basic farmland to agricultural land. In light of above, we believe that further remedial measures are not practically necessary.<br><br>In addition, our Controlling Shareholders had agreed to compensate us for the relevant penalties, outstanding sum and any related costs and expenses arising from this non-compliance incident. | In order to prevent any non-compliance in the future, we had assigned our legal department to monitor the land use nature before we lease or own a new pig farm. |

**Failure to make full contributions to PRC social insurance and housing provident fund**

| Non-compliance incidents | Reason(s) for non-compliance | Relevant laws and regulations, legal consequences and potential maximum penalty | Rectification measures and potential impact on Group | Preventive measures taken |
|---|---|---|---|---|
| During the Track Record Period, we did not make full contributions to the social insurance and housing provident fund for certain employees. | Our non-compliance was primarily due to our large labour force and the lack of experience of our human resources personnel who did not fully understand the relevant requirements. | Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), we were informed by our PRC Legal Adviser, relevant authority may require us to pay the unpaid social insurance within a prescribed term, and pay the overdue fee equivalent to 0.05% of the unpaid amount of each late payment day. If we were unable to repay the unpaid social insurance within a prescribed term, we may be fined a penalty of one to three times the amount of the unpaid social insurance. We estimate that the outstanding amount of social insurance fund contributions was approximately RMB2.1 million as of 30 April 2020 and the maximum penalty thereof will be RMB2.1 million to RMB6.3 million. We were further informed by our PRC Legal Adviser, according to the Housing Provident fund Administration Rules (《住房公積金管理條例》), employers shall make full contributions to the housing providing fund in a timely manner. In the event that the employers default in payment or underpay the provident fund as at the due date of the housing provident fund, relevant housing provident administration centers may order relevant employers to pay a supplementing provident fund within a prescribed term. If relevant employers fail to make contributions to the provident fund within a prescribed term, applications for enforcement may be submitted to the PRC courts for compulsory enforcement. We estimate that the aggregated outstanding amount of housing providing fund contributions was approximately RMB0.5 million as of 30 April 2020. | Since December 2019, we have started to implement our policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations. We actively encourage and make such contributions for our employees. Despite our efforts, we were unable to make full contributions of social insurance and housing provident fund for our employees as at the Latest Practicable Date because some employees did not cooperate.<br><br>Our Directors believe that this non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) as at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay the shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) we were not aware of any material employee complaints and were not involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iii) we made provisions of RMB0.7 million, RMB0.8 million, RMB0.8 million and RMB0.3 million for the social insurance and housing provident fund contribution shortfalls for FY2017, FY2018, FY2019 and 4M2020, respectively; and (iv) our PRC Legal Adviser is of the view that the risk of any legal proceedings initiated by the relevant authorities to force us to pay the shortfalls or to impose any penalties on us is remote.<br><br>In addition, our Controlling Shareholders had agreed to compensate us for the relevant penalties, outstanding sum and any related costs and expenses arising from this non-compliance incident. | Written record of the payment of related social insurance and housing provident fund would be made, maintained and reviewed by designated personnel on a monthly basis. The designated personnel include the managers of finance and administration departments and the general manager. Our PRC Legal Adviser will provide trainings on updates to the relevant laws and regulations to such personnel in the future and continue to provide such trainings to our staff. |

Having taken into account that (i) our Group has taken remedial measures and the above-mentioned non-compliance incidents have been rectified to the extent practicable; (ii) the head of our legal department, who obtained a degree in law in the PRC, will monitor the overall legal compliance of our Group to prevent recurrence of the non-compliance incidents; (iii) where required, our PRC Legal Adviser will update the knowledge of and/or provide trainings to our Directors, senior management and/or relevant employees on the relevant laws and regulations, including changes thereto, which may affect our business operations; (iv) our Controlling Shareholders agreed to compensate us for expenses arising from the non-compliance incidents; (v) we adopted the enhanced internal control measures pursuant to the recommendations made by our independent internal control adviser, our Directors consider that our Group's enhanced internal control measures are adequate and effective.

## OVERVIEW

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Tianzow Food and Ms. Tan will be directly interested in 46.77% and 18.66% of our issued share capital respectively.

Mr. Yu is the spouse of Ms. Tan. Mr. Yu and Ms. Tan are the Company's executive Directors. As at the Latest Practicable Date, Tianzow Food was controlled by Mr. Yu and Ms. Tan through Tianson Real Estate, in which Mr. Yu held as to 80% and Ms. Tan held as to 20%. As such, each of Mr. Yu, Ms. Tan, Tianzow Food and Tianson Real Estate are considered as a group of Controlling Shareholders. Each of our Controlling Shareholders has confirmed that he/she/it does not have any interest in a business apart from our Group's business which would compete with, or is likely to compete with, our business, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for the biographies of Mr. Yu and Ms. Tan.

## INDEPENDENCE OF OUR BUSINESS

We believe that we are capable of carrying on our business independently of Mr. Yu and Ms. Tan upon Listing for the following principal reasons:

### Management Independence

Our Company's management and operational decisions are managed and conducted by our Board and senior management in a collective manner. Upon Listing, our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Our other Directors have relevant experience to ensure the proper functioning of the Board and our directors believe that the independence of management of our Group will not be affected or compromised by the dual functions of Mr. Yu and Ms. Tan as a member of our Board and as having interests in Tianzow Food and Tianson Real Estate.

We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from Mr. Yu and Ms. Tan for the following reasons:

(i) as a part of our preparation for the Global Offering, we have promulgated the Articles to comply with the Listing Rules. In particular, our Articles provide that any Director, Supervisor and senior management member should not place himself/herself in a position where his/her duty and his/her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;

(ii) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders; and

(iii) each of our Directors is aware of his/her fiduciary duties as a director, which require, among other things, that he/she acts for our Company's benefit and best interests and he/she must not allow any conflict between his/her duties as a Director and his/her personal interests.

**Operational Independence**

Our Company is able to make all decisions on, and to carry out, our own business operations independently. We make business decisions independently and hold all the relevant licences, intellectual properties, and qualifications necessary to carry on our current business. We have sufficient capital, equipment, facilities, technology and employees to operate the business independently from Mr. Yu and Ms. Tan. Our Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. We have independent access to suppliers, distributors and customers. Our Group has established a set of internal controls to facilitate the effective operation of its business. As at the Latest Practicable Date, there were no significant business transactions between us and Mr. Yu and Ms. Tan.

**Financial Independence**

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. After the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering.

During the Track Record Period, Mr. Yu and Ms. Tan and/or their associates provided personal and/or corporate guarantee for certain loans of our Group. Notwithstanding the existence of such guarantees, we believe that we are able to obtain new financing from independent financial institutions on normal commercial terms without reliance on Mr. Yu and Ms. Tan and/or their associates. As at 31 August 2020, approximately RMB192.3 million of borrowings which Mr. Yu and Ms. Tan and/or their associates provided personal and/or corporate guarantee remained outstanding. Our Directors believe that our Company can operate independently from the Controlling Shareholders financially, given (i) based on the confirmation provided to us by one of our principal banks (the "**Bank Confirmation**"), the bank undertook to automatically release the guarantee provided by our Controlling Shareholders and/or their associates upon our Listing with respect to the outstanding loans offered to our Company in an aggregate amount of RMB160 million; (ii) excluding the loan with guarantee provided by our Controlling Shareholders being released pursuant to the Bank Confirmation, the remaining outstanding loans which were guaranteed by our Controlling

Shareholders and/or their associates as at 31 August 2020 was approximately RMB32.3 million, which will be matured in December 2020 and January 2021. As at 31 August 2020, our Group had cash and cash equivalent in the amount of approximately RMB217.7 million and the banking facility available for our Group to drawdown was RMB110.0 million. In addition, as at the 31 August 2020, we had assets in the amount of approximately RMB1,537.9 million which were not subject to pledge and therefore, we believe that if required, we are capable of seeking for further financing from other independent banks without the need of guarantee or other form of securities to be offered by the Controlling Shareholders and/or their associates. In October 2020, we further made a prepayment of the loans of RMB32.3 million guaranteed by the Controlling Shareholders and their associates. The remaining outstanding loans of RMB160.0 million guaranteed by the Controlling Shareholders and their associates will be automatically released by the bank upon the Listing.

We have developed stable bank relations to support our operations. In view of the financing costs if we replace the loans set out above, we do not intend to repay such loans prior to maturity, or seek release of the guarantee. We believe that, notwithstanding the existence of the loans set out above upon Listing, we are financially independent of our Controlling Shareholders.

## CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(1) Where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(2) A Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(3) Our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and

professional advice to protect the interests of our minority Shareholders. Details of our independent non-executive Directors are set out in the "Directors, Supervisors and Senior Management" section in this prospectus;

(4) Our independent non-executive Directors will review, on an annual basis, compliance with the non-competition undertaking given by our Controlling Shareholders. Our Company will disclose decisions relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders (including our independent non-executive Directors' views for such decision) in its annual reports and/or announcements;

(5) In the event that our independent non-executive Directors are required to review any conflict of interests between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements;

(6) We have appointed Fortune Financial Capital Limited as our Compliance Adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors' duties and corporate governance; and

(7) We have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 of the Listing Rules. All of the members of our audit committee, including the chairman of the said committee, are non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the Listing.

## OVERVIEW

We have entered into a number of agreements with our connected persons, the details of which are set out below. Our Directors confirm that the following transactions will continue after the Listing and will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

## FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Mr. Yu and Ms. Tan, our Controlling Shareholders and executive Directors, have provided personal guarantees for our loans. For details, see "Relationship with our Controlling Shareholders – Independence of our Business – Financial Independence".

The provision of such guarantees and pledge are continuing agreements of our Company with our connected persons. Upon Listing, these transactions will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Our Directors are of the view that the guarantees, being financial assistance (as defined in the Listing Rules) provided by Mr. Yu and Ms. Tan for our benefit, was on normal commercial terms and no security over our assets was granted in respect of such financial assistance. Accordingly, these transactions are exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

### Engineering Consulting Services Framework Agreement

***Background:***

On 19 October 2020, our Company entered into an engineering consulting services framework agreement (the "**Engineering Consulting Services Framework Agreement**") with Chongqing Yu's Style Husbandry Technology Consulting Company (重慶余平式畜牧技術諮詢有限公司) ("**Yu's Style Husbandry**"). Mr. Yu, as an executive Director and a Controlling Shareholder, is a connected person of the Company. Yu's Style Husbandry is a company controlled by Mr. Yu, and hence a connected person under Chapter 14A of the Listing Rules.

Pursuant to the Engineering Consulting Services Framework Agreement, Yu's Style Husbandry will provide technology and engineering consulting services, including planning, design and provision of relevant engineering materials to the pig farms owned by the Group. The term of the Engineering Consulting Services Framework Agreement commencing from Listing Date to 31 December 2022.

***Pricing Policy and annual cap:***

The service fees payable by our Group to Yu's Style Husbandry for services under the Engineering Consulting Services Framework Agreement will be determined based on arm's length negotiation between the parties on a "cost-plus" basis with reference to (i) the staff costs (including salaries and staff disbursements) and/or (ii) market rate of the similar products and services. The annual cap for the transactions contemplated under the Engineering Consulting Services Framework Agreement for each of the financial year ending 31 December 2020, 2021 and 2022 is RMB1.5 million. In setting the annual cap, our Directors have considered factors including the historical transaction amounts and the estimated future needs of technology and engineering consulting services in the next three years.

***Historical Transaction Amounts:***

The service fees paid or payable by our Group in relation to the engineering consulting services provided by Yu's Style Husbandry for FY2017, FY2018, FY2019 and 4M2020 are nil, RMB1.2 million, RMB5.3 million and RMB0.5 million, respectively.

***Listing Rules Implications:***

As each of the relevant applicable percentage ratios is less than 5% and the total consideration is less than HK$3,000,000, the transaction contemplated thereunder is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rule 14A.76(1)(c) of the Listing Rules.

**Provision of Hogs and Services Framework Agreement**

***Background:***

On 19 October 2020, our Company entered into a provision of hogs and services framework agreement (the "**Provision of Hogs and Services Framework Agreement**") with Sichuan Gaojin Limited Company (四川高金實業集團股份有限公司) ("**Sichuan Gaojin Industry**") in which Mr. Jin Xiangyu (金翔宇) is interested in over 30% of its shareholdings. Mr. Jin was a director of the Company in the last 12 months and is a connected person pursuant to Rule 14A.07(2) of the Listing Rules and therefore, transactions contemplated under the Provision of Hogs and Services Framework Agreement constitute connected transactions under Chapter 14A of the Listing Rules.

Pursuant to the Provision of Hogs and Services Framework Agreement, Sichuan Gaojin Industry will buy hogs and services from the Group. The term of Provision of Hogs and Services Framework Agreement is from Listing Date to 31 December 2020.

*Pricing Policy and annual cap:*

The purchase price payable to our Group by Sichuan Gaojin Industry for procurement of hogs and services contemplated under the Provision of Hogs and Services Framework Agreement will be determined based on (i) arm's length negotiations between Mr. Jin and the Group and (ii) market rate of the sale of hogs or services of similar nature. The annual cap for the transactions contemplated under the Provision of Hogs and Services Framework Agreement for the financial year ending 31 December 2020 is RMB2.5 million. In setting the annual cap, our Directors have considered factors, including the historical transaction amounts and the estimated sales volume of hogs and services in the coming year.

*Historical Transaction Amounts:*

The purchase price paid or payable by Sichuan Gaojin Industry to our Group in relation to the sale of hogs and the provision of services to Sichuan Gaojin Industry for FY2017, FY2018, FY2019 and 4M2020 are RMB55.2 million, RMB50.6 million, RMB2.3 million and RMB nil, respectively.

*Listing Rules Implications:*

As each of the relevant applicable percentage ratios is less than 5% and the total consideration is less than HK$3,000,000, the transaction contemplated thereunder is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rule 14A.76(1)(c) of the Listing Rules.

## DIRECTORS' CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that the exempt continuing connected transactions set out above are conducted on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business, and that the proposed annual caps in respect of continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

## SUMMARY INFORMATION OF OUR BOARD OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information about our Directors, Supervisors and senior management. Our Directors, Supervisors and senior management all meet the qualification requirements under the PRC Company Law for their respective positions. We have applied for waiver as to management presence in relation to our executive Directors. Please also refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus.

## DIRECTORS

The Board consists of eight directors, including four executive Directors, one non-executive Director and three independent non-executive Directors:

### Members of our Board

| Name | Age | Date of joining the Group | Date of Appointment | Position | Roles and Responsibilities |
|---|---|---|---|---|---|
| *Executive Directors* | | | | | |
| Mr. Yu Ping (余平) | 60 | November 2004 | 19 June 2016 *(Note 1)* | Chairman of the Board, executive Director and president | Providing strategic planning, making major business decisions, and overall management of the Group, including the appointment of directors at the subsidiary level |
| Ms. Tan Jin (譚瑾) | 57 | November 2004 | 19 June 2016 *(Note 1)* | Executive Director, vice president and secretary to the Board | Providing strategic planning, making major business decisions, communicating and co-ordinating with external shareholders, investor intermediaries and capital market regulators |

| Name | Age | Date of joining the Group | Date of Appointment | Position | Roles and Responsibilities |
|---|---|---|---|---|---|
| Mr. Yu Zhengbo (余正博) | 32 | February 2013 | 19 June 2016 *(Note 1)* | Executive Director | Responsible for Company's reorganization, providing support in marketing and sales management strategies |
| Mr. Chen Rongchuan (陳榮川) | 43 | May 2017 | 21 September 2019 | Executive Director | Monitoring the daily overall operations of our Company, making major corporate decisions and advising on the finance and investment management of the Company |
| *Non-executive Director* | | | | | |
| Mr. Mi Gang (糜剛) | 47 | June 2016 | 24 December 2019 | Non-executive Director | Providing guidance on corporate strategy and governance of our Company |
| *Independent Non-executive Directors* | | | | | |
| Ms. Tian Na (田娜) | 52 | N/A | 24 December 2019 *(Note 2)* | Independent non-executive Director | Supervising and providing independent advice to the Board |
| Dr. Liu Xing (劉星) | 64 | N/A | 24 December 2019 *(Note 2)* | Independent non-executive Director | Supervising and providing independent advice to the Board |
| Dr. Li Xuewei (李學偉) | 57 | N/A | 24 December 2019 *(Note 2)* | Independent non-executive Director | Supervising and providing independent advice to the Board |

*Note 1:* Mr. Yu Ping, Ms. Tan Jin and Mr. Yu Zhengbo were elected as Directors on 19 June 2016 and were re-designated as executive Directors on 31 May 2019.

*Note 2:* Ms. Tian Na, Dr. Liu Xing and Dr. Li Xuewei were elected as our independent non-executive Directors on 24 December 2019 and such appointment will be effective from the Listing Date.

## Executive Directors

**Mr. Yu Ping** (余平), aged 60, is our chairman of the Board, executive Director and president. He co-founded our Group in November 2004 and was appointed as our Director on 19 June 2016. Mr. Yu is responsible for providing strategic planning, making major business decisions, and overall management of the Group, including the appointment of directors at the subsidiary level.

Mr. Yu holds several directorships in a number of companies which our Company has equity interests in. From November 2004 to November 2014, Mr. Yu served as the executive director of Tianzow Husbandry; from November 2014 to June 2016, Mr. Yu served as the board of directors and general manager of Tianzow Husbandry. From January 2010 to February 2017, Mr. Yu served as an executive director of Wusheng Tianzow. From May 2013 to February 2017, Mr. Yu served as an executive director of Tian'an Pharmaceuticals. From October 2004 to February 2005, Mr. Yu served as a director of Guang'an Tianzow, from February 2005 to June 2016, Mr. Yu served as the chairman of the board of directors of Guang'an Tianzow and subsequently from June 2016 to February 2017, Mr. Yu served as an executive director of Guang'an Tianzow. From June 2014 to February 2017, Mr. Yu served as an executive director of Tianmu Feed. From March 2014 to March 2017, Mr. Yu served as an executive director and general manager of Ya'an Tianzow. From November 2014 to March 2017, Mr. Yu served as an executive director and general manager of Chongqing Tianzow respectively. From October 2012 to March 2017, Mr. Yu served as an executive director of Nanchong Yuxing. From May 2012 to March 2017, Mr. Yu served as a general manager of Tiansai Consulting. From December 2010 to July 2017, Mr. Yu served as the chairman of the board of directors of Guizhou Tianzow. Since May 2017, Mr. Yu has been an executive director and general manager of Heilongjiang Tianzow. Since December 2018, Mr. Yu has been the director and general manager of Lanzhou Tianzow. Since August 2019, Mr. Yu has been the director of Jiayuguan Tianzow. From September 2019 to April 2020, Mr. Yu served as the chairman of the board of directors of Xinjiang Bayin. Since August 2020, Mr. Yu has been the executive director and general manager of Heilongjiang Tianzow Feed. From November 2008 to April 2015, Mr. Yu served as the director and general manager of Jiangsu Tianzow. From April 2015 to May 2020, Mr. Yu served as the chairman of the board of directors of Jiangsu Tianzow.

Prior to founding our Group in November 2004, from July 1982 to July 1990, Mr. Yu was a civil engineer in China Civil Construction Corporation. From July 1990 to June 1995, Mr. Yu served as a technical manager of Asia Pacific in PepsiCo, Inc. ("**PepsiCo**") and a technical director of PepsiCo (Beijing). From June 1995 to June 1996, Mr. Yu served as a general manager in operation in Kimberly-Clark Corporation in China.

Mr. Yu graduated from the Department of Roads and Bridges of Chongqing Architecture University (重慶大學土木工程學院) with a bachelor's degree in engineering in July 1982 and subsequently obtained a Master of Business Administration degree from China Europe International Business School (CEIBS) in August 2002.

Mr. Yu is the father of Mr. Yu Zhengbo, one of our executive Directors and husband of Ms. Tan, our vice president, secretary to the Board and one of our executive Directors.

**Ms. Tan Jin** (譚瑾), aged 57, is our executive Director, vice president and secretary to the Board. She co-founded our Group in November 2004 and was appointed as our Director on 19 June 2016. Ms. Tan is responsible for providing strategic planning, making major business decisions, communicating and co-ordinating with external shareholders, investor intermediaries and capital market regulators.

Ms. Tan holds several directorships and senior management positions in a number of companies which our Company has equity interests in. From October 2004 to May 2005 and from December 2007 to June 2016, Ms. Tan was a director of Guang'an Tianzow. From November 2014 to June 2016, Ms. Tan was a director of Tianzow Husbandry. From May 2013 to February 2017, Ms. Tan served as a supervisor of Tian'an Pharmaceuticals. From May 2012 to March 2017, Ms. Tan served as an executive director of Tiansai Consulting. From December 2010 to July 2017, Ms. Tan served as a director of Guizhou Tianzow.

Prior to co-founding our Group in November 2004, from August 1983 to July 1990, Ms. Tan worked as a translator in China Civil Engineering Construction Corporation (中國土木工程公司). From June 1994 to June 2003, Ms. Tan served as a senior project manager of Investment Management Department in Stock Exchange Executive Council (中國證券市場研究設計中心).

Ms. Tan graduated from Changsha Railway University with a bachelor's degree in French Language in July 1983 and subsequently obtained a master's degree of Business Administration from Université de Moncton in Canada in May 1994.

Ms. Tan is the mother of Mr. Yu Zhengbo, one of our executive Directors and wife of Mr. Yu, our chairman of the Board, executive Director and president.

**Mr. Yu Zhengbo** (余正博), aged 32, is our executive Director. He joined the Group in February 2013 and was appointed as our Director on 19 June 2016. Mr. Yu Zhengbo is responsible for the Company's reorganization, providing support in marketing and sales management strategies.

From February 2013 to January 2014, Mr. Yu Zhengbo worked as the manager of the online sales department of the Company. From February 2014 to August 2016, he worked as the branding sales manager of the Company. Mr. Yu Zhengbo holds several directorships in a number of companies which our Company has equity interests in. Since June 2018, Mr. Yu Zhengbo has been the director of Boli Tianzow. Since December 2018, Mr. Yu Zhengbo has been an executive director and general manager of Tiansai Consulting. Since August 2019, Mr. Yu Zhengbo has been the director and general manager of Jiayuguan Tianzow. From September 2019 to April 2020, Mr. Yu Zhengbo served as the director and general manager of Xinjiang Bayin. Since April 2020, Mr. Yu Zhengbo has been executive director and general manager of Xinjiang Bayin. Since October 2019, Mr. Yu Zhengbo has been an executive director and general manager of Pengshui Tianzow Husbandry. Since December 2019, Mr. Yu Zhengbo has been an executive director and general manager of Chengdu Tianzow Husbandry. From December 2019 to May 2020, Mr. Yu Zhengbo served as a director of Jiangsu Tianzow and subsequently since May 2020, Mr. Yu Zhengbo has been an executive director of Jiangsu Tianzow. Since May 2020, Mr. Yu Zhengbo has been the chairman of board of directors and general manager of Ebian Tianzow. Since July 2020, Mr. Yu Zhengbo has been an executive director and general manager of Wusheng Tianzow. Since October 2020, Mr. Yu Zhengbo has been an executive director and general manager of Jinyang Tianzow.

Prior to joining our Group in February 2013, from July 2011 to January 2013, Mr. Yu Zhengbo worked as a customer representative at Beijing Qihai Zhiming Information and Consulting Co., Ltd. (北京七海芝銘信息諮詢有限公司).

Mr. Yu Zhengbo graduated from Shanghai University of Finance and Economics with a bachelor's degree in logistics management in July 2011. He subsequently obtained his master's degree of Business Administration (MBA) at Tsinghua University in July 2018.

Mr. Yu Zhengbo is the son of Mr. Yu, our chairman of the Board, executive Director and president and Ms. Tan, our vice president, secretary to the Board and one of our executive Directors.

**Mr. Chen Rongchuan** (陳榮川), aged 43, is our executive Director. He joined the Group in May 2017 and was appointed as our Director on 21 September 2019. Mr. Chen is responsible for monitoring the daily overall operations of our Company, making major corporate decisions and advising on the finance and investment management of the Company.

Mr. Chen holds several directorships and senior management positions in a number of companies which our Company has equity interests in. Since December 2018, Mr. Chen has been the supervisor of Lanzhou Tianzow. Since August 2019, Mr. Chen has been a director of Jiayuguan Tianzow. From September 2019 to April 2020, Mr. Chen served as a supervisor of Xinjiang Bayin.

Prior to joining our Group in 2017, in July 2004, Mr. Chan joined Chongqing Electric Power Corporation (重慶市電力公司) as an accountant. From June 2007 to March 2009, Mr. Chen served as financial manager in Sichuan Weatherford Petrochemical Equipment Co. Ltd. (四川威德福石化裝備有限責任公司). From October 2009 to February 2013, he served as a financial manager in Chongqing ABB Jiangjin Turbo Systems Co., Ltd. (重慶ABB江津渦輪增壓系統有限公司). From March 2013 to October 2016, Mr. Chen served as the chief financial officer in Knorr-Bremse CAFF Systems for Commercial Vehicles (Chongqing) Ltd. (克諾爾卡福商用車系統(重慶)有限公司). From November 2016 to April 2017, Mr. Chen served as the chief financial officer in Chongqing Zaisheng Technology Co., Ltd. (重慶再升科技股份有限公司).

Mr. Chen graduated from Shandong University with a bachelor's degree in marketing in July 1999 and subsequently obtained a master's degree in accounting from Southwestern University of Finance and Economics in June 2004.

**Non-executive Director**

**Mr. Mi Gang** (糜剛), aged 47, is our non-executive Director. He joined our Group in June 2016 and was appointed as our Director on 24 December 2019. Mr. Mi is responsible for providing guidance on corporate strategy and governance of our Company.

Mr. Mi holds senior management positions in a number of companies which our Company has equity interests in. From February 2017 to March 2020, Mr. Mi served as a supervisor of Wusheng Tianzow; a supervisor of Tianan Pharmaceuticals and a supervisor of Tianmu Feed. From March 2017 to March 2020, Mr. Mi served as a supervisor of Nanchong Yuxing and Tiansai Consulting. From June 2016 to March 2020, Mr. Mi served as a supervisor of Guang'an Tianzow. From March 2017 to April 2020, Mr. Mi has been a supervisor of Ya'an Tianzow and Chongqing Tianzow.

Mr. Mi has extensive experience in financing and accounting. Prior to joining the Group in June 2016, from August 1995 to December 2002, Mr. Mi served as the finance officer in the finance department of Dazhou Cotton Textile Factory (達州棉紡織廠) under the Sichuan Provincial Textile Group. From January 2003 to February 2010, Mr. Mi served as the project manager of auditing and department manager in the finance and audit department of Sichuan Quantai Accounting Firm (四川全泰會計師事務所). From March 2010 to February 2019, Mr. Mi served as the chief financial officer in the finance department of Chongqing Tianson Zhonghe Market Development Company Limited (重慶天生綜合市場發展有限公司). Mr. Mi served as the supervisor of the Company from June 2016 to December 2019.

Mr. Mi graduated from Southwestern University of Finance and Economics with a bachelor's degree in accounting in December 1996. He was qualified as a certified public accountant issued by Chinese Institute of Certified Public Accountants ("**CICPA**") in 2002.

**Independent Non-Executive Directors**

**Ms. Tian Na** (田娜), aged 52, is our independent non-executive Director. She was appointed as our Director on 24 December 2019 and such appointment will be effective from the Listing Date. Ms. Tian is responsible for supervising and providing independent advice to the Board.

Ms. Tian has 27 years of experience in the securities, fund investment, operations and management industry. From March 1993 to April 2003, Ms. Tian worked as an investment manager in the funds department at Stock Exchange Executive Council. From 2003 to April 2017, Ms. Tian worked at Harvest Fund Management Co., Ltd, during which she took up the role of a training supervisor, a deputy director of human resources and an executive director of administration. From May 2017 to February 2020, Ms. Tian was the chief executive officer of iGoldenbeta Securities Company Limited. Since March 2020, Ms. Tian has been a director, responsible officer and vice general manager of Harvest International Securities Company Limited.

Ms. Tian graduated from Beijing University of Chemical Technology with a bachelor's degree in engineering in July 1991 and subsequently obtained a master's degree in economics in Guanghua School of Management, Beijing University in July 1997. Ms. Tian has been a Responsible Officer for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO.

**Dr. Liu Xing** (劉星), aged 64, is our independent non-executive Director. He was appointed as our Director on 24 December 2019 and such appointment will be effective from the Listing Date. Dr. Liu is responsible for supervising and providing independent advice to the Board. From February 2005 to July 2017, Dr. Liu served as the dean of the School of Economics and Business Administration of Chongqing University. From May 2012 to May 2018, he served as the Chinese director of Chongqing University – Wharton Joint Financial Research Center. Dr. Liu has been a director of Finance and Accounting Research Center of Chongqing University since June 2012, expert of the review panel of the National Social Science Fund Project since November 2013, expert of the review panel of the National Natural Science Foundation Project since July 2014, and the deputy director of the Overseas Academic Exchange Committee of the Accounting Society of China since September 2017.

Dr. Liu is currently a professor of the School of Economics and Business Administration of Chongqing University, a Certified Public Accountant (CICPA) (non-practicing) in the PRC and a winner of the special government allowances of the State Council.

Dr. Liu obtained a bachelor's degree in engineering from Chongqing University in July 1983 and obtained a master's degree in management from Xi'an Jiaotong University in June 1990. Dr. Liu obtained a doctoral degree in management from Chongqing University in July 1997.

Dr. Liu has held the following directorships throughout the years: From April 2012 to March 2015, Dr. Liu served as an independent director in PKU HealthCare Corp., Ltd (stock code: 000788.SZ). From May 2009 to May 2015, he served as an independent director in Huapont Life Sciences Co. Ltd (stock code: 002004.SZ). From June 2003 to June 2008 and from June 2009 to August 2015, he served as an independent director in Chongqing Three Gorges Water Conservancy and Electric Power Co. Ltd (stock code: 600116.SH). From November 2008 to April 2015, he served as an independent director in Chongqing Gangjiu Co., Ltd (stock code: 600279.SH). From June 2009 to May 2012, he served as an independent director at Chongqing Iron & Steel Co. Ltd (stock code: 1053.HK). From June 2010 to September 2014, Dr. Liu also served as an independent supervisor in Chongqing Machinery & Electric Co., Ltd (stock code: 2722.HK).

Dr. Liu is currently an independent director of Chongqing New Dazheng Property Group Co., Ltd. (重慶新大正物業集團股份有限公司) (stock code: 002968.SZ) and an independent non-executive director of Bank of Chongqing Co., Ltd (重慶銀行股份有限公司) (stock code: 1963.HK).

**Dr. Li Xuewei** (李學偉), aged 57, is our independent non-executive Director. He was appointed as our Director on 24 December 2019 and such appointment will be effective from the Listing Date. Dr. Li is responsible for supervising and providing independent advice to the Board.

Since 1993, Dr. Li has been working as a professor in Sichuan Agricultural University. Throughout the years, Dr. Li was awarded with 3 Sichuan Provincial Science and Technology Progress Awards (First Class) (科技進步一等獎), 1 Science and Technology Progress Award (Second Class) (科技進步獎二等獎) from the Ministry of Agriculture and the Ministry of Education, respectively, 2 Sichuan Provincial Science and Technology Progress Awards (Third Class) (科技進步三等獎) and the "Science and Technology Achievement" Award (科技成果獎) of the 5th Da Bei Nong Science and Technology Awards (第五屆大北農科技獎勵). In 2011, he cultivated the first Tianfu Pig Synthetic Line (天府肉豬配套系) approved by the State in Sichuan Province.

Dr. Li was among the first group of talents to be selected into the hundred-thousand level of the national Hundreds, Thousands Ten-Thousands of Talents Program (百千萬人才工程). In 1998, he was also elected as one of the Top Ten Outstanding Youths in Sichuan (四川十大傑出青年). In 2010, Dr. Li was recognised as a pioneer of academics and technology in Sichuan Province. From 2011 to 2015, Dr. Li was a scientist of the breeding laboratory of the national hog industrial technology R&D centre under the modern agricultural industry technology system by the Ministry of Agriculture. Dr. Li is currently a member of the National Commission for the Livestock and Poultry Genetic Resources.

Dr. Li obtained a bachelor's degree from Sichuan Agricultural University in July 1982 and received a doctoral degree from University of Göttingen, Germany in December 1988.

Save as disclosed herein, none of our Directors held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this prospectus. There is no other information relating to the relationship of any of our Directors with other Directors, Supervisors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

## SUPERVISORS

The board of supervisors consists of 3 supervisors:

### Members of our Supervisors

| Name | Age | Date of joining our Group | Date of Appointment as Supervisor | Position | Roles and Responsibilities |
|---|---|---|---|---|---|
| Ms. Huang Yuanling (黃遠陵) | 43 | March 2006 | 24 December 2019 *(Note)* | Chairlady of the supervisory committee | Chairing the work of the supervisory committee and monitoring the operational and financial activities of the Company |
| Mr. Wang Yi (王翼) | 32 | April 2014 | 24 December 2019 | Supervisor | Monitoring the operational and financial activities of the Company |
| Ms. Jiang Kunping (蔣坤萍) | 36 | October 2006 | 19 June 2019 *(Note 2)* | Employee representative Supervisor | Monitoring the welfare of employees and reflecting the employees' situation to the Company |

*Note:* Ms. Huang Yuanling was appointed as a Supervisor on 24 December 2019 and was appointed as the chairlady of the supervisory committee on 30 December 2019

*Note 2:* Ms. Jiang Kunping was appointed as the employee representative Supervisor on 10 May 2019 and her appointment as a Supervisor was effective from 19 June 2019

**Ms. Huang Yuanling (**黃遠陵), aged 43, is our chairlady of the supervisory committee. She joined the Group in March 2006 and was appointed as our Chairlady of the supervisory committee in 24 December 2019. Ms. Huang is responsible for chairing the work of the supervisory committee and monitoring the operational and financial activities of the Company.

Prior to joining the Group in March 2006, from December 2000 to October 2003, Ms. Huang served as a finance officer in Chongqing Bluelight Special Spark Plug Factory (重慶藍光特種火花塞廠). From December 2003 to March 2006, Ms. Huang worked as a store manager of Chongqing Far Eastern Department Store under Folli Follie (上海碧戀雲貿易有限公司).

Ms. Huang graduated from Chang'an Automobile Vocational School (長安汽車職業中學) in July 1996 and Chongqing Technology and Business University (Higher Education) majoring in accounting in June 2005.

**Mr. Wang Yi (**王翼), aged 32, is our Supervisor. He joined our Group in April 2014 and was appointed as our Supervisor in 24 December 2019. Mr. Wang is responsible for monitoring the operational and financial activities of the Company.

Mr. Wang holds senior management positions in a number of companies which our Company has equity interests in. Since November 2019, Mr. Wang has been a supervisor of Heilongjiang Tianzow. Since October 2019, Mr. Wang has been a supervisor of Pengshui Tianzow. Since December 2019, Mr. Wang has been the supervisor of Chengdu Tianzow Husbandry and Jiangsu Tianzow. Since March 2020, Mr. Wang has been a supervisor of Tianmu Feed, Nanchong Yuxing, Wusheng Tianzow, Tianan Pharmaceuticals, Tiansai Consulting and Guang'an Tianzow. Since April 2020, Mr. Wang has been a supervisor of Xinjiang Bayin, Gansu Tianzow, Chongqing Tianzow and Ya'an Tianzow. Since May 2020, Mr. Wang has been a director of Ebian Tianzow. Since October 2020, Mr. Wang has been a supervisor of Jinyang Tianzow.

Prior to joining the Group in April 2014, from July 2011 to April 2014, Mr. Wang served as an accountant in Chongqing Loncin Engine Co., Ltd. (重慶隆鑫發動機有限公司). Since April 2014, Mr. Wang has been working at the Company's accounting department and subsequently as a financial manager.

Mr. Wang graduated from Chongqing University of Technology with a bachelor degree in accounting in June 2011.

**Ms. Jiang Kunping** (蔣坤萍), aged 36, is our employee representative Supervisor. She joined the Group in October 2006 and was appointed as our Supervisor on 19 June 2019. She is responsible for monitoring the welfare of employees and reflecting the employees' situation to the Company.

Ms. Jiang graduated from Southwest China Normal University (Higher Education) (西南大學高等院校) with a bachelor's degree in Chinese language in June 2006.

Save as disclosed herein, none of our Supervisors held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this prospectus. There is no other information relating to the relationship of any of our Supervisors with other Directors, Supervisors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Supervisors that needed to be brought to the attention of our Shareholders and there was no information relating to our Supervisors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

## SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group:

### Members of our Senior Management

| Name | Age | Date of joining our Group | Date of Appointment | Position | Roles and Responsibilities |
|---|---|---|---|---|---|
| Mr. Yu Ping (余平) | 60 | November 2004 | 19 June 2016 | President | In charge of the daily operations of our Company |
| Ms. Tan Jin (譚瑾) | 57 | November 2004 | 19 June 2016 | Vice president | Assisting Mr. Yu in overseeing overall and daily operations of our Company |
| Mr. Chen Rongchuan (陳榮川) | 43 | May 2017 | 8 November 2017 | Chief financial officer | Overall financial supervision and management of our Group |

**Mr. Yu Ping** (余平), aged 60, is our president. He founded the Group in November 2004. He is in charge of the daily operations of our Company. For further details of Mr. Yu, please also refer to the paragraph headed "– Executive Directors" above.

**Ms. Tan Jin** (譚瑾), aged 57, is our vice president. She co-founded the Group with Mr. Yu in November 2004. She is responsible for assisting Mr. Yu in overseeing overall and daily operations of our Company. For further details of Ms. Tan, please also refer to the paragraph headed "– Executive Directors" above.

**Mr. Chen Rongchuan** (陳榮川), aged 43, is our chief financial officer. He joined the Group in 2017 and has been our chief financial officer since 8 November 2017. He is responsible for the overall financial supervision and management of our Group. For further details of Mr. Chen, please also refer to the paragraph headed "– Executive Directors" above.

## JOINT COMPANY SECRETARIES

Ms. Tan was appointed as our joint company secretary on 3 February 2020. For biographical details of her background, please refer to the paragraph headed "– Executive Directors" in this section.

Ms. Szeto Kar Yee Cynthia was appointed as our joint company secretary on 3 February 2020. Ms. Szeto Kar Yee Cynthia is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She obtained a bachelor's degree of Arts in Language Studies with Business from The Hong Kong Polytechnic University in November 2004 and a master's degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in July 2012. Ms. Szeto has more than 10 years of working experience in company secretarial profession. She works in the listing services department of TMF Hong Kong Limited and is responsible for providing corporate secretarial and compliance services to listed companies. She is currently a joint company secretary of Inke Limited (stock code: 3700.HK) and Ming Yuan Cloud Group Holdings Limited (stock code: 909.HK).

## MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 and Rule 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the principal business operations of our Group are conducted in China, members of our senior management are, and are expected to continue to be, based in China. Further, as our executive Directors have a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in China. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. See "Waivers from strict compliance with the Listing Rules – Management Presence in Hong Kong" in this prospectus.

## CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. Our Company is committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. Our Company is also of the view that the Board should include a balanced composition of executive Directors and Independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

## BOARD COMMITTEES

We have established the following committees in our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with terms of reference established by our Board.

### Audit committee

Our Company has established an audit committee on 3 February 2020, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Dr. Liu Xing, Ms. Tian Na and Mr. Mi Gang. Dr. Liu Xing has been appointed as the chairman of the Audit Committee and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal controls system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

### Remuneration committee

Our Company has established a remuneration committee on 3 February 2020, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Dr. Liu Xing, Ms. Tian Na and Mr. Yu Ping. Dr. Liu Xing has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration of our Directors and senior management and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

### Nomination committee

Our Company has established a nomination committee on 3 February 2020, with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Yu Ping, Dr. Liu Xing and Dr. Li Xuewei. Mr. Yu Ping has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of our Board.

## BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diversified Board and sees increasing diversity at Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge. We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

After Listing, the nomination committee of our Board will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after Listing.

## COMPLIANCE ADVISER

We have appointed Fortune Financial Capital as our compliance adviser ("**Compliance Adviser**") pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, our Compliance Adviser will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Our Compliance Adviser will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the distribution of our financial results for the first full financial year commencing after the Listing Date.

## REMUNERATION AND COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation from our Company in the form of remuneration, including salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions and pension cost.

The aggregate amount of remuneration (including salaries, allowances, benefits in kind, discretionary bonuses, pension cost and retirement scheme contributions) for the five highest paid individuals out of which five, four, four and four were directors for FY2017, FY2018, FY2019 and 4M2020. The aggregate amount of the remaining individual for FY2017, FY2018, FY2019 and 4M2020 was approximately nil, RMB617,000, RMB833,000 and RMB143,000 respectively.

The aggregate amount of remuneration (including salaries, allowances, benefits in kind, discretionary bonuses, pension cost and retirement scheme contributions) paid to our Directors and Supervisors for FY2017, FY2018, FY2019 and 4M2020 was approximately, RMB2,355,000, RMB3,052,000, RMB3,558,000 and RMB702,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of FY2017, FY2018, FY2019 and 4M2020. Further, none of our Directors or Supervisors had waived or agreed to waive any remuneration during the same years.

Under the arrangements currently in force, the aggregate remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, pension cost and retirement scheme contributions) of our Directors and Supervisors for the year ending 31 December 2020 is estimated to be approximately RMB3,100,000.

Save as disclosed above, no other payments have been paid or are payable by our Company to our Directors or Supervisors or senior management in respect of FY2017, FY2018, FY2019 and 4M2020.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the following persons will have interests or short positions in our Shares or our underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

| Name of Shareholder | Nature of Interest[(1)] | Class of Shares held after the Global Offering | Number of Shares held immediately after the Global Offering | Approximate percentage of shareholding in the relevant class of Shares immediately after the Global Offering[(2)] | Approximate percentage of shareholding in the total share capital of our Company immediately after the Global Offering[(3)] |
|---|---|---|---|---|---|
| Mr. Yu[(4)] | Interest of a controlled corporation (L)<br>Interest of Spouse (L) | Domestic Shares | 101,090,756 | 87.24% | 65.43% |
| Ms. Tan[(4)] | Beneficial Owner (L)<br>Interest of Spouse (L) | Domestic Shares | 101,090,756 | 87.24% | 65.43% |
| Tianzow Food[(5)] | Beneficial Owner (L) | Domestic Shares | 72,263,000 | 62.36% | 46.77% |
| Tianson Real Estate[(5)] | Interest of a controlled corporation (L) | Domestic Shares | 72,263,000 | 62.36% | 46.77% |
| Tianpan Technology[(6)] | Beneficial Owner (L) | Domestic Shares | 10,248,000 | 8.84% | 6.63% |
| Mr. Yu Zhengbo[(6)] | Interest of a controlled corporation (L) | Domestic Shares | 10,248,000 | 8.84% | 6.63% |

*Notes:*

(1) The letter "L" denotes the person's long position in our Shares.

(2) The calculation is based on the percentage of shareholding in Domestic Shares after the Global Offering.

(3) The calculation is based on the total number of 154,503,200 Shares in issue after the Global Offering.

(4) Tianzow Food is 65.01% held by Tianson Real Estate which is held as to 80% by Mr. Yu and 20% by Ms. Tan. Therefore, Mr. Yu is deemed to be interested in the Shares which Tianzow Food and Tianson Real Estate are interested in under the SFO. Ms. Tan directly held 28,827,756 Shares upon Listing. Ms. Tan is the spouse of Mr. Yu and therefore Ms. Tan is deemed to be interested in the Shares directly held by Tianzow Food. Mr. Yu is deemed to be interested in the Shares directly held by Ms. Tan by virtue of being the spouse of Ms. Tan.

(5) Tianzow food is interested in approximately 46.77% of the issued Share capital of the Company. Tianson Real Estate holds 65.01% of Tianzow Food and is deemed to be interested in the Shares held by Tianzow Food under the SFO.

(6) Mr. Yu Zhengbo, the son of Mr. Yu and Ms. Tan, is interested in 63.24% in Tianpan Technology and is deemed to be interested in the Shares held by Tianpan Technology under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering, without taking into account any H Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, have an interest or a short position in any Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders under the Listing Rules.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

As at the Latest Practicable Date, the total issued share capital of our Company was RMB115,877,200, divided into 115,877,200 Shares, with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the completion of the Global Offering will be as follows:

| Number of Shares | Description of Shares | Approximate percentage of total share capital |
|---|---|---|
| 115,877,200 | Domestic Shares | 75% |
| 38,626,000 | H Shares to be issued under the Global Offering | 25% |
| 154,503,200 | | 100% |

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the completion of the Global Offering will be as follows:

| Number of Shares | Description of Shares | Approximate percentage of total share capital |
|---|---|---|
| 115,877,200 | Domestic Shares | 72.29% |
| 44,419,800 | H Shares to be issued under the Global Offering | 27.71% |
| 160,297,000 | | 100% |

## PUBLIC FLOAT REQUIREMENTS

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued shares must at all times be held by public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued shares and must have an expected market capitalization at the time of listing of not less than HK$125 million.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the Listing.

The above tables assume the Global Offering becomes unconditional and is completed.

## SHARE CLASSES

Upon the completion of Global Offering, the Shares of our Company will be divided into two categories: Domestic Shares and H Shares. The two classes of Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors. We must pay all dividends in respect of H Shares in Hong Kong dollars, all dividends in respect of Domestic Shares in RMB.

Except as described above and in relation to the despatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, methods of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix V to this prospectus, our Domestic Shares and H Shares will rank equally with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus (save for the dividends payment in RMB for Domestic Shares, in foreign currency except for RMB for unlisted Shares and in Hong Kong dollars for H Shares). However, the transfer of unlisted Shares is subject to such restrictions as PRC laws may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

## CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

We have two classes of ordinary shares, Domestic Shares and H Shares. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our unlisted Domestic Shares may be converted into H Shares, and such converted shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

In view of the above, our PRC Legal Adviser, Grandall Law Firm (Shanghai), has advised us that the Articles of Association of our Company does not contradict any PRC laws and regulations in the conversion of unlisted Shares.

## MECHANISM AND PROCEDURE FOR CONVERSION

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) the H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our existing Shareholders currently proposes to convert any of the Domestic Shares held by it into H Shares.

## TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

## REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with CSDCC within 15 Business Days upon the listing and provide a written report to the CSRC regarding the centralized registration and deposit of its unlisted Shares as well as the current offering and listing of shares.

## CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, please refer to the section headed "Summary of the Articles of Association" in Appendix V to this prospectus. Furthermore, we need to obtain approvals from the CSRC and other relevant PRC authorities for the actual issuance of H Shares.

*You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set forth in the Accountants' Report set out in Appendix I to this prospectus. Our Group's consolidated financial statements have been prepared in accordance with the IFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections will depend on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the sections headed "Risk factors" and "Forward-looking statements" in this prospectus.*

## OVERVIEW

We are a pig farming company aimed to provide high-quality breeding stock. We generate our revenue from (i) providing high-quality breeding stock and market hogs; (ii) providing compound premix and pig farming services such as pig farm management and disease prevention; and (iii) sales of fresh meat. For FY2017, FY2018, FY2019 and 4M2020, our Group derived revenue of RMB474.5 million, RMB448.9 million, RMB784.1 million and RMB351.9 million, respectively. For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

## BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**").

We have adopted all applicable new and revised IFRSs throughout the Track Record Period, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from contracts with customers* and IFRS 16 *Leases* since the beginning of the Track Record Period. We have not adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2020 except IFRS 16 amendment.

The accounting policies set out in Note 2 of the Accountants' Report have been applied consistently to all years presented in the Historical Financial Information in the Accountants' Report in Appendix I in this prospectus.

In preparing the Historical Financial Information, our Group has adopted and applied consistently throughout the Track Record Period IFRS 9, *Financial instruments* ("**IFRS 9**"), IFRS 15, *Revenue from contracts with customers* ("**IFRS 15**") and IFRS 16, *Leases* ("**IFRS 16**"). Nonetheless, we have assessed the impact of adopting IFRS 9, IFRS 15 and IFRS 16 as compared to their predecessors IAS 39, *Financial Instruments: Recognition and Measurement* ("**IAS 39**"), IAS 18, *Revenue* ("**IAS 18**") and IAS 17, *Leases* ("**IAS 17**"). Set forth below are certain estimated key impacts on our financial position and performance of adopting IFRS 9, IFRS 15 and IFRS 16:

**Adoption of IFRS 15**

As compared with IAS 18, the adoption of IFRS 15 for the Track Record Period does not have any significant impact on our financial position and performance.

**Adoption of IFRS 9**

The major differences between IFRS 9 and IAS 39 are classification and measurement of financial assets. The classification of financial assets under IFRS 9 requires us to consider the business model and the contractual cash flow characteristics of a financial asset to determine its classification and subsequent measurement. Financial assets will be classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income" under IFRS 9. We are also required to apply a new expected credit loss impairment model under IFRS 9, as compared with the incurred loss model in IAS 39. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in an early recognition of credit losses.

The impacts of adopting IFRS 9 mainly relate to:

- **Impairment of trade receivables**: The impairment model for trade receivables changed from incurred loss model to an expected credit loss model. As of 31 December 2017, 2018 and 2019 and 30 April 2020, the rates of expected credit loss for our trade receivables were 5.7%, 2.0%, 3.8% and 22.3%, respectively.

- **Classification of unlisted equity investment**: The unlisted equity investment held by us classified as available-for-sale financial assets under IAS 39 was reclassified as financial assets at fair value through profit and loss under IFRS 9.

The adoption of IFRS 9 does not have any significant impact on our financial position and performance.

**Adoption of IFRS 16**

The adoption of IFRS 16 primarily affected our accounting for the Group's operating leases for certain land, pig farms and office buildings, as a lessee. Under IFRS 16, we, as a lessee, recognized right-of-use assets and lease liabilities on the statement of financial position for all the fixed-rate leases, except for short-term leases with lease term of 12 months or less and leases of low value items. The adoption of IFRS 16 has impact on the recognition of right-of-use assets and lease liabilities as well as the recognition of depreciation charges of right-of-use assets and the interest expense on lease liabilities. Under IAS 17, rental expenses under operating leases are recognised as expenses under a straight-line method throughout the lease term. Based on our assessment, the adoption of IFRS 16 mainly has significant impact on the Group's financial position.

The following tables give an indication of the impact of the adoption of IFRS 16 on the Group's financial position and performance during the Track Record Period, by adjusting the amounts reported under IFRS 16 in the consolidated financial statements to the hypothetical amount that would have been recognised under IAS 17, if this standard had continued to apply during the Track Record Period instead of IFRS 16:

| | | FY2017 | | | FY2018 | | | FY2019 | | | 4M2020 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | IFRS 16 | IAS 17 | difference | IFRS 16 | IAS 17 | difference | IFRS 16 | IAS 17 | difference | IFRS 16 | IAS 17 | difference |
| | | | | | | *RMB'000 except percentages* | | | | | | |
| Profit from operations | 142,026 | 140,678 | 1% | 76,914 | 76,110 | 1% | 437,172 | 432,553 | 1% | 235,146 | 233,622 | 1% |
| Profit before taxation | 159,611 | 159,988 | 0% | 44,887 | 47,476 | -5% | 488,561 | 492,545 | -1% | 240,488 | 247,429 | -3% |
| Profit and total comprehensive income | 158,680 | 159,057 | 0% | 40,082 | 42,671 | -6% | 485,499 | 489,483 | -1% | 234,055 | 240,729 | -3% |
| Non-current assets | 577,791 | 559,602 | 3% | 709,619 | 661,664 | 7% | 1,197,649 | 962,531 | 24% | 1,315,639 | 1,083,228 | 21% |
| Current liabilities | 228,699 | 226,656 | 1% | 289,590 | 284,738 | 2% | 438,879 | 429,201 | 2% | 386,152 | 368,247 | 5% |
| Non-current liabilities | 111,176 | 92,573 | 20% | 195,543 | 146,220 | 34% | 375,939 | 153,387 | 145% | 367,017 | 148,290 | 147% |
| Net assets | 416,453 | 420,831 | -1% | 456,535 | 463,851 | -2% | 843,216 | 854,517 | -1% | 1,089,061 | 1,107,035 | -2% |

| | | FY2017 | | | FY2018 | | | FY2019 | | | FY2020 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | IFRS 16 | IAS 17 | difference | IFRS 16 | IAS 17 | difference | IFRS 16 | IAS 17 | difference | IFRS 16 | IAS 17 | difference |
| Return on equity | 47.0% | 46.8% | 0% | 9.2% | 9.6% | -5% | 74.7% | 74.3% | 1% | N/A | N/A | N/A |
| Return on total assets | 23.6% | 23.9% | -1% | 4.7% | 5.2% | -10% | 37.4% | 54.7% | -32% | N/A | N/A | N/A |
| Current ratio | 0.8 | 0.8 | -2% | 0.8 | 0.8 | -2% | 1.0 | 1.1 | -5% | 1.4 | 1.5 | -7% |
| Quick ratio | 0.7 | 0.8 | -2% | 0.8 | 0.8 | -2% | 1.0 | 1.1 | -5% | 1.3 | 1.4 | -7% |
| Debt to equity ratio | 47.3% | 41.8% | 13% | 63.9% | 51.2% | 25% | 50.3% | 22.4% | 124% | 34.9% | 12.9% | 170% |
| Interest coverage | 9.3 | 10.0 | -7% | 2.9 | 3.3 | -12% | 15.8 | 21.0 | -25% | 17.9 | 43.0 | -58% |

## KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, including, in particular, the following:

### Fluctuation in the selling price of breeding stock and market hogs

Our results of operations are significantly affected by the selling prices of breeding stock and market hogs, which affect our revenue. All of these prices are determined by constantly changing and volatile market forces of supply and demand as well as other factors, over which we have little or no control. These factors include economic conditions, government regulations and actions, competition, animal disease outbreak, weather conditions and import restrictions, etc.

### Fluctuations in the supply and cost of feeding stuff

Feeding stuff are principal raw materials used in our business. The cost of feeding stuff fluctuated during the Track Record Period and may rise sharply in the future. The prices of feeding stuff may fluctuate and are affected by various factors, including but not limited to weather conditions and harvest conditions of feeding stuff ingredients such as corn and wheat. We may have difficulty passing on increases in our raw material costs on a customers in a timely manner or at all. If we cannot pass on to our customers all or part of any increased costs experienced by us from time to time, in a timely manner or at all, which could have a material and adverse impact on our results of operations.

The costs of feeding stuff as a percentage of total cost of sales amounted to 68.3%, 64.3%, 62.1% and 63.4% for FY2017, FY2018, FY2019 and 4M2020, respectively. Such price fluctuations will affect the production cost, which in turn affect the gross profit margin of the Group.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's feeding stuff fees on our Group's profit before taxation during the Track Record Period.

| **Hypothetical fluctuations in feeding stuff fees** | -5% | -10% | +5% | +10% |
|---|---|---|---|---|
| **Increase/(decrease) in profit before taxation** *(Note)* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **FY2017** | 10,306 | 20,611 | (10,306) | (20,611) |
| **FY2018** | 11,242 | 22,483 | (11,242) | (22,483) |
| **FY2019** | 12,570 | 25,140 | (12,570) | (25,140) |
| **4M2020** | 3,917 | 7,834 | (3,917) | (7,834) |

*Note:* Our profit before taxation was RMB159.6 million, RMB44.9 million, RMB488.6 million and RMB240.5 million for each of FY2017, FY2018, FY2019 and 4M2020, respectively.

### Changes in the fair value of biological assets

Our Group's financial results have been, and will continue to be, affected by changes in the fair value of our biological assets.

Because of our production and sale of these biological assets in our business, in each reporting period we recognize fair value gains or losses arising from two different aspects: (i) net changes in fair value of biological assets, which represents fair value changes of biological assets due to the changes in the physical attributes and market-determined prices of biological assets; and (ii) gains/losses arising from biological assets at fair value less costs to sell at the point of harvest, which represents changes in fair values of our biological assets sold internally for slaughtering during that year due to change in the physical attributes and market prices of these biological assets, less costs to sell at the time of sales. Our Group recognised gain arising from changes in fair value of biological assets of RMB21.2 million, RMB6.0 million and RMB140.6 million and RMB27.8 million for FY2017, FY2018, FY2019 and 4M2020, respectively.

Our biological assets were revalued at each reporting date by the Valuer. For more information about the valuation methods adopted by the Valuer in valuing the biological assets, please refer to the sub-section headed "Biological Assets and Valuation" below.

In applying valuation methods, the Valuer has relied on a number of valuation parameters. The fair value of the biological assets could be affected if those valuation parameters vary. Our Directors expect that our financial results will continue to be affected by the changes in the fair value of our biological assets.

Changes in the fair value of biological assets also affect our cost of sales. We adjust our cost of changes in fair value of biological assets, with fair value gains increasing our cost of sales and fair value losses decreasing our cost of sales, although the timing of these adjustments to our cost of sales are not necessarily the same as the related gains or losses. Our cost of sales in each reporting period is adjusted to add the change in the fair value of biological assets less costs to sell at the point of harvest. These adjustments increased the cost of sales by nil, RMB2.8 million, RMB4.9 million and RMB3.6 million for FY2017, FY2018, FY2019 and 4M2020, respectively.

### Regulatory environment

We are in the pig breeding and pig farming industry, which requires us to obtain and maintain various licences, permits and government approvals in the PRC, and comply with the relevant environmental laws and regulations of the PRC. These include, amongst others, "Livestock and Poultry Breeders Production Operation Permit" (種畜禽生產經營許可證), "Animal Epidemic Prevention Qualification Certificate" (動物防疫合格證), Live Pig Slaughtering Permit (生豬定點屠宰證) and "Veterinary Medicine Operation Permit" (獸藥經營許可證). Our financial condition and results of operations will be adversely affected if we are unable to obtain and maintain relevant licences, permits and government approvals.

### Force majeure events affecting demand and supply

Any outbreak of other serious animal diseases or epidemics in the PRC could result in material disruptions to our operations, or operations of our customers or suppliers any of which could have a material adverse effect on our revenue. In addition, we or our contract farms may be required to exterminate large quantities of pigs if any of our live pigs are suspected to be infected which could have a material adverse effect on our supply and operation.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are significant to the preparation of its consolidated financial statements. Our significant accounting policies are set forth in Note 2 of the Accountants' Report in Appendix I in this prospectus. For details of our Group's accounting policies, please refer to Appendix I in this prospectus.

## RESULTS OF OPERATION

Our consolidated statements of profit or loss and other comprehensive income for each of FY2017, FY2018, FY2019, 4M2019 and 4M2020 as set out below are derived from our consolidated financial statements included in Appendix I to this prospectus.

| | FY2017 | FY2018 | FY2019 | 4M2019 | 4M2020 |
|---|---|---|---|---|---|
| | | | *RMB'000* | | |
| **Revenue** | 474,525 | 448,866 | 784,118 | 189,900 | 351,925 |
| Cost of sales | (301,641) | (349,664) | (404,551) | (137,724) | (123,488) |
| **Gross profit** | 172,884 | 99,202 | 379,567 | 52,176 | 228,437 |
| Net changes in fair value of biological assets | 21,172 | 5,965 | 140,568 | 4,036 | 27,846 |
| Gain arising from biological assets at fair value less costs to sell at the point of harvest | – | 2,809 | 4,896 | 1,011 | 3,570 |
| Other net (loss)/gain | (12,990) | 13,656 | (25,462) | 904 | (1,630) |
| Selling expenses | (7,042) | (9,842) | (12,257) | (2,997) | (2,138) |
| Administrative expenses | (31,998) | (34,876) | (50,140) | (12,928) | (20,939) |
| **Profit from operations** | 142,026 | 76,914 | 437,172 | 42,202 | 235,146 |
| Finance costs | (19,188) | (23,905) | (32,968) | (10,725) | (14,197) |
| Share of profits less losses of associates | 6,784 | (1,371) | 43,468 | 11,208 | 3,347 |
| Share of profits less losses of joint ventures | 29,989 | (6,751) | 40,889 | (7,675) | 16,192 |
| **Profit before taxation** | 159,611 | 44,887 | 488,561 | 35,010 | 240,488 |
| Income tax | (931) | (4,805) | (3,062) | (161) | (6,433) |
| **Profit for the year/period** | 158,680 | 40,082 | 485,499 | 34,849 | 234,055 |
| **Attributable to:** | | | | | |
| Equity shareholders of the Company | 156,287 | 40,283 | 486,143 | 34,900 | 234,730 |
| Non-controlling interests | 2,393 | (201) | (644) | (51) | (675) |

As the Group carries out agricultural activity, the accounting standard IAS 41, Agriculture, is applicable to us. IAS 41 requires the biological assets to be measured at fair value less costs to sell. This method should be used when initially measuring the biological assets and then at every balance sheet date.

Accordingly, as required by IAS 41, we measure our biological assets at their fair values less costs to sell. We also measure our agricultural products (the pork) harvested from the biological assets at their fair values less costs to sell at the point of harvest. Gain/loss arising from biological assets at fair value less costs to sell at the point of harvest arises from our inter-segment sales from pig selling segment to sales of fresh meat segment. It represents the difference between the fair value of the pigs, which were raised in our pig farms and subsequently slaughtered by our slaughter house, at the point of being slaughtered and the historical cost of raising such pigs by our pig farms. In this connection, when we sell our biological agricultural products, our cost of sales is adjusted with fair value gains/loss, increasing/decreasing our cost of sales. We recognized fair value gains during the Track Record Period. As such, fair value adjustments led to an increase in our cost of sales, which consequently reduced in our gross profit during the Track Record Period.

The following table shows the reconciliation of gross profit before and after biological assets fair value adjustments

| | **FY2017** | **FY2018** | **FY2019** | **4M2019** | **4M2020** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Gross profit for the year/period before biological assets fair value adjustments | 172,884 | 102,011 | 384,463 | 53,187 | 232,007 |
| Biological assets fair value adjustments for the year/period | – | (2,809) | (4,896) | (1,011) | (3,570) |
| Gross profit for the year/period | 172,884 | 99,202 | 379,567 | 52,176 | 228,437 |

The following table shows the reconciliation of net profit before and after biological assets fair value adjustments

| | **FY2017** | **FY2018** | **FY2019** | **4M2019** | **4M2020** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Profit for the year/period before biological assets fair value adjustments | 137,508 | 34,117 | 344,931 | 30,813 | 206,209 |
| Biological assets fair value adjustments for the year/period | 21,172 | 5,965 | 140,568 | 4,036 | 27,846 |
| Profit for the year/period | 158,680 | 40,082 | 485,499 | 34,849 | 234,055 |

## PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following discussion is based on our historical results of operations and may not be indicative of our future operating performance.

### Revenue

We generate our revenue from the following segments:

- Pig selling segment, consisting (i) selling of breeding stock sub-segment, (ii) selling of market hogs sub-segment, and (iii) selling of market hogs (small) sub-segment;

- Ancillary products and services segment, including selling of compound premix and providing pig farm management services; and

- Sales of fresh meat segment.

There are inter-segment sales among our segments, and accordingly we record inter-segment elimination among these segments for the relevant revenue and cost of sales. Unless otherwise specified, in this section, (i) all discussion about revenue, cost of sales, gross profit and gross profit margin are based on the amounts after all inter-segment elimination among the segments (being the figures reflected in our consolidated income statements), and (ii) all discussion about the segment revenue and the segment cost of sales are based on the amounts after any inter-segment elimination of such segment; all discussion about the gross profit and gross profit margin are based on the amounts before any inter-segment elimination of such segment.

The following table sets forth a breakdown of our revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the years/periods indicated:

| | FY2017 | | | | FY2018 | | | | FY2019 | | | | 4M2019 | | | | 4M2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue | Revenue(1) | Inter-segment revenue(2) | Segment/ sub-segment revenue(3) | % of Segment/ sub-segment revenue |
| | (RMB in thousands, except the percentage) | | | | | | | | | | | | | | | | | | | |
| Pig selling | | | | | | | | | | | | | | | | | | | | |
| Breeding stock | 198,305 | – | 198,305 | 40.6% | 76,623 | – | 76,623 | 15.1% | 224,480 | – | 224,480 | 26.5% | 25,543 | – | 25,543 | 12.2% | 90,759 | – | 90,759 | 24.4% |
| Market hogs(4) | 229,311 | – | 229,311 | 47.0% | 266,591 | 35,922 | 302,513 | 59.7% | 442,482 | 30,763 | 473,245 | 55.7% | 128,435 | 10,311 | 138,746 | 66.3% | 210,726 | 5,917 | 216,643 | 58.3% |
| Market hogs (small)(5) | 22,221 | – | 22,221 | 4.6% | 9,756 | – | 9,756 | 1.9% | 27,093 | – | 27,093 | 3.2% | 4,858 | – | 4,858 | 2.3% | 31,865 | – | 31,865 | 8.6% |
| Ancillary products and services | 24,688 | 13,355 | 38,043 | 7.8% | 42,614 | 22,420 | 65,034 | 12.8% | 36,858 | 33,479 | 70,337 | 8.3% | 12,633 | 8,947 | 21,580 | 10.3% | 10,280 | 13,272 | 23,552 | 6.3% |
| Sales of fresh meat(6) | – | – | – | 0.0% | 53,282 | – | 53,282 | 10.5% | 53,205 | – | 53,205 | 6.3% | 18,431 | – | 18,431 | 8.8% | 8,295 | 462 | 8,757 | 2.4% |
| **Total** | 474,525 | 13,355 | 487,880 | 100% | 448,866 | 58,342 | 507,208 | 100% | 784,118 | 64,242 | 848,360 | 100% | 189,900 | 19,258 | 209,158 | 100% | 351,925 | 19,651 | 371,576 | 100% |

*Notes:*

(1) Represents the revenue of each business segment or sub-segment after any inter-segment elimination.

(2) Inter-segment revenue mainly arises from the inter-segment sales made by ancillary products and service segment to pig selling sub-segment and by pig selling segment to sales of fresh meat segment.

(3) Represents the revenue of each business segment or sub-segment before any inter-segment elimination.

(4) This includes revenue of culled breeding stock.

(5) Represents market hogs weighing under 30kg.

(6) We temporarily suspended our sales of fresh meat business since April 2020. For details, please refer to the section headed "Business Our business model Sales of fresh meat".

The following table sets out the sales volume of the pig selling segment by product category for the Track Record Period:

| | FY2017 | | | | FY2018 | | | | FY2019 | | | | 4M2019 | | | | 4M2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | External sales | Inter-segment sales(1) | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales | External sales | Inter-segment sales(1) | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales | External sales | Inter-segment sales(1) | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales | External sales | Inter-segment sales(1) | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales | External sales | Inter-segment sales(1) | Total segment/ sub-segment sales | % of Total segment/ sub-segment sales |
| | *(heads)* | | | | | | | | | | | | | | | | | | | |
| Breeding stock | 70,863 | – | 70,863 | 29.8% | 30,495 | – | 30,495 | 12.3% | 58,216 | – | 58,216 | 19.8% | 9,646 | – | 9,646 | 9.7% | 12,701 | – | 12,701 | 16.9% |
| Market hogs(2) | 138,427 | – | 138,427 | 58.1% | 175,035 | 22,225 | 197,260 | 79.9% | 197,319 | 16,977 | 214,296 | 72.8% | 76,841 | 7,009 | 83,850 | 84.4% | 45,007 | 1,200 | 46,207 | 61.6% |
| Market hogs (small)(3) | 28,837 | – | 28,837 | 12.1% | 19,200 | – | 19,200 | 7.8% | 21,909 | – | 21,909 | 7.4% | 5,888 | – | 5,888 | 5.9% | 16,106 | – | 16,106 | 21.5% |
| **Total** | 238,127 | – | 238,127 | 100% | 224,730 | 22,225 | 246,955 | 100% | 277,444 | 16,977 | 294,421 | 100% | 92,375 | 7,009 | 99,384 | 100.0% | 73,814 | 1,200 | 75,014 | 100.0% |

*Notes:*

(1) It represents inter-segment sales from pig selling segment to sales of fresh meat segment.

(2) This includes sales volume of culled breeding stock.

(3) Represents market hogs weighing less than 30kg.

The proportion of sub-segment sales in the pig selling segment is primarily determined by market supply and demand. We select part of our pigs as breeding stock candidates according to our standard selection procedures. Those breeding stock candidates not been selected or sold as breeding stock will be sold as market hogs, which are pigs primarily held for trading and production of pork products. The proportion of breeding stock decreased in FY2018 primarily because more pigs sold as market hogs instead of breeding stock due to restriction on transport of pigs due to African Swine Fever starting in FY2018 and the market demand of breeding stocks decrease due to the downward of the pig farming industry in FY2018. More breeding stock candidates were sold as breeding stock for FY2019 and 4M2020 primarily due to the impact of African Swine Fever, a large number of breeding stock were disposed. Breeding stock is the key production resource for market hogs. The combined effect of disposed breeding stock and extra demand from market hog farms after the outbreak of African Swine Fever leads to a large supply shortage of breeding stock and ultimately drives up the breeding stock price starting in 2019.

The following table sets out the average selling prices to our customers and the average gross profit without taking into consideration of inter-segment sales during the Track Record Period:

| | FY2017 | | | FY2018 | | | FY2019 | | | 4M2019 | | | 4M2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | External Sales volume | Average selling price(1) | Average gross profit(2) | External Sales volume | Average selling price(1) | Average gross profit(2) | External Sales volume | Average selling price(1) | Average gross profit(2) | External Sales volume | Average selling price(1) | Average gross profit(2) | External Sales volume | Average selling price(1) | Average gross profit(2) |
| | *heads* | *RMB/head* | *RMB/head* | *heads* | *RMB/head* | *RMB/head* | *heads* | *RMB/head* | *RMB/head* | *heads* | *RMB/head* | *RMB/head* | *heads* | *RMB/head* | *RMB/head* |
| Breeding stock | 70,863 | 2,798 | 1,700 | 30,495 | 2,513 | 1,363 | 58,216 | 3,856 | 3,003 | 9,646 | 2,648 | 1,728 | 12,701 | 7,146 | 6,246 |
| Market hogs | 138,427 | 1,657 | 253 | 175,035 | 1,523 | 156 | 197,319 | 2,242 | 753 | 76,841 | 1,671 | 316 | 45,007 | 4,682 | 2,725 |
| Market hogs (small) | 28,837 | 771 | 220 | 19,200 | 508 | 19 | 21,909 | 1,237 | 775 | 5,888 | 825 | 394 | 16,106 | 1,978 | 1,525 |
| Total | 238,127 | | | 224,730 | | | 277,444 | | | 92,375 | | | 73,814 | | |

*Notes:*

(1) Average selling price represents the revenue for the period divided by the external sales volume of the product category for the respective period.

(2) Average gross profit per head represents the segment gross profit for the period divided by the total sales volume (including the inter-segment sales) of the product category for the respective period.

The average selling price and average gross profit of breeding stock and market hogs decreased from FY2017 to FY2018 in line with the drop in market price of breeding stock and market hogs primarily due to the "pig cycle" as set out in "Industry Overview" section.

The average selling price and average gross profit of breeding stock and market hogs increased from FY2018 to FY2019 and from 4M2019 and 4M2020 in line with the market price surge of breeding stock and market hogs for the year due to the impact of African Swine Fever. Due to the impact of African Swine Fever, a large number of breeding stocks and market hogs were disposed, which led to a large shortage of breeding stock and market hogs.

**Comparison of our Group's selling price and the market selling price**

*Breeding stock*

| Year/period | Average weight of our breeding stock sold | Our average selling price of breeding stock | Industry average selling price of breeding stock (80kg) |
|---|---|---|---|
| **FY2017** | 73kg | RMB2,798 | RMB2,564 |
| **FY2018** | 93kg | RMB2,513 | RMB2,398 |
| **FY2019** | 71kg | RMB3,856 | RMB3,707 |
| **4M2020** | 72kg | RMB7,146 | RMB7,256.5 |

For FY2017 and FY2019, our average selling price of breeding stock is higher than the industry average selling price because (i) the ratio of purebred to two-breed crossbreed pigs of the Group is higher than the industry average; and (ii) the pig price in Sichuan was higher than other region of the PRC.

For FY2018, our average selling price of breeding stock is more expensive mainly because the average weight of our breeding stock sold is heavier than the industry average.

*Market hogs*

| Year/period | Our average selling price of market hogs | Industry average selling price of market hogs | Sichuan province average selling price of market hogs |
|---|---|---|---|
| | | *RMB/kg* | |
| **FY2017** | 14.0 | 14.8 | 15.5 |
| **FY2018** | 13.2 | 12.6 | 14.0 |
| **FY2019** | 19.1 | 18.6 | 20.1 |
| **4M2020** | 34.6 | 35.2 | 36.1 |

For 2017, the average selling price of our Group is lower than the industry average because of the sales of culled pigs was included in the market hogs segment. We sold more culled pigs in FY2017 than in FY2018 and FY2019.

The average selling price of our market hogs outperformed the industry average in FY2018 and FY2019 primarily because the majority of our market hogs were sold in Sichuan Province where population and demand for pork products are high.

*Market hogs (small)*

| Year/period | Average weight of the market hogs (small) sold by the Group | Average selling price of market hogs (small) of the Group | Industry average selling price of piglets (15kg market hogs) | Industry average selling price of piglets in Sichuan (15kg market hogs) |
|---|---|---|---|---|
| **FY2017** | 18kg | RMB776 | RMB600.0 | RMB623.2 |
| **FY2018** | 17kg | RMB508 | RMB382.8 | RMB442.8 |
| **FY2019** | 23kg | RMB1,237 | RMB768.2 | RMB792.6 |
| **4M2020** | 16kg | RMB1,978 | RMB1,785.4 | RMB1,820.5 |

The significant increase in the average selling price of market hogs (small) is primarily because (i) the market hogs (small) of our Group has a higher average weight than the standard weight used for calculating the industry average selling price of piglets and (ii) the price of market hogs (small) is leading indicator of market hogs which increased significantly in FY2019.

**Cost of sales**

Cost of sales of our pig selling segment mainly consists of feeding stuff costs, fees paid to our contract farms, staff costs, medicines and utilities.

Cost of sales of our sales of fresh meat segment mainly consists of market hogs for slaughtering.

Cost of sales of our ancillary products and services segment mainly consists of purchase of compound premix ingredients and medicines.

The following table sets forth a breakdown of our cost of sales of each segment and each sub-segment as a percentage of total cost of sales for the years stated:

| | FY2017 | | | | FY2018 | | | | FY2019 | | | | 4M2019 | | | | 4M2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost of Sale(1) | Inter-segment cost of sale(2) | Segment/ sub-segment cost of sale(3) | % of Segment/ sub-segment cost of sale | Cost of Sale(1) | Inter-segment cost of sale(2) | Segment/ sub-segment cost of sale(3) | % of Segment/ sub-segment cost of sale | Cost of Sale(1) | Inter-segment cost of sale(2) | Segment/ sub-segment cost of sale(3) | % of Segment/ sub-segment cost of sale | Cost of Sale | Inter-segment cost of sale | Segment/ sub-segment cost of sale | % of Segment/ sub-segment cost of sale | Cost of Sale | Inter-segment cost of sale | Segment/ sub-segment cost of sale | % of Segment/ sub-segment cost of sale |
| | *(RMB in thousands, except the percentages)* | | | | | | | | | | | | | | | | | | | |
| Pig selling | | | | | | | | | | | | | | | | | | | | |
| Breeding stock | 77,822 | – | 77,822 | 25.0% | 35,048 | – | 35,048 | 8.7% | 49,663 | – | 49,663 | 10.8% | 8,872 | – | 8,872 | 5.9% | 11,427 | – | 11,427 | 8.6% |
| Market hogs | 194,281 | – | 194,281 | 62.3% | 228,975 | 42,811 | 271,786 | 67.6% | 272,817 | 39,085 | 311,902 | 67.9% | 102,725 | 9,489 | 112,214 | 74.4% | 88,389 | 2,347 | 90,736 | 68.5% |
| Market hogs (small)(4) | 15,881 | – | 15,881 | 5.1% | 9,387 | – | 9,387 | 2.3% | 10,118 | – | 10,118 | 2.2% | 2,539 | – | 2,539 | 1.7% | 7,297 | – | 7,297 | 5.5% |
| Ancillary products and services | 13,657 | 9,986 | 23,643 | 7.6% | 20,597 | 10,068 | 30,665 | 7.6% | 17,300 | 15,714 | 33,014 | 7.2% | 5,234 | 3,708 | 8,942 | 5.9% | 4,826 | 6,231 | 11,057 | 8.3% |
| Sales of fresh meat | – | – | – | 0.0% | 52,848 | – | 52,848 | 13.1% | 49,757 | – | 49,757 | 10.8% | 17,343 | – | 17,343 | 11.5% | 7,979 | 463 | 8,442 | 6.4% |
| **Subtotal** | 301,641 | 9,986 | 311,627 | 100% | 346,855 | 52,879 | 399,734 | 99.3% | 399,655 | 54,799 | 454,454 | 98.9% | 136,713 | 13,197 | 149,910 | 99.3% | 119,918 | 9,041 | 128,959 | 97.3% |
| Biological assets fair value adjustments | – | – | – | 0.0% | 2,809 | – | 2,809 | 0.7% | 4,896 | – | 4,896 | 1.1% | 1,011 | – | 1,011 | 0.7% | 3,570 | – | 3,570 | 2.7% |
| **Total** | 301,641 | 9,986 | 311,627 | 100% | 349,664 | 52,879 | 402,543 | 100% | 404,551 | 54,799 | 459,350 | 100% | 137,724 | 13,197 | 150,921 | 100% | 123,488 | 9,041 | 132,529 | 100% |

*Notes:*

(1) Represents the cost of sales of each business or sub-segment after any inter-segment elimination.

(2) Inter-segment cost of sales mainly arises from the inter-segment sales made by ancillary products and services segment to pig selling segment and by pig selling segment to sales of fresh meat segment.

(3) Represents the cost of sales of each business segment or sub-segment before any inter-segment elimination.

(4) Represents market hogs weighing less than 30 kg.

The following table sets forth the components of our cost of sales and each component as a percentage of our total cost of sales for the years/periods indicated:

| | FY2017 | | FY2018 | | FY2019 | | 4M2019 | | 4M2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *% of total cost of sales* | *RMB'000* | *% of total cost of sales* | *RMB'000* | *% of total cost of sales* | *RMB'000* | *% of total cost of sales* | *RMB'000* | *% of total cost of sales* |
| Feeding stuff | 206,112 | 68.3% | 224,830 | 64.3% | 251,396 | 62.1% | 83,239 | 60.4% | 78,337 | 63.4% |
| Market hogs for slaughtering | – | 0.0% | 14,027 | 4.0% | 16,294 | 4.0% | 6,572 | 4.8% | 2,095 | 1.7% |
| Contract farming fee | 27,525 | 9.1% | 29,947 | 8.6% | 27,908 | 6.9% | 10,426 | 7.6% | 8,830 | 7.2% |
| Staff cost and benefits | 22,944 | 7.6% | 22,405 | 6.4% | 20,668 | 5.1% | 7,343 | 5.3% | 6,486 | 5.3% |
| Medicines | 20,016 | 6.6% | 18,430 | 5.3% | 32,858 | 8.1% | 10,713 | 7.8% | 6,621 | 5.4% |
| Depreciation and amortisation | 10,790 | 3.6% | 19,199 | 5.5% | 21,394 | 5.3% | 7,967 | 5.8% | 9,307 | 7.5% |
| Utilities | 4,792 | 1.6% | 6,022 | 1.7% | 7,624 | 1.9% | 2,622 | 1.9% | 1,948 | 1.6% |
| Others | 9,462 | 3.1% | 11,995 | 3.4% | 21,513 | 5.4% | 7,831 | 5.7% | 6,294 | 5.1% |
| Biological assets fair value adjustment | – | 0.0% | 2,809 | 0.8% | 4,896 | 1.2% | 1,011 | 0.7% | 3,570 | 2.9% |
| **Total** | 301,641 | 100.0% | 349,664 | 100.0% | 404,551 | 100.0% | 137,724 | 100.0% | 123,488 | 100.0% |

Costs of feeding stuff accounted for a substantial portion of our total cost of sales. Our feeding stuff cost represented 68.3%, 64.3%, 62.1%, 60.4% and 63.4% of our total cost of sales for FY2017, FY2018, FY2019, 4M2019 and 4M2020, respectively.

The market hogs for slaughtering principally consists of cost of market hogs purchased. Contract farming fees represented fees paid to our contract farmers to raise our pigs. Staff cost and benefits mainly represent wages, insurance and other employee benefits of our workers. Medicines primarily consists of costs for medicines and vaccines for disease prevention. Utilities mainly include costs for electricity, water and maintenance. Depreciation and amortisation represent the depreciation and our amortisation of our production facilities and right of use assets. Others include other operating expenses.

**Gross profit and gross profit margin**

The following table sets forth a breakdown of our gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the years/periods indicated:

| | FY2017 | | FY2018 | | FY2019 | | 4M2019 | | 4M2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Segment/ sub-segment gross profit(1)* | *Segment/ sub-segment gross profit margin(2)* | *Segment/ sub-segment gross profit(1)* | *Segment/ sub-segment gross profit margin(2)* | *Segment/ sub-segment gross profit(1)* | *Segment/ sub-segment gross profit margin(2)* | *Segment/ sub-segment gross profit(1)* | *Segment/ sub-segment gross profit margin(2)* | *Segment/ sub-segment gross profit(1)* | *Segment/ sub-segment gross profit margin(2)* |
| | *(RMB in thousands, except the percentages)* | | | | | | | | | |
| Pig selling | | | | | | | | | | |
| Breeding stock | 120,483 | 60.8% | 41,575 | 54.3% | 174,817 | 77.9% | 16,671 | 65.3% | 79,332 | 87.4% |
| Market hogs | 35,030 | 15.3% | 30,727 | 10.2% | 161,343 | 34.1% | 26,532 | 19.1% | 125,907 | 58.1% |
| Market hogs (small)(3) | 6,340 | 28.5% | 369 | 3.8% | 16,975 | 62.7% | 2,319 | 47.7% | 24,568 | 77.1% |
| Ancillary products and services | 14,400 | 37.9% | 34,369 | 52.8% | 37,323 | 53.1% | 12,638 | 58.6% | 12,495 | 53.1% |
| Sales of fresh meat | – | – | 434 | 0.8% | 3,448 | 6.5% | 1,088 | 5.9% | 315 | 3.6% |
| Elimination of inter-segment gross profit | (3,369) | N/A | (5,463) | N/A | (9,443) | N/A | (6,061) | N/A | (10,610) | N/A |
| **Subtotal gross profit and gross profit margin before biological assets fair value adjustment** | 172,884 | 36.4% | 102,011 | 22.7% | 384,463 | 49.0% | 53,187 | 28.0% | 232,007 | 65.9% |
| Biological assets fair value adjustments | – | N/A | (2,809) | N/A | (4,896) | N/A | (1,011) | N/A | (3,570) | N/A |
| **Total gross profit and gross profit margin(4)** | 172,884 | 36.4% | 99,202 | 22.1% | 379,567 | 48.4% | 52,176 | 27.5% | 228,437 | 64.9% |

*Notes:*

(1) Calculated based on the revenue of each segment or sub-segment (before any inter-elimination) minus the cost of sales of such segment or sub-segment (before any inter-segment elimination).

(2) Calculated based on the gross profit of each segment or sub-segment calculated according to note (1) divided by the revenue of such segment or sub-segment (before any inter-segment elimination).

(3) Represents market hogs weighing less than 30 kg.

(4) Total gross profit equals total revenue (being the revenue reflected on our consolidated income statements) minus total cost of sales (being the cost of sales reflected on our consolidated income statements). Overall gross profit margin equals total gross profit divided by total revenue.

Gross profit margins of our different products are mainly affected by the different average selling price.

**Net changes in fair value of biological assets**

Net changes in fair value of biological assets represents the value changes of our pigs in the stocks arising from the changes of pigs in volume and the changes of pig prices, which are the difference of the following two items: (i) the changes between the fair value and the historical cost of our pigs in the stock at the end of each reporting date and (ii) the changes between the fair value and the historical cost of our pigs in the stock at the opening of each reporting date. Net changes in fair value of biological assets only arises from our pig selling segment. At the point of sale of our pigs, we recognized our cost of pig farming at historical cost in cost of sales. The net changes in fair value of biological assets thus will not affect our gross profit. During the Track Record Period, our biological assets were revalued at each reporting date by the Valuer, with any resultant gain or loss recognised in profit or loss for the year/period in which it arose. The fair value of a pig delivered and sold in the same financial year or stub period thus will also not generate net changes in fair value of biological assets. For more information about the valuation method adopted by the Valuer, please refer to the sub-section headed "Biological Assets and Valuation" below.

**Gain arising from biological assets at fair value less costs to sell at the point of harvest**

Gain arising from biological assets at fair value less costs to sell at the point of harvest represent changes in fair values of our biological assets sold internally for slaughtering during that year/period due to change in the physical attributes and market prices of these biological assets, less costs to sell at the time of sales. We recognized a gain amounted to nil, RMB2.8 million, RMB4.9 million, RMB1.0 million and RMB3.6 million for FY2017, FY2018, FY2019, 4M2019 and 4M2020.

**Other net loss/gain**

Our other loss/gain primarily consists of net loss on biological assets, government grants, interest income, expected credit loss, net loss on sale of property, plant and equipment, loss or gain on disposal of interests in joint venture and others.

We enjoy a number of government grants in China, including financial subsidies to support our industry's development, such as subsidies in relation to the bringing in breeding technology, research on breeding stock, and pig farms construction. For FY2017, FY2018, FY2019, 4M2019 and 4M2020, total government grants we recognized in consolidated statements of profit or loss and other comprehensive income amounted to RMB5.0 million, RMB2.7 million, RMB10.1 million, RMB0.7 million and RMB0.7 million, respectively. There can be no assurance that the preferential tax treatment, government grants and economic incentives that we enjoy will not be altered or terminated.

In FY2017, we provided a full impairment on the carrying amount of investment in Huachuan Shuangzhao Breeding Technology Co., Ltd (樺川雙兆豬業有限公司) due to loss of influence and access of financial information on such company, amounting to RMB8.0 million. There were no outstanding trade and/or other receivables due from Huachuan Shuangzhao Breeding Technology Co., Ltd as at the Latest Practicable Date.

For FY2019, we recorded a net loss on disposal of biological assets due to virulent disease for an amount of RMB31.2 million. For more information, please refer to the sub-section headed "Business – Recent development – African Swine Fever epidemic and other swine diseases".

**Assessment of impairment loss**

As stated in our Group's accounting policies (notes 2(d) and 2(l)(iii) in the Accountants' Report set out in Appendix I to this prospectus), internal and external sources of information are reviewed at the end of each reporting period to identify indications that the investments in joint ventures and associates may be impaired or an impairment loss previously recognised no longer exists or may have decreased. Objective indicators of impairment include but not limited to

- operate with loss or continue to operate with low profit;
- significant financial difficulty of the associate or joint venture;
- breach of contract; and
- disappearance of an active market for the net investments.

Management of our Group regularly discusses with the directors appointed to the joint ventures or associates on the operating status. If any impairment indicator exists, the recoverable amount for the investment in joint ventures or associate is estimated. Our Group will estimate the recoverable amount based on value in use method by estimating the present value of future cash flows of the associates and joint ventures.

The loss recorded by Jiangsu Tianzow for FY2018 was primarily due to the low pig prices and the loss in 4M2019 was primarily due to the depopulation of pigs in its pig farms caused by the African Swine Fever. The Directors evaluated the financial and business performance of Jiangsu Tianzow and reviewed the production resumption plan after the disinfection of its pig farms. The Directors considered that the recoverable amount from the investment in Jiangsu Tianzow is higher than the carrying amount of the investment in Jiangsu Tianzow. The Directors are of the view that impairment provision on Jiangsu Tianzow is unnecessary.

Save as disclosed above in relation to the full impairment on the carrying amount of investment in Huachuan Shuangzhao Breeding Technology Co., Ltd (樺川雙兆豬業有限公司) in FY2017, our Directors did not identify any joint venture or associated company that required impairment during the Track Record Period.

**Selling expenses**

The following table sets out our selling expenses during the Track Record Period:

| | **FY2017** | | **FY2018** | | **FY2019** | | **4M2019** | | **4M2020** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % |
| Staff costs and benefits | 3,744 | 53.1% | 4,236 | 43.0% | 3,818 | 31.1% | 856 | 28.6% | 1,116 | 52.2% |
| Transportation costs | 1,182 | 16.8% | 1,985 | 20.2% | 619 | 5.1% | 191 | 6.4% | 61 | 2.9% |
| Marketing expenses | 1,031 | 14.6% | 2,630 | 26.7% | 5,472 | 44.6% | 1,198 | 40.0% | 228 | 10.7% |
| Travel and entertainment expenses | 378 | 5.4% | 293 | 3.0% | 342 | 2.8% | 46 | 1.5% | 61 | 2.9% |
| Depreciation and amortisation | 153 | 2.2% | 147 | 1.5% | 51 | 0.4% | 29 | 1.0% | 5 | 0.2% |
| Other | 554 | 7.9% | 551 | 5.6% | 1,955 | 16.0% | 677 | 22.6% | 667 | 31.2% |
| **Total** | 7,042 | 100.0% | 9,842 | 100.0% | 12,257 | 100.0% | 2,997 | 100.0% | 2,138 | 100.0% |

Selling and distribution expenses primarily consist of staff costs, transportation costs, marketing expenses, travel and entertainment expenses, depreciation and other sales-related expenses. Staff costs accounted for the largest portion of our selling and distribution expenses during the Track Record Period.

**Administrative expenses**

The following table sets out our administrative expenses during the Track Record Period:

| | **FY2017** | | **FY2018** | | **FY2019** | | **4M2019** | | **4M2020** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % | *RMB'000* | % |
| Staff costs and benefits | 18,450 | 57.6% | 16,714 | 48.0% | 29,751 | 59.3% | 8,047 | 62.2% | 9,199 | 43.9% |
| Professional fees | 2,898 | 9.1% | 2,338 | 6.7% | 1,636 | 3.3% | 390 | 3.0% | 401 | 1.9% |
| Travel and entertainment expenses | 2,894 | 9.0% | 2,589 | 7.4% | 2,185 | 4.4% | 347 | 2.7% | 494 | 2.4% |

| | FY2017 | | FY2018 | | FY2019 | | 4M2019 | | 4M2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| Office and vehicles expenses | 3,028 | 9.5% | 3,639 | 10.4% | 2,717 | 5.4% | 944 | 7.3% | 1,590 | 7.6% |
| Depreciation and amortisation | 2,422 | 7.6% | 3,948 | 11.3% | 7,632 | 15.2% | 2,170 | 16.8% | 5,405 | 25.8% |
| Environmental protection | 4 | 0.0% | 1,210 | 3.5% | 882 | 1.8% | 137 | 1.1% | 258 | 1.2% |
| Others | 2,302 | 7.2% | 4,438 | 12.7% | 5,337 | 10.6% | 893 | 6.9% | 3,592 | 17.1% |
| **Total** | 31,998 | 100.0% | 34,876 | 100.0% | 50,140 | 100.0% | 12,928 | 100.0% | 20,939 | 100.0% |

Administrative expenses primarily consist of staff costs and benefits, professional fees, travel and entertainment expenses, office and vehicles expenses, depreciation and amortisation, environmental protection fees and other administration-related expenses.

**Finance costs**

Our Group's finance costs primarily represent interest expense on bank borrowings and lease liabilities.

**Taxation and preferential tax treatment**

The rate of income tax chargeable on companies in the PRC may vary depending on the availability of preferential tax treatments or subsidies based on their industry or location. According to the EIT Law and the related implementation rules and the Circular of the Ministry of Finance and the State Tax Administration on Scope of Agricultural Products' Primary processing Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149) (財稅[2008]149號), our Chinese subsidiaries that engage in animal-husbandry, for example, pig farming, are entitled to full income tax exemptions. In addition, according to the Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》) and the relevant regulations, our subsidiaries that sell self-produced agricultural products, such as live pigs and feeding stuff, are exempt from VAT on income derived from those sales.

If we fail to satisfy the requisite requirements for entitlement to the waiver of the PRC EIT and VAT tax in the future or if there is any change in the existing PRC policy relating to preferential tax treatments applicable to us, we may no longer be entitled to the preferential tax treatments currently enjoyed by us. There is no assurance that we will continue to receive the preferential tax treatments currently enjoyed by us in the future. Any loss or substantial reduction of the tax benefits enjoyed by us would adversely affect our financial condition and performance.

Our effective tax rate (tax expense/profit before taxation) is 0.6%, 10.7%, 0.6%, 0.5% and 2.7% for FY2017, FY2018, FY2019, 4M2019 and 4M2020 respectively. Our pig farming business is tax exempted. The effective tax rate is mainly affected by the proportion of taxable profits generated from ancillary products and services and sales of fresh meat segments in our total profits. Our effective tax rate for FY2018 was significantly higher than that of FY2017 and FY2019 mainly because our profits of pig selling is thin in FY2018.

Our effective tax rate for 4M2020 was higher than that of 4M2019, mainly because we recognized a remeasurement gain on other financial assets of approximately RMB9.7 million for 4M2020, therefore a deferred tax of approximately RMB5.0 million was incurred in the same period.

## PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

### 4M2019 compared to 4M2020

***Revenue***

Our revenue increased by RMB162.0 million or 85.3% from RMB189.9 million for 4M2019 to RMB351.9 million for 4M2020.

*Pig selling segment*

Our revenue from breeding stock sub-segment from external customers increased by 255.3% from RMB25.5 million for 4M2019 to RMB90.8 million for 4M2020, mainly because of the (i) increase in sales volume, primarily as a result of drastic increase of market demand due to the decrease in the stock of sows in the PRC caused by the African Swine Fever and (ii) increase in average selling price of breeding stock in line with the increasing market price trend.

Our revenue from market hogs sub-segment from external customers increased by 64.1% from RMB128.4 million for 4M2019 to RMB210.7 million for 4M2020, mainly because of the significant increase in average selling price of market hogs in line with the increasing market price trend which was partially offset by the decrease to sales volume as a result of the delay of output due to the impact of COVID-19.

Our revenue from market hogs (small) sub-segment from external customers increased by 555.9% from RMB4.9 million for 4M2019 to RMB31.9 million for 4M2020, mainly because of the significant increase in sales volume and average selling price of market hogs (small).

*Sales of fresh meat segment*

Our revenue from sales of fresh meat segment to external customers decreased by 55.0% from RMB18.4 million for 4M2019 to RMB8.3 million for 4M2020, mainly because of number of slaughtered pigs decreased resulting from the supply shortage of market hogs and we temporarily suspended our sales of fresh meat business since April 2020. For details, please refer to the section headed "Business – Our business model – Sales of fresh meat".

*Ancillary products and services segment*

Our revenue from ancillary products and services sub-segment from external customers decreased by 18.6% from RMB12.6 million for 4M2019 to RMB10.3 million for 4M2020 because the market demand of compound premix decreased resulting from the spread of the African Swine Fever in the PRC decreasing number of the pigs in stock.

**Cost of sales**

Our cost of sales decreased by RMB14.2 million or 10.3% from RMB137.7 million for 4M2019 to RMB123.5 million for 4M2020.

The decrease in our total cost of sales from 4M2019 to 4M2020 was primarily due to our output volume of pigs decreased for 4M2020 as compared to that of 4M2019.

For the effect of changes in cost of sales of each business segment/sub-segment, please refer to the discussion of gross profit margin for each business segment/sub-segment.

**Gross profit and gross profit margin**

Our total gross profit increased by 337.8% or RMB176.2 million from RMB52.2 million For 4M2019 to RMB228.4 million for 4M2020. Our overall gross profit margin was 27.5% and 64.9% for 4M2019 and 4M2020, respectively.

The segment gross profit and segment gross profit margin are based on the amounts before any inter-segment elimination of such segment.

***Pig selling***

Our gross profit from breeding stock sub-segment increased from RMB16.7 million for 4M2019 to RMB79.3 million for 4M2020 and the gross profit margin increased from 65.3% to 87.4% for the period, mainly because of the increase in selling price of breeding stock.

Our gross profit from market hogs sub-segment increased from RMB26.5 million for 4M2019 to RMB125.9 million for 4M2020, and our gross profit margin of market hogs sub-segment increased from 19.1% to 58.1% for the period, mainly because of the increase in selling price of market hogs due to the shortage of supply caused by the African Swine Fever.

Our gross profit from market hogs (small) sub-segment increased from RMB2.3 million for 4M2019 to RMB24.6 million for 4M2020, and our gross profit margin of market hogs (small) sub-segment increased from 47.7% to 77.1% for the period, mainly because of the increase in market hog price and hence increase in selling price of market hogs (small).

***Sales of fresh meat segment***

Our gross profit from sales of fresh meat segment decreased from RMB1.1 million for 4M2019 to RMB0.3 million for 4M2020, and our gross profit margin of sales of fresh meat segment decreased from 5.9% to 3.6% for the period, mainly because the number of slaughtered pigs decreased resulting from the supply shortage of market hogs in 4M2020, whilst we still bear the fixed costs.

***Ancillary products and services segment***

Our gross profit from ancillary products and services segment was stable at RMB12.6 million for 4M2019 and RMB12.5 million for 4M2020. Our gross profit margin of ancillary products and services segment decreased from 58.6% to 53.1% for the period.

**Net changes in fair value of biological assets**

We recorded gain arising from changes in fair value less costs of disposal of RMB4.0 million for 4M2019 and RMB27.8 million for 4M2020. The gain arising from changes in fair value of biological assets recorded for 4M2019 and 4M2020 was primarily due to increase in volume and market price of pigs in the stock PRC in the respective period.

**Other net gain/loss**

Our other net gain/loss decreased from a gain of RMB0.9 million for 4M2019 to a loss of RMB1.6 million for 4M2020. The decrease was primarily attributable to the recognition of expected credit loss RMB7.1 million and donation of RMB4.5 million in 4M2020 which was partially offset by the gain on remeasurement of interest in associates to other financial assets of approximately RMB9.7 million.

**Selling expenses**

Our selling expenses decreased by RMB0.9 million or 28.7% from RMB3.0 million for 4M2019 to RMB2.1 million for 4M2020 which was primarily due to the decrease of marketing expense.

**Administrative expense**

Our administrative expenses increased by RMB8.0 million or 62.0% from RMB12.9 million for 4M2019 to RMB20.9 million for 4M2020 which was primarily due to the increase of administrative staff costs, increased fuel cost incurred in the heating season and increase in depreciation and amortisation.

**Finance costs**

Our finance costs increased by RMB3.5 million or 32.4% from RMB10.7 million for 4M2019 to RMB14.2 million for 4M2020 due to the increased interest on lease liabilities.

**Share of profits less losses of associates and joint ventures**

Our share of profits less losses of associates decreased by RMB7.9 million from RMB11.2 million for 4M2019 to RMB3.3 million for 4M2020 which was primarily attributable to decrease in profits of our associates. Tailai Tianzow Breeding Co., Ltd, one of our associated company, suffered the African Swine Fever in 4M2020 and depopulated approximately 13.0 thousand pigs. The Group's share of total comprehensive income of Tailai Tianzow Breeding Co., Ltd was a profit for 4M2019 of approximately RMB4.7 million and a loss of approximately RMB4.8 million for 4M2020. For details of Tailai Tianzow's financial performance during the Track Record Period, please refer to Note 15 of Appendix I in this prospectus.

Our share of profits less losses of joint ventures increased by RMB23.9 million from net loss of RMB7.7 million for 4M2019 to net profit of RMB16.2 million for 4M2020 which was primarily attributable to increase in profits of our joint ventures. The increase in share of profits less losses of our joint ventures recorded for 4M2020 was primarily due to improved profitability resulting from increase in market price of pigs.

**Profit before taxation**

As a result of the foregoing, our profit before taxation increased by RMB205.5 million or 586.9% from RMB35.0 million for 4M2019 to RMB240.5 million for 4M2020 while our profit before taxation margin increase from 18.4% to 68.3% during the period primarily due to increase in our gross profit for the period as a result of an increase of pig price.

**Income tax**

Our income tax increased by RMB6.2 million from RMB0.2 million for 4M2019 to RMB6.4 million for 4M2020, mainly because we recognized an remeasurement gain on other financial assets of approximately RMB9.7 million for 4M2020; therefore a deferred tax of approximately RMB5.0 million was incurred on the same period.

**Profit for the period**

As a result of the foregoing, our profit for the period increased by RMB199.3 million or 571.6% from RMB34.8 million for 4M2019 to RMB234.1 million for 4M2020 while our net profit margin increase from 18.4% in 4M2019 to 66.5% in 4M2020 primarily due to increase in our gross profit for the period.

**FY2019 compared to FY2018**

***Revenue***

Our revenue increased by RMB335.2 million or 74.7% from RMB448.9 million for FY2018 to RMB784.1 million for FY2019.

*Pig selling segment*

Our revenue from breeding stock sub-segment from external customers increased by 193.1% from RMB76.6 million for FY2018 to RMB224.5 million for FY2019, mainly because of the (i) increase in sales volume, primarily as a result of drastic increase of market demand due to the decrease in the stock of sows in the PRC caused by the African Swine Fever and (ii) increase in average selling price of breeding stock in line with the increasing market price trend. For details of changes in product mix and average selling price during the Track Record Period, please refer to "Business – Recent Development – Impact of African Swine Fever and other swine diseases on our financial performance" in this prospectus.

Our revenue from market hogs sub-segment from external customers increased by 66.0% from RMB266.6 million for FY2018 to RMB442.5 million for FY2019, mainly because of the (i) increase in sales volume primarily as a result of increase in our output capacity; and (ii) increase in average selling price of market hogs in line with the increasing market price trend.

Our revenue from market hogs (small) sub-segment from external customers increased by 176.5% from RMB9.8 million for FY2018 to RMB27.1 million for FY2019, mainly because of the (i) slight increase in sales volume; and (ii) increase in average selling price of market hogs (small).

*Sales of fresh meat segment*

Our revenue from sales of fresh meat segment decreased by 0.2% from RMB53.3 million for FY2018 to RMB53.2 million for FY2019, mainly because of number of slaughtered pigs decreased resulting from the supply shortage of market hogs. We temporarily suspended our sales of fresh meat business since April 2020. For details, please refer to the section headed "Business – Our business model – Sales of fresh meat".

*Ancillary products and services segment*

Our revenue from ancillary products and services sub-segment from external customers decreased by 13.4% from RMB42.6 million for FY2018 to RMB36.9 million for FY2019 because the market demand of compound premix decreased resulting from the spread of the African Swine Fever in the PRC decreasing number of the pigs in stock.

**Cost of sales**

Our cost of sales increased by RMB54.9 million or 15.7% from RMB349.7 million for FY2018 to RMB404.6 million for FY2019.

The increase in our total cost of sales from FY2018 to FY2019 was primarily due to the expansion of our business, particularly the increase in pigs sold, which required a substantial amount of raw materials including feeding stuff, medicines and vaccines. For the effect of changes in cost of sales of each business segment/sub-segment, please refer to the discussion of gross profit margin for each business segment/sub-segment.

**Gross profit and gross profit margin**

Our total gross profit increased by 282.7% or RMB280.4 million from RMB99.2 million for FY2018 to RMB379.6 million for FY2019. Our overall gross profit margin was 22.1% and 48.4% for FY2018 and FY2019, respectively.

The segment gross profit and segment gross profit margin are based on the amounts before any inter-segment elimination of such segment.

***Pig selling***

Our gross profit from breeding stock sub-segment increased by 320.2% from RMB41.6 million for FY2018 to RMB174.8 million for FY2019 and the gross profit margin increased from 54.3% to 77.9% for the year, mainly because of the increase in selling price of breeding stock.

Our gross profit from market hogs sub-segment increased from RMB30.7 million for FY2018 to RMB161.3 million for FY2019, and our gross profit margin of market hogs sub-segment increased from 10.2% to 34.1% for the year, mainly because of the increase in pork price and hence increase in selling price of market hogs.

Our gross profit from market hogs (small) sub-segment increased from RMB0.4 million for FY2018 to RMB17.0 million for FY2019, and our gross profit margin of market hogs (small) sub-segment increased from 3.8% to 62.7% for the year, mainly because of the increase in pork price and hence increase in selling price of market hogs (small).

***Sales of fresh meat segment***

Our gross profit from sales of fresh meat segment increased from RMB0.4 million for FY2018 to RMB3.4 million for FY2019, and our gross profit margin of sales of fresh meat segment increased from 0.8% to 6.5% for the year, mainly because of the increase of pork price.

***Ancillary products and services segment***

Our gross profit from ancillary products and services segment increased by 8.4% from RMB34.4 million for FY2018 to RMB37.3 million for FY2019, mainly because our inter-segment sales increased. Our gross profit margin of ancillary products and services segment increased from 52.8% to 53.1% for the year.

**Net changes in fair value of biological assets**

We recorded gain arising from changes in fair value less costs of disposal of RMB6.0 million for FY2018 and RMB140.6 million for FY2019. The increase of net change in fair value of biological assets recorded for FY2019 was primarily due to increase in market price of pigs in the PRC during this year.

**Other net gain/loss**

Our other net gain/loss decreased from a gain of RMB13.7 million for FY2018 to a loss of RMB25.5 million for FY2019. The decrease was primarily attributable to the net loss on disposal of biological assets due to virulent diseases of RMB31.2 million recognized for FY2019. For FY2019, we decided to depopulate the pigs raised in six of our farms and six of our contract farms affected by contagious swine diseases. Approximately 29.4 thousand pigs, including approximately 2.9 thousand sows were depopulated.

**Selling expenses**

Our selling expenses increased by RMB2.5 million or 25.5% from RMB9.8 million for FY2018 to RMB12.3 million for FY2019 which was primarily due to the increase of the marketing expenses.

**Administrative expense**

Our administrative expenses increased by RMB15.2 million or 43.6% from RMB34.9 million for FY2018 to RMB50.1 million for FY2019 which was primarily due to the increase of administrative staff costs by RMB13.0 million primarily due to increase in bonuses paid.

**Finance costs**

Our finance costs increased by RMB9.1 million or 38.1% from RMB23.9 million for FY2018 to RMB33.0 million for FY2019 which was primarily attributable to increase in interest-bearing borrowings of RMB257.0 million as at 31 December 2018 to RMB300.1 million as at 31 December 2019, and the increase of lease liabilities of RMB54.2 million as at 31 December 2018 to RMB232.2 million as at 31 December 2019.

**Share of profits less losses of associates and joint ventures**

Our share of profits less losses of associates increased by RMB44.9 million from net loss of RMB1.4 million for FY2018 to net profit of RMB43.5 million for FY2019 which was primarily attributable to increase in profits of our associates.

Our share of profits less losses of joint ventures increased by RMB47.7 million from net loss of RMB6.8 million for FY2018 to net profit of RMB40.9 million for FY2019 which was primarily attributable to increase in profits of our joint ventures.

The increase in share of profits less losses of our associates and joint ventures recorded for FY2019 was primarily due to improved profitability resulting from increase in market price of pigs.

Jiangsu Tianzow was one of our joint ventures until 30 December 2019 when it became our subsidiary.

The net loss of RMB28.7 million of Jiangsu Tianzow in FY2019 was primarily due to the negative impact of the African Swine Fever. Jiangsu province severely suffered from contagious swine disease in early 2019. Many pig farms in Jiangsu province sold their pigs at low prices to avoid the further potential loss. Jiangsu Tianzow depopulated approximately 4,993 pigs in its pig farms for the four months ended 30 April 2019 and thus recorded a significant loss of net change in fair value of biological assets of approximately RMB3.5 million. After the depopulation, Jiangsu Tianzow sold all its raised pigs, including the breeding stocks, weaners and growers, at a low price to minimize the further potential loss; therefore, it recorded additional loss of net change in fair value of biological assets of approximately RMB17.2 million.

Prevalence of contagious swine disease is different among pig farms of our joint ventures and associated companies depending on, among others, the location, climatic conditions, preventive measures taken and the management team. Some of the pig farms of our joint ventures and associated companies are less affected by the African Swine Fever in FY2019. As disclosed in the paragraph headed "Business – Our competitive strengths – We have sufficient supply capability of breeding stock and wide geographical coverage" in this prospectus, we have established pig farms in various locations in Southwest, Northeast and Northwest regions of China. The wide geographical coverage enables us to provide breeding stock and market hogs to customers in different locations efficiently. Before acquisition of Jiangsu Tianzow, we did not control any pig farm in East China. Our Directors consider the acquisition of Jiangsu Tianzow as a strategic geographical expansion. Jiangsu Tianzow owned three pig farms as in December 2019. Acquiring Jiangsu Tianzow and its pig farms allowed the Groups to expand its capacity quickly.

Besides, Jiangsu is in the Yangtze River Delta region, the East China economy is more developed, land resources are scarce. It is more difficult for the Group to find land for large-scale construction of pig farms. Therefore, our Directors consider that despite the losses of Jiangsu Tianzow due to swine diseases, as long as the pig farms can be preserved, the Group can adopt more stringent biosecurity measures and resume production in a short time.

**Profit before taxation**

As a result of the foregoing, our profit before taxation increased by RMB443.7 million or 988.2% from RMB44.9 million for FY2018 to RMB488.6 million for FY2019 while our profit before taxation margin increase from 10.0% to 62.3% during the year primarily due to increase in our gross profit for the year and gain arising from biological assets at fair value less costs.

**Income tax**

Our income tax slightly decreased by RMB1.7 million or 35.4% from RMB4.8 million for FY2018 to RMB3.1 million for FY2019 mainly because the sales of compound premix is not entitled to income tax exemptions and our profit from the sales of compound premix (before inter-segment elimination) decreased in FY2019.

**Profit for the year**

As a result of the foregoing, our profit for the year increased by RMB445.4 million or 1,110.7% from RMB40.1 million for FY2018 to RMB485.5 million for FY2019 while our net profit margin increase from 8.9% in FY2018 to 61.9% in FY2019 primarily due to increase in our gross profit for the year and gain arising from biological assets at fair value less costs.

**FY2018 compared to FY2017**

***Revenue***

Our revenue decreased by RMB25.6 million or 5.4% from RMB474.5 million for FY2017 to RMB448.9 million for FY2018.

*Pig selling segment*

Our revenue from breeding stock sub-segment decreased by 61.4% or RMB121.7 million from RMB198.3 million for FY2017 to RMB76.6 million for FY2018, mainly because of more pigs sold as market hogs instead of breeding stock and the decrease of average selling price.

The market demand for breeding stocks significantly declined, due to the fall of pork price and restriction on transport of pigs due to African Swine Fever in FY2018. For details of changes in product mix and the average selling price during the Track Record Period, please refer to "Business – Recent Development – Impact of African Swine Fever and other swine diseases on our financial performance" in this prospectus.

Our revenue from market hogs sub-segment from external customers increased by 16.3% or RMB37.3 million from RMB229.3 million for FY2017 to RMB266.6 million for FY2018, mainly because of more pigs sold as market hogs instead of breeding stock due to restriction on transport of pigs due to African Swine Fever in FY2018, which was partially offset by the decrease of average selling price.

Our revenue from market hogs (small) sub-segment decreased by 55.9% or RMB12.4 million from RMB22.2 million for FY2017 to RMB9.8 million for FY2018, mainly because the peasants were not willing to buy market hogs (small) for pig raising due to the fall of pork price.

*Sales of fresh meat segment*

Our revenue from sales of fresh meat segment from external customers increased from nil for FY2017 to RMB53.3 million for FY2018 mainly because the commencement of sales of fresh meat business in July 2018 through acquisition of Guang'an Tianzow.

*Ancillary products and services*

Our revenue from ancillary products and services segment from external customers increased by 72.6% or RMB17.9 million from RMB24.7 million for FY2017 to RMB42.6 million for FY2018, mainly because of the commencement of trial production of compound premix business by our subsidiary, Tianmu Feed in the early 2017.

**Cost of sales**

Our cost of sales increased by RMB48.1 million or 15.9% from RMB301.6 million for FY2017 to RMB349.7 million for FY2018.

The increase in our total cost of sales from FY2017 to FY2018 was primarily due to the expansion of our business, particularly the increase in our market hogs segment, which required a substantial amount of raw materials. For the effect of changes in cost of sales of each business segment/sub-segment, please refer to the discussion of gross profit margin for each business segment/sub-segment.

**Gross profit and gross profit margin**

Our total gross profit decreased by 42.6% or 73.7 million from RMB172.9 million for FY2017 to RMB99.2 million for FY2018. Our overall gross profit margin decreased from 36.4% for FY2017 to 22.1% FY2018.

The segment gross profit and segment gross profit margin are based on the amounts before any inter-segment elimination of such segment.

***Pig selling***

Our gross profit from breeding stock sub-segment decreased by 65.5% or RMB78.9 million from RMB120.5 million for FY2017 to RMB41.6 million for FY2018 and the gross profit margin decreased from 60.8% to 54.3% for the year, mainly because of decrease of sales volume of breeding stock, and the decrease of selling price.

Our gross profit from market hogs sub-segment decreased by 12.3% or RMB4.3 million from RMB35.0 million for FY2017 to RMB30.7 million for FY2018 and the gross profit margin decreased from 15.3% to 10.2% for the year, mainly because decrease of selling price of our market hogs in line with market trend resulting a lower gross profit margin.

Our gross profit from market hogs (small) sub-segment decreased by 93.7% or RMB5.9 million from RMB6.3 million for FY2017 to RMB0.4 million for FY2018, and our gross profit margin decreased from 28.5% to 3.8% for the year mainly because decrease of sales volume and the selling price of market hogs (small).

***Sales of fresh meat segment***

Our gross profit from sales of fresh meat segment increased from nil to RMB434 thousand because of the commence of sales of fresh meat business through acquisition of Guang'an Tianzow. Our gross profit margin of the sales of fresh meat segment was 0.8% for FY2018.

***Ancillary products and services***

Our gross profit from ancillary products and services segment increased by RMB20.0 million from RMB14.4 million for FY2017 to RMB34.4 million for FY2018 and the gross profit margin increased from 37.9% to 52.8% for the year, mainly because of an increase of the gross profit margin of compound premix business due to lower raw material costs of compound premix.

**Net changes in fair value of biological assets**

We recorded gain arising from changes in fair value of RMB21.2 million and RMB6.0 million for FY2017 and FY2018 respectively. The decrease in gain recorded for FY2018 was primarily due to decrease in market price of pigs hence lowered the valuation of our biological assets.

**Other net loss/gain**

Our other net loss/gain changed from a loss of RMB13.0 million for FY2017 to a gain of RMB13.7 million for FY2018. The increase was primarily due to decreased impairment on investment in an associate from RMB8.0 million to nil, decreased loss on sale of property, plant and equipment from RMB9.3 million to RMB0.1 million, a gain on disposal of interests in joint ventures of RMB3.2 million, a net realised and unrealised gain on other financial assets of RMB3.7 million and insurance compensation of pig price of RMB4.6 million.

**Selling expenses**

Our selling expenses increased by RMB2.8 million or 40.0% from RMB7.0 million for FY2017 to RMB9.8 million for FY2018 which was primarily due to the increase of transportation costs by RMB0.8 million and increase in marketing expense of RMB1.6 million due to increase of marketing effort.

**Administrative expenses**

Our administrative expenses increased by RMB2.9 million or 9.0% from RMB32.0 million for FY2017 to RMB34.9 million for FY2018 which was primarily due to the increase in environmental protection related expenses and others.

**Finance costs**

Our finance costs increased by RMB4.7 million or 24.6% from RMB19.2 million for FY2017 to RMB23.9 million for FY2018 which was primarily attributable to increase in interest-bearing borrowings from RMB187.0 million as at 31 December 2017 to RMB257.1 million in as at 31 December 2018.

**Share of profits less losses of associates and joint ventures**

Our share of profits less losses of associates decreased by RMB8.2 million from RMB6.8 million for FY2017 to a loss of RMB1.4 million for FY2018 which was primarily attributable to decrease in profits of our associates.

Our share of profits less losses of joint ventures decreased by RMB36.8 million from RMB30.0 million for FY2017 to a loss of RMB6.8 million for FY2018 which was primarily attributable to decrease in profits of our joint ventures. The decrease in share of profits less losses of our associates and joint ventures recorded for FY2018 was primarily due to decreased profitability resulting from decrease in market price of pigs.

**Profit before taxation**

As a result of the foregoing, our profit before taxation decreased by RMB114.7 million or 71.9% from RMB159.6 million to RMB44.9 million while our profit before taxation margin decrease from 33.6% in FY2017 to 10.0% in FY2018.

**Income tax**

Our income tax increased by RMB3.9 million from RMB0.9 million for FY2017 to RMB4.8 million for FY2018 because there was tax reduction for accumulated loss of Tian'an Pharmaceuticals and Chongqing Tianmu in FY2017 and there was no such tax reduction in FY2018.

**Profit for the year**

As a result of the foregoing, our profit for the year decreased by RMB118.6 million or 74.7% from RMB158.7 million to RMB40.1 million while our net profit margin decrease from 33.4% in FY2017 to 8.9% in FY2018.

## CURRENT ASSETS AND CURRENT LIABILITIES

We had net current liabilities of RMB50.2 million and RMB57.5 million and net current assets of RMB21.5 million and RMB140.4 million as at 31 December 2017, 2018, 2019 and 30 April 2020. The following table sets out a breakdown of our current assets and current liabilities as of the dates indicated:

| | At 31 December | | | At 30 April | At 31 August |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** | **2020** |
| | | | *RMB'000* | | |
| | | | | | (unaudited) |
| **Current assets** | | | | | |
| Inventories | 9,212 | 10,901 | 11,819 | 13,222 | 19,497 |
| Current biological assets | 132,695 | 152,274 | 270,177 | 314,547 | 285,108 |
| Trade and bills receivables | 12,672 | 27,015 | 10,918 | 12,872 | 17,443 |
| Prepayment, deposits and other receivables | 9,522 | 19,280 | 30,232 | 36,134 | 54,923 |

| | At 31 December | | | At 30 April | At 31 August |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2020 |
| | | | *RMB'000* | | |
| | | | | | (unaudited) |
| Amounts due from related parties | 650 | 1,620 | 12,800 | – | – |
| Cash and cash equivalents | 13,786 | 20,959 | 124,439 | 149,816 | 217,657 |
| | 178,537 | 232,049 | 460,385 | 526,591 | 594,628 |
| **Current liabilities** | | | | | |
| Trade payables | 24,998 | 29,170 | 14,636 | 25,472 | 28,308 |
| Accruals and other payables | 77,960 | 102,890 | 200,915 | 142,213 | 120,494 |
| Interest-bearing borrowings | 119,234 | 146,516 | 196,745 | 168,482 | 165,603 |
| Amounts due to related parties | 2,910 | 1,566 | 16,050 | 30,950 | 27,200 |
| Lease liabilities | 2,043 | 4,852 | 9,678 | 17,905 | 17,749 |
| Current taxation | 1,554 | 4,596 | 855 | 1,130 | 1,625 |
| | 228,699 | 289,590 | 438,879 | 386,152 | 360,979 |
| **Net current (liabilities)/assets** | (50,162) | (57,541) | 21,506 | 140,439 | 233,649 |

Our net current assets increased from RMB140.4 million as at 30 April 2020 to RMB233.6 million as at 31 August 2020, mainly due to the increase of the cash and cash equivalents.

Our net current assets increased from RMB21.5 million as at 31 December 2019 to RMB140.4 million as at 30 April 2020 primarily due to increase in current biological assets and cash and cash equivalent and decrease in accruals and other payables.

Our net current assets/liabilities increased from net current liabilities of RMB57.5 million as at 31 December 2018 to net current assets of RMB21.5 million as at 31 December 2019, primarily due to significant increase in current biological assets.

Our net current liabilities increased from RMB50.2 million as at 31 December 2017 to RMB57.5 million as at 31 December 2018, primarily due to increase in our bank borrowings and accruals and other payables.

## DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

### Property, plant and equipment

Our property, plant and equipment consist of investment property, plant and buildings, right-of-use assets, machinery and equipment, vehicles, furniture and others, construction in progress.

Our investment property amounted to nil, RMB5.5 million, RMB5.1 million and RMB5.0 million as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively. The increase in FY2018 was primarily because of our acquisition of Guang'an Tianzow Trading.

Our net book value of other property, plant and equipment amounted to RMB315.7 million, RMB423.3 million, RMB824.0 million and RMB877.9 million as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively. The increase was mainly attributable to the increase of right-of-use assets of our leased properties and the increase in construction in progress due to our business expansion for operating and building more pig farms.

### Intangible assets

The following table sets out a breakdown of the net book value of our intangible assets as of the dates indicated:

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | | *RMB'000* | | |
| Software | 2,443 | 2,349 | 1,975 | 1,938 |
| Patents and trademarks | 15 | 49 | 287 | 266 |
| **Total** | 2,458 | 2,398 | 2,262 | 2,204 |

Our intangible assets consist of our software "Tianzow Cloud Smart Hog Management System" (天兆雲智能養豬管理系統), and patents and trademarks.

**Inventories**

Our inventories comprises raw materials such as feeding stuff for our own pig farming and finished goods such as compound premix for sale and pork products of our sales of fresh meat business. The following is a summary of balance of our inventories as at the end of each reporting period during the Track Record Period:

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | | |
| Raw materials | 7,580 | 7,391 | 10,773 | 12,392 |
| Finished goods | 1,612 | 3,290 | 928 | 826 |
| Others | 20 | 220 | 118 | 4 |
| Total | 9,212 | 10,901 | 11,819 | 13,222 |

We adopt stringent inventory control and maintain low level of inventory. We periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. We manage our inventory levels principally based on the anticipated demand.

Balance of inventories increased from RMB9.2 million as at 31 December 2017 to RMB10.9 million as at 31 December 2018. The balance of inventories increased to RMB11.8 million as at 31 December 2019 and RMB13.2 million as at 30 April 2020.

The following table sets out the average inventory turnover day(s) for the Track Record Period:

| | **FY2017** | **FY2018** | **FY2019** | **4M2020** |
|---|---|---|---|---|
| Average inventory turnover day(s) | 10.3 | 10.5 | 10.2 | 12.3 |

*Note:* Average inventory turnover day(s) for each of FY2017, FY2018, FY2019 and 4M2020 are equal to the average inventory divided by cost of sales and multiplied by 365 days for FY2017, FY2018 and FY2019 and 121 days for 4M2020. Average inventory is equal to the average of inventory at the beginning of the year/period and inventory at the end of the year/period.

The average inventory turnover day(s) were stable for each of FY2017, FY2018 and FY2019. This was primarily due to the stringent inventory management.

As at 31 August 2020, approximately RMB10.0 million or 75.8% of our inventory as at 30 April 2020 had been subsequently utilized.

**Trade and bills receivables**

Our trade and bills receivables increased by RMB14.3 million or 112.6% from RMB12.7 million as at 31 December 2017 to RMB27.0 million as at 31 December 2018 despite a slight decrease of revenue during the relevant year. The increase was primarily due to acquisition of Guang'an Tianzow which had RMB14.1 million trade and bills receivables as at 31 December 2018.

Our trade and bills receivables decreased by RMB16.1 million or 59.6% from RMB27.0 million as at 31 December 2018 to RMB10.9 million as at 31 December 2019. The decrease was primarily due to our increased effort to collect past due, as a result, the trade receivable of Guang'an Tianzow decreased by RMB10.1 million.

Our trade and bills receivables increased by RMB2.0 million or 17.9% from RMB10.9 million as at 31 December 2019 to RMB12.9 million as at 30 April 2020.

The following table sets out the aging analysis of our trade receivables, based on the invoice date and net of allowance for doubtful debts, as at the end of each reporting period during the Track Record Period:

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | | |
| Within one year | 9,794 | 23,442 | 8,998 | 11,653 |
| One to two years | 1,101 | 679 | 1,656 | 740 |
| Two to three years | 1,777 | 1,094 | 264 | 479 |
| **Total** | 12,672 | 25,215 | 10,918 | 12,872 |

Our policy for impairment loss on trade and bills receivables is based on our estimated rate of credit loss which requires the use of judgment and estimates. Our management closely reviews the trade and bills receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. We do not provide credit period to our customers in the contracts. By definition, all trade receivables were past due.

As at 31 August 2020, approximately RMB9.9 million, or 77.1%, of our trade and bills receivables as at 30 April 2020 had been subsequently settled.

The following table sets out the average trade and bills receivables turnover days for the Track Record Period:

| | FY2017 | FY2018 | FY2019 | 4M2020 |
|---|---|---|---|---|
| Average trade and bills receivables turnover day(s) | 7.9 | 16.1 | 8.8 | 4.1 |

*Note:* Average trade and bills turnover day(s) for each of FY2017, FY2018, FY2019, and 4M2020 are equal to the average trade and bills receivables divided by revenue and multiplied by 365 days for FY2017, FY2018 and FY2019 or 121 days for 4M2020. Average trade and bills receivables is equal to the average of trade and bills receivables at the beginning of the year/period and trade and bills receivables at the end of the year/period.

The increase of the average trade and bills receivables day(s) from 7.9 days for FY2017 to 16.1 days for FY2018 was primarily due to increased trade receivables as a result of acquisition of Guang'an Tianzow.

The decreased of the average trade and bills receivables day(s) from 16.1 days for FY2018 to 8.8 days for FY2019 was primarily due to decreased trade receivables of Guang'an Tianzow.

The decreased of the average trade and bills receivables day(s) from 8.8 days for FY2019 to 4.1 days for 4M2020 was primarily due to our revenue increased significantly for 4M2020 as compared to 4M2019.

**Trade payables**

Our trade payables primarily relate to the purchase of feeding stuff from our suppliers. Our suppliers generally grant a fixed credit limit for our purchases and we prepared the amount exceeding the credit limit for any purchase.

Our trade payables increased by RMB4.2 million or 16.8% from RMB25.0 million as at 31 December 2017 to RMB29.2 million as at 31 December 2018 because the contract farming fee payables increased.

Our trade payables decreased by RMB14.6 million or 50.0% from RMB29.2 million as at 31 December 2018 to RMB14.6 million as at 31 December 2019 which was primarily due to contract farming fee and feeding stuff payables decreased. We accelerated payment of feeding stuff and contract farming fee to get better prices when our operating cash flow improved in FY2019.

Our trade payables increased by RMB10.9 million or 75.0% from RMB14.6 million as at 31 December 2019 to RMB25.5 million as at 30 April 2020 because of the increase in trade payables of feeding stuff.

The following table sets out the aging analysis of our trade payables, based on invoice date, as at the end of each reporting period during the Track Record Period:

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | | |
| Within one year | 24,998 | 29,170 | 14,636 | 25,472 |
| **Total** | 24,998 | 29,170 | 14,636 | 25,472 |

The following table sets out the average trade payables turnover days for the Track Record Period:

| | **FY2017** | **FY2018** | **FY2019** | **4M2020** |
|---|---|---|---|---|
| Average trade payables turnover day(s) | 21.6 | 28.3 | 19.8 | 19.6 |

*Note:* Average trade payables turnover day(s) for each of FY2017, FY2018, FY2019 and 4M2020 are equal to the average trade payables divided by costs of sales and multiplied by 365 days for FY2017, FY2018 and FY2019 or 121 days for 4M2020. Average trade payables is equal to the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

The increase of average trade payables turnover day(s) from the 21.6 days for FY2017 to 28.3 days for FY2018 was mainly because the contract farming fee payables increased.

Average trade payables turnover days decreased from 28.3 days for FY2018 to 19.8 days for FY2019 primarily because the contract farming fee and feeding stuff payables decreased. Average trade payables turnover days was stable at 19.6 days for 4M2020.

As at 31 August 2020, approximately RMB21.4 million, or 84.1%, of the trade payables outstanding as at 30 April 2020 had been subsequently settled.

**Prepayments, deposits and other receivables**

Our Group's prepayments, deposits and other receivables mainly consist of the receivables from the disposal of property, plant and equipment, other receivables relating to the disposal of interest of joint ventures and financial assets, the prepayments for purchase of inventory and prepayments on listing expenses. The following table sets out a breakdown of our prepayments, deposits and other receivables as at the dates indicated:

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | | |
| Receivables from disposal of property, plant and equipment | 3,054 | – | – | – |
| Other receivables relating to disposal of interest in joint ventures and other financial assets | 1,288 | 7,988 | 3,963 | 3,963 |
| Restricted deposit | – | – | 640 | 640 |
| Deposits | 1,507 | 1,769 | 1,179 | 1,377 |
| Dividends receivables | – | 2,532 | 4,848 | 4,848 |
| Others | 749 | 661 | 1,563 | 2,397 |
| Less: Allowance for doubtful debts | (368) | (632) | (183) | (4,058) |
| Total financial assets measured at amortised cost | 6,230 | 12,318 | 12,010 | 9,167 |
| Prepayments for purchase of inventory | | | | |
| – related parties | 118 | – | – | – |
| – third parties | 1,038 | 1,407 | 2,053 | 2,967 |
| Prepaid expenses | 2,136 | 4,630 | 4,201 | 4,526 |
| Prepayments for costs incurred in connection with the proposed initial public offering of the Company's shares | – | 925 | 11,968 | 19,474 |
| | 9,522 | 19,280 | 30,232 | 36,134 |

Our Group's prepayments, deposits and other receivables increased by RMB9.8 million or 103.2% from RMB9.5 million as at 31 December 2017 to RMB19.3 million as at 31 December 2018 primarily attributable to the increase in other receivables relating to the disposal of interest of joint ventures and financial assets, and the increase of prepaid expenses; partially offset by the decrease of the receivables for the disposal of property, plant and equipment.

Our Group's prepayments, deposits and other receivables increased by RMB10.9 million or 56.5% from RMB19.3 million as at 31 December 2018 to RMB30.2 million as at 31 December 2019 primarily attributable to the increase in the prepayments for in relation to the proposed Listing; partially offset by the decrease of the receivables for the disposal of interest in joint ventures and other financial assets.

Our Group's prepayments, deposits and other receivables increased by RMB5.9 million or 19.5% from RMB30.2 million as at 31 December 2019 to RMB36.1 million as at 30 April 2020 primarily attributable to the increase in the prepayments for costs incurred in relation to the proposed Listing.

**Accruals and other payables**

Our accruals and other payables consist of payables for staff related costs, payables relating to capital injection to joint ventures, deposits, payables relating to acquisition of non-controlling interest, other tax payables, payables relating to purchase of property, plant and equipment, and contract liabilities. The following table sets out a breakdown of our accrued expenses and other payables as at the dates indicated:

| | **As at 31 December** | | | **As at 30 April** |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | | |
| Payables for staff related costs | 9,718 | 8,411 | 14,981 | 8,668 |
| Payables for capital of joint ventures | 16,750 | 16,750 | 9,290 | 9,290 |
| Deposits received | 4,374 | 5,096 | 4,121 | 4,675 |
| Payables relating to acquisition of a non-controlling interest | 4,000 | 4,000 | – | – |
| Other taxes payable | 513 | 413 | 725 | 287 |
| Interest payable | 1,233 | 2,114 | 1,129 | 653 |
| Payables relating to purchases of property, plant and equipment | 18,687 | 34,536 | 65,305 | 62,268 |
| Current portion of deferred income | 1,312 | 1,437 | 1,385 | 1,369 |

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | | | |
| Dividends payable | – | – | 69,526 | 3,033 |
| Others | 6,856 | 15,602 | 17,557 | 6,962 |
| Total financial liabilities measured at amortised cost | 63,443 | 88,359 | 184,019 | 97,205 |
| Contract liabilities | | | | |
| – related parties | 6,459 | 12,502 | 9,907 | 7,537 |
| – third parties | 8,058 | 2,029 | 6,989 | 37,471 |
| | 77,960 | 102,890 | 200,915 | 142,213 |

We generally have larger accruals and other payables compared to our trade payables.

Our accruals and other payables increased by RMB24.9 million or 32.0% from RMB78.0 million as at 31 December 2017 to RMB102.9 million as at 31 December 2018 primarily attributable to the increase in payables relating to purchases of property, plant and equipment due to construction of pig farms and purchase of equipment.

Our accruals and other payables increased by RMB98.0 million or 95.2% from RMB102.9 million as at 31 December 2018 to RMB200.9 million as at 31 December 2019 primarily attributable to increased dividends payable and payables relating to purchases of property, plant and equipment.

Our accruals and other payables decreased by RMB58.7 million or 29.2% from RMB200.9 million as at 31 December 2019 to RMB142.2 million as at 30 April 2020 primarily due to decreased dividends payable.

Our contract liabilities mainly comprise prepayment paid by our customers of breeding stock.

**Other financial assets**

We invested in pig farming companies to expand rapidly throughout the country. Several investments in such pig farming companies was measured at fair value, which fell into level 3 of the fair value hierarchy. We performed valuations for the investment after carefully considering all information which require management assessments and estimates and the fair value of such investment were approximately RMB7.3 million, nil, nil and RMB28.8 million at 31 December 2017, 2018 and 2019, and 30 April 2020, respectively. Details of the fair value measurement of unlisted equity investment, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in note 31(d) to the Accountants' Report in Appendix I.

In relation to the valuation of the investment, our management adopted the following procedures: 1) carefully considering the key basis and assumption for the valuation which require management assessments and estimates; and 2) performing sensitivity analysis of the fair value measurement.

In relation to the valuation analysis of the Group's investments at level 3 of fair value hierarchy, the Sole Sponsor have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report as contained in Appendix I and relevant valuation documents provided by the Company; (ii) discussed with the Company about the key basis and assumptions for the valuation and (iii) discussed with the Reporting Accountants about their work performed in connection with the valuation of the Group's investments. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor' attention that would cause the Sole Sponsor to question the valuation analysis performed by the Company.

The Reporting Accountants have performed their work on the historical financial information in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out in Appendix I to this prospectus.

## CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of acquisition of a subsidiary, investment in associates and joint ventures, payment for the purchase of property, plant and equipment and purchase of intangible assets. Our capital expenditure was funded by our internal resources, and bank borrowings during the Track Record Period. The following sets forth our Group's capital expenditure for the years/period indicated:

| Capital expenditure | FY2017 | FY2018 | FY2019 | 4M2020 |
|---|---|---|---|---|
| | | *RMB'000* | | |
| **Investing activities** | | | | |
| Acquisition of a subsidiary, net of cash acquired | – | 33,892 | 15,471 | – |
| Additional investment in associates and joint ventures | 35,301 | 14,500 | 31,189 | 20,180 |
| Payment for the purchase of property, plant and equipment | 89,715 | 60,861 | 134,569 | 84,551 |
| Purchase of intangible assets | 620 | 319 | 299 | 92 |
| **Total** | 125,636 | 109,572 | 181,528 | 104,823 |

We primarily use our bank borrowing for capital expenditures including construction of pig farms and investment in joint ventures and associated companies primarily because our net cash generated from operating activities can barely cover our cash used in repayment of interest-bearing borrowings and the interests accrued.

Our net cash generated from operating activities for FY2017, FY2018 and FY2019 were approximately RMB150.1 million, RMB42.8 million and RMB312.0 million, respectively; whilst our repayment of interest-bearing borrowings for the same period were approximately RMB153.7 million, RMB117.6 and RMB190.8 million, respectively and our payment of the interests accrued for the same period were approximately RMB16.7 million, RMB17.4 million and RMB28.9 million, respectively. For FY2017, our net cash generated from operating activities was slightly less than our repayment of interest-bearing borrowings; therefore, we seek for new interest-bearing borrowings primarily for capital expenditures. For FY2018, due to the decrease of pig price, our net cash generated from operating activities decreased significantly, which can hardly cover our cash used in repayment of interest-bearing borrowings; we, therefore, used our borrowings for repayment of matured interest-bearing borrowings and payment for capital expenditure. For FY2019, due to the increase of pig price, our net cash generated from operating activities increased significantly; however, more capital expenditure was incurred under our expansion plan, we drawdown new borrowing of approximately RMB210.8 million primarily for construction of pig farms.

For 4M2020, our net cash generated from operating activities were approximately RMB212.3 million because the pig price maintained at a high level for the period. We primarily used our cash generated from operating activities for the capital expenditures of approximately RMB104.8 million and for the repayment of interest-bearing borrowings of approximately RMB38.0 million.

Our management monitors our level of indebtedness carefully and seek bank financing only when necessary. We prepare budget planning regularly, if our cash position is not sufficient to fund our investments, we may seek bank financing or delay some of our expansion plans.

Our major capital expenditure on the build of new pig farms and the expansion of existing pig farms during the Track Record Period and the estimated annual output thereof are detailed in the table below:

| Location of the pig farm | Capital expenditure in FY2017 | Capital expenditure in FY2018 | Capital expenditure in FY2019 | Capital expenditure in 6M2020 | Year of completion (actual or expected) | Actual or estimated increase in annual output[(3)] |
|---|---|---|---|---|---|---|
| | | *(RMB'000)* | | | | |
| a pig farm in Mulan county | 27,233 | 19,341 | 21,077 | 1,111 | 2018 | 35,200 |
| a pig farm in Wusheng county | 20,808 | 14,289 | 4,427 | 1,971 | 2018 | 33,600 |
| a pig farm in Nanchong city | 8,041 | 717 | 1,522 | 161 | 2021 | 16,000 |
| a pig farm in Chongqing municipality | 7,336 | 907 | 1,208 | 2,467 | 2016 | 24,064 |
| a pig farm in Ya'an city | 3,372 | 1,231 | 3,433 | 162 | 2016 | 22,560 |
| a pig farm in Boli county | – | 6,400 | 17,460 | 4,735 | 2020 | 40,000 |
| a pig farm in Nanchong city | – | 4,817 | 39,863 | 10,905 | 2020 | 48,000 |
| a pig farm in Lanzhou city[(2)] | – | – | 15,028 | 51,013 | 2021 | 211,200 |
| a pig farm in Jiayuguan city | – | – | 5,433 | 4,769 | 2020 | 64,000 |
| a pig farm in Chongqing municipality[(2)] | – | – | – | 22,213 | 2021 | 105,600 |
| a pig farm in Lianyungang city | – | – | – | 7,942 | 2020 | 24,000 |
| **Total** | **66,790** | **47,702** | **109,451** | **107,450** | | |

*Notes:*

(1) The capital expenditure for pig farms may include progress payment of the construction work completed in the previous years and release of retention money.

(2) We intend to utilise the net proceeds from the Global Offering to construct this pig farm in Gansu province. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for details.

(3) This refers to the actual or estimated increase in annual output of finishers.

The construction period of our pig farms is generally 2-3 years. There is generally a time gap between capital commitment expensed or incurred for construction of pig farms and the increased in output capacity as normally it took a few years to complete the construction of pig farms before such pig farms can be used for pig production.

The construction cost of our pig farms varied, determined by many factors, such as their scale, designed structure, material, local labor cost, local soil and geographic conditions, local climatic conditions, and other factors. The average construction cost per gross floor area ranged from RMB1,928 per square meter to RMB2,468 per square meter, arriving an average of RMB2,289 per square meter.

We estimate that the payback period for its investment in pig farm construction is usually around three to five years. The expected investment payback period refers to the length of time required to recover the initial capital expenditure from the accumulated net profit before biological assets fair value adjustments to be generated from our newly-built production facilities since they commence operation.

Our Directors confirm and CIC concurs, to the best their knowledge, that the construction cost, construction period and payback period of our pig farms are generally comparable to those of comparable pig farms of our industry peers.

## CONTRACTUAL COMMITMENT

### Capital Commitments

Capital commitments outstanding at respective reporting period end dates not provided for in the historical financial information were as follows:

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | | |
| **Purchase of property, plant and equipment:** | | | | |
| Contracted for | 45,540 | 45,310 | 24,065 | 111,287 |
| Authorised but not contracted for | 116,276 | 50,890 | 921,725 | 712,406 |
| | 161,816 | 96,200 | 945,790 | 823,692 |
| Investment in associates contracted for | 84,000 | 84,000 | 120,053 | 102,623 |

The capital commitment of the Group's joint ventures and associates are as follows:

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | | *RMB'000* | | |
| **Purchase of property, plant and equipment:** | | | | |
| Contracted for | 16,205 | 39,015 | 34,085 | 33,769 |
| Authorised but not contracted for | 12,380 | 5,089 | 3,419 | 15,407 |
| | 28,585 | 44,104 | 37,504 | 49,175 |

We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds from the Global Offering. Please refer to the section headed "Future Plans and Use of Proceeds". We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

We had a capital commitment of (a) RMB823.7 million for the purchase of property, plant and equipment, of which RMB111.3 million was contracted for and the remaining amount was authorized but not contracted for and (b) RMB102.6 million for investment in joint ventures or associated companies as at 30 April 2020. We declared interim dividends to our Shareholders with amounts of RMB69,526,320 for the six months ended 30 June 2019, which had been settled in May 2020.

The capital commitment in the amount of RMB823.7 million for the purchase of property, plant and equipment mainly relates to (i) the construction of a new pig farm in Lanzhou city, Gansu province, the PRC and a new pig farm in Weili county, Xinjiang Uygur Autonomous Region, the PRC, as mentioned in the section headed "Future Plans and Use of Proceeds"; (ii) expand one of our existing pig farms in Chongqing municipality, as mentioned in the section headed "Future Plans and Use of Proceeds"; (iii) the construction of other new pig farms. The Group plans to fund the planned capital expenditures using cash generated from operations and the net proceeds from the Global Offering. Please refer to the section headed "Future Plans and Use of Proceeds".

The expected payment schedule of our capital commitment as at 30 April 2020 is set out below:

| | **Six months ending 31 December 2020** | **Six months ending 30 June 2021** | **Six months ending 31 December 2021** |
|---|---|---|---|
| | | *RMB million* | |
| Purchase of property, plant and equipment | 237.7 | 272.3 | 301.4 |

| | **FY2020** | **FY2021** | **FY2022** | **FY2023-FY2025** |
|---|---|---|---|---|
| | | *RMB million* | | |
| Investment in joint ventures or associated companies | 49.0 (paid as at the Latest Practicable Date) | 2.0 | 7.5 | 78.0 |

Our Directors believe that we can generate sufficient internal funds from operating cash flow for the remaining balance of capital commitment. The operating cash flow and liquidity of our Group has improved in FY2019 and is expected to improve in the future given the pig price is expected to be kept at a high level and it is still expected to have a shortfall in pig supply in the market in the next few years as set out in the Industry Overview section. Our annual output is expected to increase gradually with more newly constructed pig farms coming into production stage in the next few years. As a result of our improved profitability in FY2019, our debt to equity ratio decreased from 63.9% in FY2018 to 50.3% in FY2019 and further to 34.9% in 4M2020. We expect that our Group will be able to extend the existing bank borrowing or seek additional bank borrowing in case of shortage of working capital because of our improving liquidity and our good repayment record. During the Track Record Period, we received proceeds from new interest-bearing bank borrowings of RMB115.7 million, RMB185.1 million, RMB210.8 million and RMB nil.

In the case that the pig prices significantly decease in the next two years, we may (i) not distribute the profit for the year ending 31 December 2020 in June 2021; (ii) extend the existing bank borrowing or seek for additional bank borrowing; or (iii) delay the construction of new pig farms.

**Contingent liabilities**

As at 31 December 2017, 2018 and 2019, the Group has issued guarantees in respect of loans made by banks to a shareholder, an associate and a joint venture. As at 31 December 2017 and 2018 and 2019, the directors of the Company do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2017, 2018, 2019 and 30 April 2020, under the guarantees issued is the outstanding amount of the loans of a shareholder of RMB25,000,000, RMB25,000,000, nil and nil, of an associate nil, RMB32,000,000 and RMB2,000,000 and RMB2,000,000 and of joint ventures RMB50,000,000, RMB35,000,000, nil and nil, respectively. The directors do not believe it probable that the shareholder, the associate and the joint venture will default on the contract and fail to make payment when due, and the Group will make specified payments to reimburse the beneficiary of the guarantee for a loss the bank incurs.

## RELATED PARTIES TRANSACTIONS

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

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | | *RMB'000* | | |
| Trade in nature: | | | | |
| – Trade and bills receivables | 8,177 | 5,462 | 1,717 | 8,775 |
| – Prepayments, deposits and other receivables | 118 | – | 223 | – |
| – Accruals and other payables | 6,459 | 12,502 | 17,341 | 7,537 |
| Non-trade in nature: | | | | |
| – Amounts due from a shareholder | – | 1,100 | – | – |
| – Amounts due from joint ventures | 650 | 520 | 12,800 | – |
| – Dividends receivables from joint ventures | – | 693 | 4,848 | 4,848 |
| – Dividends receivables from associates | – | 1,839 | – | – |
| | 650 | 4,152 | 17,648 | 4,848 |
| Non-trade in nature: | | | | |
| – Amounts due to certain of the Controlling Shareholders | 300 | – | – | – |
| – Amounts due to joint ventures | 2,610 | 17 | 16,050 | 30,950 |
| – Amounts due to other related parties | – | 1,549 | – | – |
| – Dividends payables to certain Controlling Shareholders | – | – | 60,345 | – |
| – Dividends payables to a fellow subsidiary | – | – | 6,149 | – |
| | 2,910 | 1,566 | 82,544 | 30,950 |

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | | *RMB'000* | | |
| Interest-bearing borrowings from certain Controlling shareholders | 23,350 | – | – | – |
| Guarantees provided by certain Controlling Shareholders | 70,400 | 140,187 | 125,922 | 164,232 |
| Guarantees provided by certain Controlling Shareholders and fellow subsidiaries | 65,000 | 95,000 | 135,616 | – |
| Guarantees provided by certain Controlling Shareholders and a Company controlled by one of the directors | – | – | – | 67,638 |
| Guarantees provided for certain Controlling Shareholders | 25,000 | 25,000 | – | – |
| Guarantees provided for an associate | – | 32,000 | 2,000 | 2,000 |
| Guarantees provided for joint ventures | 50,000 | 35,000 | – | – |

**Related party transactions which are non-trade in nature**

The provisions of funds from us to our related parties and vice versa during the Track Record Period were mainly used for repayment of the matured bank borrowings and as working capital, the gross amounts of which depended on the needs of funds and the balance of cash of the parties. Our related parties may provide advances to our Group for repayment of matured bank borrowings and as working capital if they have idle fund on hand.

***Amounts due from related parties***

The gross amounts of advances to the related parties by us were RMB0.1 million, RMB1.1 million, RMB87.1 million and nil for FY2017, FY2018, FY2019 and 4M2020, respectively. For FY2019, approximately RMB74.3 million were advanced to Tianson Real Estate and Tianzow Food for their repayment of matured bank borrowings and approximately RMB12.8 million for Tianjin Jingang Tianzow Breeding Technology Co., Ltd. for its working capital.

As at 31 December 2017, 2018, 2019 and as at 30 April 2020, our amounts due from related parties amounted to approximately RMB0.7 million, RMB4.2 million, RMB17.6 million and RMB4.8 million, respectively, which are non-trade in nature. The amounts due from related parties which are non-trade in nature during the Track Record Period consisted of funds to a shareholder and joint ventures. As at the Latest Practicable Date, the amounts due from related parties which are non-trade in nature were RMB1.0 million. The amounts due from related parties which are non-trade in nature will be settled before Listing.

***Amounts due to related parties***

The gross amounts of advances from the related parties by us were RMB1.4 million, RMB2.6 million, RMB16.1 million and RMB18.1 million for FY2017, FY2018, FY2019 and 4M2020, respectively. For FY2019, approximately RMB11.3 million and RMB4.8 million were from Fujian Xingshun Tianzow Breeding Co., Ltd. and Hainan Tianzow Breeding Technology Co., Ltd., respectively, for our repayment of matured banking borrowings.

As at 31 December 2017, 2018, 2019 and 30 April 2020, our amounts due to and dividend payable to related parties amounted to approximately RMB2.9 million, RMB1.6 million, RMB82.5 million and RMB31.0 million, respectively, which are non-trade in nature. The amounts due to related parties which are non-trade in nature during the Track Record Period consisted of funds from certain of the Controlling Shareholders, associates, joint ventures and other related parties. As at the Latest Practicable Date, the balances of our amounts due to related parties, the joint ventures, which are non-trade in nature were RMB40.1 million. The amounts due to related parties which are non-trade in nature will be settled before Listing.

***Interest-bearing borrowings from certain controlling shareholders***

As at 31 December 2017, 2018, 2019 and 30 April 2020, unsettled interest-bearing borrowings from our Controlling Shareholders amounted to RMB23.4 million, nil, nil and nil, respectively.

***Guaranteed provided by related parties***

During the Track Record Period, our related parties provided guarantees to our loans from financial institutions. As at 31 December 2017, 2018, 2019 and 30 April 2020, the guarantees received by us amounted to approximately RMB135.4 million, RMB235.2 million, RMB261.5 million and RMB231.9 million, respectively. For the outstanding amount of loan as at the Latest Practicable Date, the guarantee provided by related parties to us for an aggregated amount of RMB160.0 million will be automatically released upon the Listing.

***Guaranteed provided for related parties***

During the Track Record Period, we provided guarantees to our related parties' loans from financial institutions. As at 31 December 2017, 2018, 2019 and 30 April 2020, the guarantees provided by us amounted to approximately RMB75.0 million, RMB92.0 million, RMB2.0 million and RMB2.0 million, respectively. As at the Latest Practicable Date, we only provided one guarantee to our related parties, an associated company of us, for an amount of RMB2.0 million. The guarantee given is in proportion to the equity interest held by us and on a several basis.

**Related party transactions which are trade in nature**

| | FY2017 | FY2018 | FY2019 | 4M2019 | 4M2020 |
|---|---|---|---|---|---|
| | | | *RMB'000* | | |
| Pig selling | | | | | |
| – Breeding Stocks | 58,194 | 12,390 | 27,576 | – | 21,520 |
| – Market Hogs | 64,661 | 55,605 | 718 | 719 | 9 |
| Ancillary products and services | 3,586 | 5,533 | 10,958 | 2,501 | 2,254 |
| Procurement of pig farm design services, equipment and others | 74 | 3,798 | 6,257 | 1,323 | 466 |

Our related party transactions which are trade in nature were mainly (i) sales of breeding stocks to joint ventures and associated companies' pig farms for their pig farming. Due to the downturn of the pig farming industry in 2018 and the first half of 2019, our joint ventures and associates had no incentive to increase their production capacity, therefore, the sales of breeding stocks dropped in 2018 and 2019. The sales of breeding stocks has gradually recovered since the second half of 2019, due to the impact of African Swine Fever; (ii) sales of market hogs to Sichuan Gaojin Industry Limited Company for its pork production after its controlling shareholder Mr. Jin Xiangyu (金翔宇) was appointed as the non-executive Director of the Group in May 2018 and to Guang'an Tianzow for their sales of fresh meat business before it was acquired by the Company in June 2018. The sales of market hogs decreased from RMB64.6 million for the year ended 31 December 2017 to RMB55.6 million for the year ended 31 December 2018, mainly because we acquired Guang'an Tianzow in June 2018 as our subsidiary. Mr. Jin Xiangyu was appointed as the Director of the Company and our sales of market hogs to Sichuan Gaojin Industry Limited Company became the related party transaction since May 2018. The sales of market hogs further decreased to approximately RMB0.7 million for the year ended 31 December 2019 mainly because there was a shortage of supply of market hogs in the market due to the impact of the African Swine Fever and the price offered by Sichuan Gaojin Industry Limited Company was less favorable than other customers near us; we, therefore, sold very few market hogs to Sichuan Gaojin Industry Limited Company; (iii) sales of ancillary products and provision of services such as vaccines, medicines, management services, the African Swine Fever testing service to our joint ventures and associated companies' pig farms. The sales of ancillary products and the provision of services increased during the Track Record Period, mainly because we provided more African Swine Fever testing services due to the spread of the African Swine Fever in the PRC since 2018; and (iv) procurement of pig farm design services, equipment from Chongqing Yu's Style Husbandry Technology Consulting Company and others.

These related party transactions which are trade in nature would continue after the Listing.

**The background of our related parties other than our Group's joint ventures and associated companies**

Chongqing Yu's Style Husbandry Technology Consulting Company is principally engaged in the provision of pig farm design services and has a registered capital of RMB500,000. Tianpan Technology is an investment holding company established in the PRC and has a registered capital of approximately RMB20 million. Tianson Real Estate is primarily engaged in wet market leasing. It has a registered capital of RMB40 million and owned properties with gross floor area over 20,000 square meters. Sichuan Tianzow Tongfa Food Company Limited is a wholly-owned subsidiary of Tianson Real Estate and had no business operation as at Latest Practicable Date. Guangyuan Gaojin Food Co., Ltd., Suining Gaojin Food Co., Ltd., Yibin Gaojin Food Co., Ltd and Sichuan Wangyi Food Co., Ltd. are group companies of Sichuan Gaojin Industry Limited Company, which has a registered capital of RMB300 million.

For details about our related party transactions during the Track Record Period, please refer to Note 34 of the Accountants' Report in Appendix I in this prospectus.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis and they did not distort our results of operations or make our historical results not reflective of our future performance.

## BIOLOGICAL ASSETS AND VALUATION

During the Track Record Period, our biological assets comprised current biological assets and non-current biological assets. The fair value increased from RMB177.5 million as at 31 December 2017 to RMB230.3 million as at 31 December 2018. The increase was primarily due to the increase of pig population raised by us, which was partially offset by the drop of market price of pigs in 2018.

The fair value of our biological assets increased from RMB230.3 million as at 31 December 2018 to RMB368.8 million as at 31 December 2019. The increase was primarily due to the significant increase of market price of pigs in 2019 due to the impact of the African Swine Fever.

The fair value of our biological assets increased from RMB368.8 million as at 31 December 2019 to RMB415.4 million as at 30 April 2020. The increase was primarily due to increase in volume and market price of pigs in 2020.

The following table sets out the value of our biological assets as at the end of each reporting period during the Track Record Period:

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | | | |
| Non-current biological assets | | | | |
| – Sows and boars | 44,829 | 78,003 | 98,661 | 100,868 |
| Current biological assets | | | | |
| – Piglets | 1,559 | 1,852 | 1,876 | 3,966 |
| – Nursery pigs | 11,401 | 14,814 | 29,068 | 30,534 |
| – Growers | 97,626 | 130,572 | 201,862 | 260,993 |
| – Gilts and studs | 22,109 | 5,036 | 37,371 | 19,054 |
| Subtotal | 132,695 | 152,274 | 270,177 | 314,547 |
| Total | 177,524 | 230,277 | 368,838 | 415,415 |

The quantities of our biological assets are summarised as follows:

| | FY2017 | FY2018 | FY2019 | 4M2020 |
|---|---|---|---|---|
| | *(Heads)* | | | |
| Current biological assets | 126,616 | 156,571 | 124,584 | 153,633 |
| – Piglets | 10,339 | 11,510 | 9,821 | 21,559 |
| – Nursery pigs | 19,969 | 32,974 | 31,234 | 34,738 |
| – Growers | 92,606 | 110,824 | 78,119 | 94,669 |
| – Gilts and studs | 3,702 | 1,263 | 5,410 | 2,667 |
| Non-current biological assets | 13,176 | 20,627 | 19,063 | 20,092 |

Our Group's biological assets were independently valued by the Valuer. The Valuer is an independent professional valuer not connect with us, and have appropriate extensive experience in valuation of biological assets.

***Information about the independent valuer of our pigs***

We have engaged JLL, an independent valuer, to determine the fair values of our biological assets as at 31 December 2017, 31 December 2018 and 31 December 2019 and 30 April 2020, (the "**Valuation Date(s)**") respectively. The key valuers of the JLL team include Mr. Simon Chan and Prof. G. Z. Ren.

Mr. Simon Chan, executive director at JLL, is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow of CPA Australia. He is also a Certified Valuation Analyst (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA), a member of Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Simon oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Simon oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of China Modern Dairy Holdings Ltd (stock code: 1117.HK), China Huishan Dairy Holdings Company Limited (stock code: 6863.HK), YuanShengTai Dairy Farm Limited (stock code: 1431.HK) and WH Group Limited (stock code: 288.HK). He also led the valuation of other biological assets, such as hogs, trees, rabbits and chickens, for financial reporting purpose of Hong Kong listed companies including Chenming Paper (stock code: 1812.HK), China Mengniu Dairy Company Limited (2319.HK) and China Kangda Food Company Limited (stock code: 834.HK), as well as numerous private companies.

Prof. G. Z. Ren, is currently professor of Henan Agricultural University, and supervisor of postgraduates. He holds concurrent posts as vice chairman in hog-breeding branch of Chinese Association of Animal & Veterinary Sciences. He is also a deputy chairman in Henan Pig Industry Association and an expert in swine industry for Henan Provincial Government in the PRC.

Based on market reputation and relevant background research, our Directors and the Sole Sponsor are satisfied that JLL is independent from us and is competent in conducting a valuation on our biological assets.

***Valuation methodology***

In arriving at the assessed value, three generally accepted approaches have been considered, namely, the market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparatives. Assets for which there is an established used market may be valued by this approach.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

The Sole Sponsor and our Reporting Accountants held various discussions with JLL in relation to its valuation procedures, valuation techniques and the information required to prepare its valuation report. The Sole Sponsor compared the valuation techniques chosen with reference to market practice.

The following valuation methods were adopted:

***Current biological assets***

*Piglets*

The replacement cost approach under cost approach was adopted for valuing piglets. As they are only 3 weeks' old at most and there is insignificant biological transformation that takes place since the initial cost incurrence, the recent costs incurred approximates the replacement costs, including depreciation due to use of sows and boars and other associated costs.

*Nursery pigs, Growers, Gilts, and Studs*

The market approach was adopted for valuing nursery pigs, growers, gilts and studs. Nursery pigs and growers were assumed to be sold live when they reach the stage of finishers, either as the breeding stock (gilts or studs) or as the market hogs (for production of pork products). The fair value of nursery pigs and growers were derived by assuming the market prices of the gilts, studs or market hogs as the estimated price receivable upon completion, multiplying the unit price for different categories or species by the corresponding quantities, less the expected costs to complete, adjusting with mortality rate and the respective profit margin.

The fair value of the gilts and studs were derived by computing the market prices of the gilts and studs for different species with their corresponding quantities.

***Non-Current biological assets***

*Sows and Boars*

The replacement cost approach under cost approach was adopted for valuing sows and boars. As there were no actively trading markets for mature breeding stock at specific ages, the market prices for new breeding stock (mature biological physical condition) are obtained and adjusted based on the parities (number of times giving birth) for sows and service lives (number of years mating) for boars.

***Appointment of Expert***

The Valuer appointed an expert consultant, Professor Ren Guangzhi, (the "**Expert Consultant**"), from Henan Agricultural University to assist in the valuation. JLL has considered and relied to a considerable extent on the expertise and opinions of the Expert Consultant with respect to the physical and biological attributes of the pigs in the preparation of the valuation report.

***Key assumptions and inputs***

The key inputs and assumptions include the following:

*Quantity*

The valuation has relied on the figures and information provided by our Group for the pigs as at the Valuation Dates.

*Market Prices*

Market prices for market hogs, different species of gilts and studs, and different species of new breeding stock (mature biological physical condition) in different provinces have been provided by the Expert Consultant.

The market price is based on the transacted prices of nursery pigs, growers, gilts and studs observed at or near the Valuation Dates in the respective market. We operate our business across different provinces, and each province has its own specific supply and demand dynamics because of differences in factors such as local sow supply, rearing cost (in particular feeding stuff cost), transportation cost and consumption habits. These factors lead to different market prices for pigs that we produced and sold in different locations on the same date. Hence the market price assumption adopted for pigs in the valuation process is displayed as a range of price across the markets in which we operate.

Set forth below are the range of market price by types of biological assets adopted in the valuation process as well as the actual historical results:

| | | **As at 31 December 2017** | |
|---|---|---|---|
| | | **Assumption used** | **Actual** |
| Current biological assets | | | |
| – Piglets | Replacement cost(1) | RMB133 to RMB170 per head | N/A |
| – Market hogs | Market price(2) | RMB15.0 to RMB15.7 per kilogram | 15.2 |
| – Gilts and studs | Market price(3) | RMB1,900 to RMB6,500 per head | 2,362.0 |
| Non-current biological assets | | | |
| – Sows and boars | Replacement cost(4) | RMB3,420 to RMB8,775 per head | N/A |

| | | As at 31 December 2018 | |
|---|---|---|---|
| | | **Assumption used** | **Actual** |
| Current biological assets | | | |
| – Piglets | Replacement cost(1) | RMB50 to RMB246 per head | N/A |
| – Market hogs | Market price(2) | RMB9.3 to RMB18.7 per kilogram | 18.0 |
| – Gilts and studs | Market price(3) | RMB1,300 to RMB5,500 per head | 2,163.0 |
| Non-current biological assets | | | |
| – Sows and boars | Replacement cost(4) | RMB2,700 to RMB15,362(5) per head | N/A |

| | | As at 31 December 2019 | |
|---|---|---|---|
| | | **Assumption used** | **Actual** |
| Current biological assets | | | |
| – Piglets | Replacement cost(1) | RMB166 to RMB273 per head | N/A |
| – Market hogs | Market price(2) | RMB31.4 to RMB36.8 per kilogram | 34.6 |
| – Gilts and studs | Market price(3) | RMB4,950 to RMB7,000 per head | 6,660.0 |
| Non-current biological assets | | | |
| – Sows and boars | Replacement cost(4) | RMB6,894 to RMB15,313(5) per head | N/A |

| | | As at 30 April 2020 | |
|---|---|---|---|
| | | **Assumption used** | **Actual** |
| Current biological assets | | | |
| – Piglets | Replacement cost(1) | RMB90 to RMB550 per head | N/A |
| – Market hogs | Market price(2) | RMB29.4 to RMB33.7 per kilogram | 33.5 |
| – Gilts and studs | Market price(3) | RMB4,320 to RMB10,800 per head | 6,620 |
| Non-current biological assets | | | |
| – Sows and boars | Replacement cost(4) | RMB6,264 to RMB14,551(5) per head | N/A |

*Notes:*

(1) As there was no active market for piglets, the replacement cost approach was adopted to reflect the depreciation of value due to use of sows and boars and other associated costs.

(2) As there were active markets for market hogs in certain locations at each valuation date, market prices of market hogs were adopted.

(3) As there were active markets for gilts and studs in certain locations at each valuation date, market prices of gilts and studs were adopted.

(4) There was no active market for non-current biological assets (sows and boars) that were already producing. Market prices for different species of boars and sows were adopted as the replacement cost for a new non-current biological assets. This replacement cost is then adjusted for the reduction/consumption of economic useful life by applying the respective metrics (number of times giving birth for sows and number of years in use for boars) to estimate the fair value.

The replacement cost of sows and boars was approximately RMB1,000 to RMB2,500 higher than the market prices of gilts and studs with the same species, varying based on gender, location, market supply and demand dynamics as at the Valuation Date, and etc. The increased value of the pigs was mainly due to the costs incurred for raising gilts and studs since they were kept for breeding until they began to mate or farrow, including the costs for feeding stuff, health medicine, vaccines, staff, utilities, cost allocation of culled breeding stocks in selection procedure, depreciation and amortisation expenses of plant and equipment, and etc.

Per head cost of sows and boars has a wide range due to large differences between (a) purebred and two-breed crossbreed pigs and (b) locally available purebreds and imported purebreds.

(5) As there are no active and transparent market prices for the imported breeding stocks, the original purchase prices (EUR1,422 to EUR1,896), after considering the exchange rate as of each Valuation Date, have been adopted as the replacement costs for the purebreds imported from the France-based company.

By not considering the imported purebreds, the replacement cost of sows and boars was RMB2,700 to RMB8,100 per head, RMB6,894 to RMB10,944 per head and RMB6,264 to RMB12,744 per head as at 31 December 2018 and 2019, and 30 April 2020, respectively.

In valuing the fair value of nursery pigs and growers, key assumptions and parameters including mortality rate, selection rate, age for sale, weight and cost to complete were considered:

*Mortality Rate*

As there is the probability that the pigs might be dead due to diseases, epidemics, accidents or natural forces during rearing cycle, the mortality since the Valuation Date until complete and sold has been taken into consideration. The mortality rate for nursery pigs and growers was estimated based on 18-month historical data immediately preceding the Valuation Date.

*Selection Rate*

As introduced by the management, the pigs with premium quality could be sold as the breeding stock. In accordance with the historical sales records of our Group, there was certain percentage (the "**Selection Rate**") of purebreds and two-breed crossbreed gilts or studs that were sold as breeding stock. Therefore, in valuing nursery pigs and growers belonging to our Group, the Selection Rate of each species was applied to forecast and quantify the live pigs that could be sold as the breeding stock, while the remaining pigs are assumed to be sold has the market hogs. In order to estimate the future Selection Rate, the management has reviewed and analysed the historical sales records and the market conditions near the Valuation Dates.

*Age for sale*

With reference to the historical sales records in the past 12 months and to the best estimation of the management, nursery pigs and growers in different species are assumed to be sold as the breeding stock or the market hogs when they reach a certain age.

*Weight*

The average body weight of the market hogs when they are sold is determined based on our operating and rearing experience during 12 months immediately preceding the Valuation Dates.

*Cost to Complete*

The costs required to feed nursery pigs and growers since the Valuation Date until they were sold were incorporated and were estimated based on the historical average costs. The costs include feeding stuff cost, medication and vaccination, staff costs and production overheads.

In valuing the fair value of sows and boars, key assumptions and parameters including parity, service lives and residual value were considered:

*Parity*

To the best estimation of the management, sows normally give birth to piglets for six times at most and would be culled and sold at residual value. The value of sows is depreciated on straight-line basis over the six parities based on the price of new breeding stock (mature biological physical condition).

*Service Lives*

To the best estimation of the management, boars normally used for mating for three years at most and would be culled and sold at residual value. The value of boars is depreciated on straight-line basis over the three-year service lives based on the price of price of new breeding stock (mature biological physical condition).

*Residual Value*

To the best estimation of the management, the residual value of sows and boars at the maximum parities or at the end of service lives is assumed to be RMB1,000 per head.

*Other Assumptions*

The Valuer assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. The Valuer also assumed that the historical trend and data will be maintained and there will be no material change in the existing political, legal, technological, fiscal or economic condition that may adversely affect our business.

The Valuer confirmed that they have conducted their valuation in accordance with Financial Reporting Standards 13 ("**IFRS 13**") & International Accounting Standard 41 ("**IAS 41**"), issued by the International Accounting Standards Board and with reference to the International Valuation Standards issued by the International Valuation Standards Council. The Valuer had planned and performed their valuation so as to obtain all the information and explanations that they considered necessary in order to provide themselves with sufficient evidence to express their opinion on the subject asset. The Valuer is of the opinion that the valuation procedures employed provide a reasonable basis for their opinion.

The Reporting Accountants have performed their work on the Historical Financial Information in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Report on Historical Financial Information in Investment Circular ("**HKSIR 200**"). As part of their work on the Historical Financial Information, the Reporting Accountants have considered the results of audit procedures performed in connection with the valuation techniques and key inputs used in valuation of the biological assets. They have satisfied themselves in respect of the valuation technique chosen and the key inputs used in the valuation for the purpose of forming an opinion on the Historical Financial Information as a whole.

The Sole Sponsor held various discussions with JLL in relation to its valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process and reviewed the qualification and relevant valuation experience of JLL and its professional valuers. In addition, the Sole Sponsor discussed with our management and the Reporting Accountants with respect to the techniques chosen and the inputs used in the valuations. The Sole Sponsor further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. In addition, the Sole Sponsor has discussed with the Reporting Accountants regarding the valuation of biological assets compiled by the Valuer and noted that the Reporting Accountants had considered the audited procedures performed in accordance with the relevant auditing standards. Given the above, the Sole Sponsor is satisfied that the valuation techniques chosen and the inputs used in the valuation technique are appropriate and reasonable.

***Sensitivity analysis***

A significant increase/decrease in the estimated market price would result in a significant increase/decrease in the fair value of the biological assets. As at 31 December 2017, 2018, 2019 and 30 April 2020 if transaction price increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB17.1 million, RMB22.8 million, RMB36.3 million and RMB41.1 million, respectively.

***Stock take and internal control***

We have established standard procedures to ensure accuracy of headcount of our biological assets and other relevant information. For example, through our "Tianzow Cloud Smart Hog Management System" (天兆雲智能養豬管理系統), we are able to track the progress of batches of pigs when they are delivered, when they are transferred into nursing sheds and growing sheds and finally when they are slaughtered or sold. Pigs' mortality are tracked in each batch on a daily basis to ensure health of the pigs and the accuracy of the headcount, so that the balance of the remaining pigs is tracked.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our working capital needs, and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Global Offering to finance a portion of our liquidity requirements.

As at 31 August 2020, being the latest practicable date for the purpose of the disclosure of our liquidity position, we had cash and bank balances of RMB217.7 million and we had RMB110.0 million unutilised banking facilities available for cash drawdown.

### Cash flows

The following table sets forth a summary of our cash flows for the Track Record Period:

| | FY2017 | FY2018 | FY2019 | 4M2020 |
|---|---|---|---|---|
| | | *RMB'000* | | |
| Net cash generated from operating activities | 150,088 | 42,779 | 311,957 | 212,261 |
| Net cash used in investing activities | (113,281) | (81,197) | (185,449) | (87,964) |
| Net cash (used in)/generated from financing activities | (54,556) | 45,591 | (23,028) | (98,920) |
| Net (decrease)/increase in cash and cash equivalents | (17,749) | 7,173 | 103,480 | 25,377 |

| | FY2017 | FY2018 | FY2019 | 4M2020 |
|---|---|---|---|---|
| | | *RMB'000* | | |
| Net cash generated from operating activities | 150,088 | 42,779 | 311,957 | 212,261 |
| Cash and cash equivalents at beginning of the year/period | 31,535 | 13,786 | 20,959 | 124,439 |
| Cash and cash equivalents at end of the year/period | 13,786 | 20,959 | 124,439 | 149,816 |

**Net cash generated from operating activities**

Net cash generated from operating activities primarily consisted of profit before taxation adjusted for depreciation charge on investment property and other property, plant and equipment, amortization cost of intangible assets, finance costs, interest income, net realised and unrealised gains on other financial assets, share of profits less losses of joint ventures and associated companies, loss on disposal of interests in joint ventures, net loss on sale of property, plant and equipment, impairment on investment on associated companies and net changes in fair value of biological assets, government grant and the effect of changes in working capital such as changes in inventories, biological assets, trade and bills receivables, prepayments, deposits and other receivables, trade payables, and accrued and other payables.

For each of FY2017, FY2018 and FY2019 and 4M2020, the respective difference between our profit before taxation and our cash generated from/used in operations were mainly due to the changes in working capital, including in particular the change of biological assets and accrued expenses and other payables, depreciation charge on investment property, other property plant and equipment, finance costs, share of profits less losses of joint ventures and associated companies and net changes in fair value of biological assets.

For 4M2020, our net cash generated from operating activities was RMB212.3 million, primarily reflecting the profit before taxation of RMB240.5 million, added back by finance costs of RMB14.2 million, the depreciation charge on investment property, other property, plant and equipment of RMB15.7 million and the increase in trade payables of RMB10.8 million, offset by the gain from net changes in fair value of biological assets of RMB27.8 million.

For FY2019, our net cash generated from operating activities was RMB312.0 million, mainly reflecting profit before taxation of RMB488.6 million, added back by the finance costs of RMB33.0 million, the depreciation charge on investment property, other property, plant and equipment of RMB30.3 million, offset by the gain from net changes in fair value of biological assets of RMB140.6 million primarily due to increase in pig prices, share of profits less losses of joint ventures and associated companies of RMB84.3 million.

For FY2018, our net cash generated from operating activities was RMB42.8 million, primarily reflecting the profit before taxation of RMB44.9 million, added back by finance costs of RMB23.9 million, the depreciation charge on investment property, other property, plant and equipment of RMB20.9 million and the decrease in prepayments, deposits and other receivables of RMB16.7 million primarily attributable to the increase in other receivables relating to the disposal of interest of joint ventures and financial assets, offset by the increase of biological assets of RMB46.8 million primarily due to the increase of pig population raised by us, which was partially offset by the drop of market price of pigs in 2018.

For FY2017, our net cash generated from operating activities was RMB150.1 million, primarily reflecting the profit before taxation of RMB159.6 million, added back by accrued expenses of RMB17.0 million, the increase in trade payables of RMB14.3 million, the finance costs of RMB19.2 million, offset by share of profits less losses of joint ventures of RMB30.0 million, the gain from net changes in fair value of biological assets of RMB21.2 million and the increase of current biological assets of RMB32.2 million.

**Net cash used in investing activities**

During the Track Record Period, our cash inflows from investing activities include the proceeds from disposal of joint ventures, the dividends received from interests in joint ventures and associated companies, the government grant received, the disposal of other financial assets, the interest received, the proceeds from disposal of non-current biological assets and the proceeds from disposal of property, plant and equipment.

During the Track Record Period, our cash outflows from investing activities include the consideration for the acquisition of a subsidiary, the additional investments in joint ventures and associated companies, the payment for the purchase of property, plant and equipment, the purchase of intangible assets and purchase of non-current biological assets.

For 4M2020, we recorded net cash used in investing activities of RMB88.0 million, primarily reflecting the payment for the purchase of property, plant and equipment of RMB84.6 million and the additional investment in joint ventures and associated companies of RMB20.2 million partially offset by the repayments from the related parties of RMB12.8 million.

For FY2019, we recorded net cash used in investing activities of RMB185.4 million, primarily reflecting the payment for the purchase of property, plant and equipment of RMB134.6 million and the additional investment in joint ventures and associated companies of RMB31.2 million partially offset by the proceeds from disposal of joint ventures of RMB17.2 million and dividend received from interests in joint ventures and associated companies of RMB6.6 million.

For FY2018, we recorded net cash used in investing activities of RMB81.2 million, primarily reflecting the acquisition of a subsidiary of RMB33.9 million, payment for purchase of property, plant and equipment of RMB60.9 million, and the additional investments in joint ventures and associated companies of RMB14.5 million partially offset by the government grants received of RMB11.5 million and the proceed from the disposal of other financial assets of RMB10.8 million.

For FY2017, we recorded net cash used in investing activities of RMB113.3 million, primarily reflecting the payment for purchase of property, plant and equipment of RMB89.7 million and the additional investments in joint ventures and associated companies of RMB35.3 million, partially offset by the government grants received of RMB4.5 million.

**Net cash (used in)/generated from financing activities**

During the Track Record Period, our cash inflows from financing activities includes proceeds from new interest-bearing borrowing, issue of ordinary shares and net increase in the amounts due to related party, while our cash outflows from financing activities includes dividend paid, repayment of interest-bearing borrowings, interest paid, capital element of lease rental paid, interest element of lease rentals paid, and net decrease of the amounts due to the related parties.

For 4M2020, we recorded net cash used in financing activities of RMB98.9 million, which was primarily attributed by the dividend paid of RMB66.5 million, repayment of interest-bearing borrowing of RMB38.0 million, partially offset by the advances from the related parties of RMB18.1 million.

For FY2019, we recorded net cash used in financing activities of RMB23.0 million, which was primarily attributable to the repayment of interest-bearing borrowings of RMB190.8 million and the interest paid of RMB28.9 million, partially offset by the proceeds from new interest-bearing borrowings of RMB210.8 million.

For FY2018, we recorded net cash generated from financing activities of RMB45.6 million, which was primarily attributable to the proceeds from the new interest-bearing borrowings of RMB185.1 million, partially offset by the repayment of interest-bearing borrowings of RMB117.6 million and the interest paid of RMB17.4 million.

For FY2017, we recorded net cash used in financing activities of RMB54.6 million, which was primarily attributable to the repayment of interest-bearing borrowings of RMB153.7 million, the dividend paid of RMB46.4 million and the interest paid of RMB16.7 million, partially offset by the proceeds from the new interest-bearing borrowings of RMB115.7 million and the issue of ordinary shares of RMB53.8 million.

## INDEBTEDNESS

As at 31 August 2020, the latest practicable date for the purpose of the indebtedness statement, our Group had outstanding indebtedness of RMB525.4 million which comprised borrowings and lease liabilities. Our Directors confirmed that, as at the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirmed that we did not experience any unusual difficulty to obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

**Borrowings**

The table below sets out our Group's borrowings as at the respective dates:

| | As at 31 December | | | As at 30 April | As at 31 August |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** | **2020** |
| | | | *RMB'000* | | |
| | | | | | (unaudited) |
| **Current** | | | | | |
| Bank loans | | | | | |
| – guaranteed | 2,000 | 31,000 | 73,260 | 73,260 | 63,260 |
| – secured | – | 1,710 | – | – | – |
| – guaranteed and secured | 69,600 | 74,300 | 84,500 | 69,500 | 87,250 |
| – unsecured and unguaranteed | – | – | – | – | 15,000 |
| Other loans | | | | | |
| – guaranteed | 2,800 | 3,000 | – | – | – |
| – loans from certain Controlling Shareholders | 23,350 | – | – | – | – |
| – unsecured and unguaranteed | 5,616 | 4,000 | 3,000 | – | – |
| – secured | 15,868 | 10,868 | – | – | – |
| – guaranteed and secured | – | 21,638 | 35,985 | 25,722 | 93 |
| Amounts due to a shareholder | 300 | – | – | – | – |
| Amounts due to joint ventures | 2,610 | 17 | 16,050 | 30,950 | 27,200 |
| Amounts due to other related parties | – | 1,549 | – | – | – |
| Subtotal | 122,144 | 148,082 | 212,795 | 199,432 | 192,803 |
| **Non-Current** | | | | | |
| Bank loans | | | | | |
| – guaranteed | – | 30,000 | 57,608 | 54,348 | 54,348 |
| – guaranteed and secured | 63,800 | 54,500 | 25,000 | 25,000 | 25,000 |
| Other loans | | | | | |
| – unsecured and unguaranteed | 4,000 | 300 | 4,300 | 2,300 | 2,300 |
| – guaranteed | – | – | – | – | – |
| – secured | – | – | – | – | – |
| – guaranteed and secured | – | 25,749 | 16,435 | 11,987 | 202 |
| Subtotal | 67,800 | 110,549 | 103,343 | 93,635 | 81,850 |
| Total | 189,944 | 258,631 | 316,138 | 293,067 | 274,653 |

Our bank borrowings are secured by our property, plant and equipment, certain Controlling Shareholders of the Company, a fellow subsidiary of the Company, or a financial guarantee company. Our other loans are unsecured or secured by our property, plant and equipment, certain Controlling Shareholders of the Company, current biological assets or equity interest in a subsidiary. For details, please refer to Note 24 of Appendix I in this prospectus.

Our outstanding bank borrowings and other loans were denominated in RMB, bearing interest between 2.85% to 15.0% as at 31 August 2020.

**Leases liabilities**

We lease various properties in the PRC mainly as our pig farms and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. We had leases liabilities of RMB20.6 million, RMB54.2 million, RMB232.2 million and RMB236.9 million as at 31 December 2017, 2018, 2019 and 30 April 2020. The following table sets out the breakdown of our current and non-current lease liabilities as at the dates indicated.

| | As at 31 December | | | As at 30 April | As at 31 August |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** | **2020** |
| | | | *RMB'000* | | |
| | | | | | (unaudited) |
| **Current** | | | | | |
| Leases liabilities | 2,043 | 4,852 | 9,678 | 17,905 | 17,749 |
| **Non-current** | | | | | |
| Leases liabilities | 18,604 | 49,324 | 222,553 | 218,993 | 233,014 |
| **Total lease liabilities** | 20,647 | 54,176 | 232,231 | 236,898 | 250,763 |

**Disclaimer**

Except as disclosed above, during the Track Record Period and up to the close of business on 31 August 2020, being the indebtedness date for the purpose of the indebtedness statement, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

## KEY FINANCIAL RATIOS

| | FY2017 or as at 31 December 2017 | FY2018 or as at 31 December 2018 | FY2019 or as at 31 December 2019 | 4M2020 or as at 30 April 2020 |
|---|---|---|---|---|
| Gross profit margin | 36.4% | 22.1% | 48.4% | 64.9% |
| Net profit margin | 33.4% | 8.9% | 61.9% | 66.5% |
| Gross profit margin before biological assets fair value adjustments | 36.4% | 22.7% | 49.0% | 65.9% |
| Net profit margin before biological assets fair value adjustments | 29.0% | 7.6% | 44.0% | 58.6% |
| Return on equity | 47.0% | 9.2% | 74.7% | N/A |
| Return on total assets | 23.6% | 4.7% | 37.4% | N/A |
| Current ratio | 0.8 | 0.8 | 1.0 | 1.4 |
| Quick ratio | 0.7 | 0.8 | 1.0 | 1.3 |
| Debt to equity ratio | 47.3% | 63.9% | 50.3% | 34.9% |
| Interest coverage | 9.3 | 2.9 | 15.8 | 17.9 |

### Return on equity

Return on equity is calculated as profit for the year divided by the arithmetic mean of the opening and closing balances of total equity as at the respective reporting dates.

Our return on equity increased from 9.2% for FY2018 to 74.7% for FY2019, which was mainly due to increase in our profit for the year.

Our return on equity decreased from 47.0% for FY2017 to 9.2% for FY2018, which was mainly due to the decrease in our profit for the year.

### Return on total assets

Return on total assets is calculated as profit for the year divided by the arithmetic mean of the opening and closing balances of total assets as at the respective reporting dates.

Our return on total assets increased from 4.7% for FY2018 to 37.4% for FY2019, which was mainly due to increase in our profit for the year.

Our return on total assets decreased from 23.6% for FY2017 to 4.7% for FY2018, which was mainly due to the decrease in our profit for the year and increase in our total assets.

**Current ratio**

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from 1.0 in FY2019 to 1.4 in 4M2020 primarily due to the increase in the fair value of pigs we raise and decrease in accruals and other payables.

Our current ratio increased from 0.8 in FY2018 to 1.0 in FY2019 primarily due to the increase of current assets mainly because of the increase in the fair value of pigs we raise and increase in cash and cash equivalents.

Our current ratio was 0.8 in FY2017 and FY2018.

**Quick ratio**

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates.

Our quick ratio increased from 1.0 in FY2019 to 1.3 in 4M2020 primarily due to the increase of the fair value of pigs we raise and decrease in accruals and other payables.

Our quick ratio increased from 0.8 in FY2018 to 1.0 in FY2019 primarily due to the increase of the fair value of pigs we raise and increase in cash and cash equivalents.

Our quick ratio was 0.7 in FY2017.

**Debt to equity ratio**

Debt to equity ratio is calculated as net debts divided by total equity as at the respective reporting dates. The net debts are defined as the sum of interest-bearing borrowings, amount due to related parties and lease liabilities net of cash and cash equivalents.

Our debt to equity ratio was 63.9% in FY2018 and decreased to 50.3% for FY2019 and 34.9% in 4M2020. The decrease was primarily due to increase in total equity.

Our net debt to equity ratio was 47.3% in FY2017 and increased to 63.9% in FY2018. The increase was primarily due to increase in bank borrowing.

**Interest coverage**

Interest coverage is calculated as profit before interest and tax divided by interest.

Our interest coverage increased from 2.9 for FY2018 to 15.8 for FY2019 and 17.9 in 4M2020 primarily because of increase in our profit before interest and tax.

Our interest coverage decreased from 9.3 for FY2017 to 2.9 for FY2018 primarily because of decrease in our profit before interest and tax.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet commitments and arrangements.

## FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### *Price risk*

We are exposed to risk of changing commodity price of live pigs, and the change in cost and supply of feeding stuff, all of which determined by constantly changing market forces of supply and demand and other factors. The other factors include environmental regulations, weather conditions and animal diseases. Our Group has little or no control over these conditions and factors. Our Group is subject to risks relating to its ability to maintain animal health status. Animal health problems could adversely affect production and consumer confidence. Our Group monitors the health of our pigs on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that our Group will not be affected by epidemic diseases.

#### *Interest rate risk*

Interest rate risk is the risk that the value/future cash flows of a financial instrument fluctuates because of changes in market interest rates. Floating rate instruments expose us to cash flow interest rate risk, whereas fixed rate instruments expose us to fair value interest rate risk.

Our income and operating cash flows are substantially independent from changes in market interest rates and we do not have significant interest-bearing assets except for cash and cash equivalents.

**Credit risk**

Our credit risk is primarily attributable to our trade and other receivables. We have an internal team responsible for determining credit limits, credit approvals and monitoring of procedures to ensure follow-up actions are taken to recover overdue debts. We also review the recoverable amount of each individual debt at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts. We have no significant concentration of credit risk on trade and bills and other receivables, with exposure spread over a large number of counterparties and customers. Our credit risk on bank deposits is limited because our counterparties are financial institutions with good credit standing.

**Liquidity risk**

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet our obligations as they become due. We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash and cash equivalents.

## DIVIDENDS

For FY2017, FY2018, FY2019 and 4M2020, we declared dividends of RMB46.4 million, RMB57.9 million, RMB115.9 million and nil to its Shareholders. In September 2017, we declared dividends to our Shareholders with amounts of RMB46,351,000, which was fully settled in cash in September 2017. On 13 September 2018, we made a stock dividend on the basis of 10 bonus Shares for every 10 then existing Shares held by Shareholders. A total of 57,938,600 ordinary Shares were issued pursuant to the stock dividend. In July 2019, we declared dividends to our Shareholders with amounts of RMB46,351,000, in which RMB2,158,000 was paid by cash in September 2019 and the rest was settled by offsetting the Group's amount due from certain Controlling Shareholders, including Tianson Real Estate, Tianzow Food and Tianpan Technology of RMB28,905,000, RMB11,189,000 and RMB4,099,000, respectively. We declared interim dividends to our Shareholders with amounts of RMB69,526,320 for the six months ended 30 June 2019, which had been settled in May 2020. All past dividends declared have been fully settled as at the Latest Practicable Date. We will not declare or pay any dividend before Listing. Past payments and non-payments of dividends are not indicative of our future dividend policy.

Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

## DISTRIBUTABLE RESERVES

As at 30 April 2020, the Company had reserves of approximately RMB311.4 million available for distribution to our Shareholders, being retained profits, excluding the unrealised fair value gain of biological assets, the Company's available reserve for distribution to our shareholders is RMB299.5 million.

## LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of RMB76.2 million, representing approximately 6.1% of the gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable), of which RMB73.5 million will be directly attributable to the issue of our Shares and will be deducted from capital reserve upon Listing. The listing expenses of RMB2.7 million is expected to be charged to consolidated statement of profit or loss in 2020. Our Directors do not expect such expenses to materially impact our results of operations in 2020.

## UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2020 as if the Global Offering had taken place on 30 April 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 30 April 2020 or any future date.

| | Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 April 2020(1) | Estimated net proceeds from the Global Offering(2) | Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company | Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(3) | |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB(4)* | *HK$(4)* |
| Based on an Offer Price of HK$26.00 per Share | 1,059,528 | 852,942 | 1,912,470 | 12.38 | 13.60 |
| Based on an Offer Price of HK$38.80 per Share | 1,059,528 | 1,287,377 | 2,346,905 | 15.19 | 16.68 |

*Notes:*

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 30 April 2020 is compiled based on the consolidated statements of financial position included in the Accountants' Report set out in Appendix I to this Prospectus, which is based on the consolidated total equity attributable to the owners of the Company as of 30 April of RMB1,061,732,000 after deducting intangible assets attributable to the owners of the Company of RMB2,204,000 respectively.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$26.00 and HK$38.80 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK$1.0000 to RMB0.91056 prevailing on 30 April 2020.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 154,503,200 Shares, being the number of shares expected to be in issue immediately following the completion of the Global Offering.

(4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB0.91056 to HK$1.0000 prevailing on 30 April 2020.

(5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 April 2020, including the acquisitions disclosed in Note 35 of the Accountants' Report in Appendix I to the prospectus. These acquisitions do not have any material impact on the pro forma adjusted net tangible assets. The dividends of RMB69,526,320 approved by shareholders' meeting on 23 October 2019 has been fully settled in May 2020. The dividend payable as at 30 April 2020 has been reflected in consolidated net tangible assets attributable to equity shareholders of the Company as at 30 April 2020; the subsequent settlement of the dividends after the Track Record Period thus do not have any impact on the pro forma adjusted net tangible assets.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including the available banking facilities, other internal resources and the estimated net proceeds from the Global Offering, our Group has sufficient working capital for our present requirements, that is, for at least in the next 12 months commencing from the date of this prospectus.

## NO MATERIAL ADVERSE CHANGE

The COVID-19 in the PRC has been brought under control since April 2020. Our Directors confirm that the COVID-19 has no material impact on our business and financial performance after 30 April 2020.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 April 2020 and there has been no event since 30 April 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

## FUTURE PLANS

Please refer to the section headed "Business – Our Business Strategies" in this prospectus for a detailed description of our future plans.

## USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be in the amounts set out below:

- Assuming an Offer Price of HK$26.00 per Offer Share (being the low-end of the proposed Offer Price range), the net proceeds will be approximately HK$936.7 million;

- Assuming an Offer Price of HK$32.40 per Offer Share (being the mid-point of the proposed Offer Price range), the net proceeds will be approximately HK$1,175.3 million; or

- Assuming an Offer Price of HK$38.80 per Offer Share (being the high-end of the proposed Offer Price range), the net proceeds will be approximately HK$1,413.8 million

We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, assuming the Offer Price is fixed at HK$32.40 per Offer Share (being the mid-point of the indicative range of the Offer Price of HK$26.00 to HK$38.80 per Share):

- Approximately HK$536.6 million (equivalent to approximately RMB488.6 million, representing 45% of the net proceeds) is expected to be used to construct a new pig farm in the Lanzhou city, Gansu province, PRC. The project has commenced since the end of 2019. Approximately RMB51.0 million has been paid in 6M2020 for land premium, design fee, land levelling work and other initial works. The estimated total further capital expenditure of this new farm amounted to approximately RMB488.6 million. Among the total further capital expenditure of RMB488.6 million, approximately RMB267.1 million will be spent in the construction of the main buildings of the new pig farm, approximately RMB76.7 million will be spent in the construction of the ancillary buildings, approximately RMB35.0 million will be spent in setup a feeding stuff processing area, and approximately RMB109.8 million will be spent in the procurement of the all the necessary equipment. The expenditure will be incurred in accordance with the progress of the construction work and be settled by us after our inspection and certification.

This new farm is designed to have a sow population of 13,200, which is expected to output approximately 211 thousand pigs annually. We believe there is sufficient demand for the additional capacity. According to the CIC Report, due to the outbreak of the African Swine Fever in the PRC, the stocks of sows experienced drastic decrease from approximately 29.9 million pigs as at 31 December 2018 to 20.5 million pigs as at 31 December 2019. The annual output of market hogs in China, therefore, experienced major decline from 693.8 million pigs in 2018 to 544.2 million pigs in 2019 and is estimated to further decline to 298.1 million in 2020. It will take a long period of time to recover the stock of sows and the annual output of market hogs. Therefore, there are huge gaps between the supply and the market demands of breeding stocks and market hogs in the future years. Such gaps are estimated to be 16.5 million pigs for breeding stocks and 193.2 million pigs for market hogs, respectively, in 2022, when the pig farms commence output. The gaps are expected to narrow slowly, leaving huge market opportunities for large-scaled breeding stock companies and market hog companies, equipped with industrial pig farming techniques and enjoying an advantage of large-scale farming system, to fill.

We have obtained all the necessary approvals from the local administrative authorities and the project has commenced since the end of 2019. We expect the construction work will be finished and the pig farm will commence the operation in the fourth quarter of 2021 and the pig farm will begin the output and achieve a breakeven point in the second quarter of 2022(1). The estimated payback period of such capital expenditure is around four to five years and we will charge an additional depreciation and amortization expense of plant and equipment of approximately RMB26.1 million per year(2).

- Approximately HK$175.6 million (equivalent to approximately RMB159.9 million, representing 15% of the net proceeds) is expected to be used to construct a new pig farm in Weili county, Xinjiang Uygur Autonomous Region, PRC. The estimated total capital expenditure of this new farm amounted to approximately RMB159.9 million. Among the total capital expenditure of RMB159.9 million, approximately RMB72.6 million will be spent in the construction of the main buildings of the new pig farm, approximately RMB13.4 million will be spent in the construction of the ancillary buildings, approximately RMB35.0 million will be spent in setup a feeding stuff processing area, approximately RMB30.3 million will be spent in the procurement of the all the necessary equipment, and approximately RMB8.6 million will be spent in the design, the land leveling and other cost.

  This new farm is designed to have a sow population of 8,000, which is expected to output approximately 128 thousand pigs annually. We have obtained all the necessary approvals from the local administrative authorities and the construction is expected to commence in the fourth quarter of 2020. We expect the construction work will be finished and the pig farm will commence the operation in the first quarter of 2022 and the pig farm will begin the output and achieve a breakeven point in the third quarter of 2022[(1)].The estimated payback period of such capital expenditure is around three years and we will charge an additional depreciation and amortization expense of plant and equipment of approximately RMB6.9 million per year[(2)].

- Approximately HK$150.7 million (equivalent to approximately RMB137.2 million, representing 13% of the net proceeds) is expected to be used to expand one of our existing pig farms in Chongqing municipality. Among the total estimated total capital expenditure of this expansion plan of approximately RMB137.2 million, approximately RMB61.0 million will be spent in the construction of the sow houses, approximately RMB20.6 million will be spent in the construction of the ancillary buildings, approximately RMB44.6 million will be spent in the procurement of the all the necessary equipment such as sow fences, furrowing crates, fermentation beds and feeding equipment and approximately RMB11.0 million will be spent for the other costs.

  The sow houses are designed to have a sow population of 6,600, which is expected to output approximately 106 thousand pigs annually. We have obtained all the necessary approvals from the local administrative authorities. We expect the construction work will commence in the first half of 2020 and be finished in the third quarter of 2021. The pig farm will begin the output and achieve a breakeven point in the first quarter of 2022[(3)]. The estimated payback period is around three years and we will charge an additional depreciation and amortization expense of plant and equipment of approximately RMB8.2 million per year[(4)].

- Approximately HK$150.7 million (equivalent to approximately RMB137.2 million, representing 13% of the net proceeds) is expected to be used to repay certain outstanding bank loans with interest rates ranging from 4.75% to 7.50%, which were incurred in or after February 2018 and will be due before the end of the second quarter of 2021.

- Approximately HK$59.0 million (equivalent to approximately RMB53.7 million, representing 5% of the net proceeds) is expected to be used over the next few years to acquiring GGP nucleus breeding stock from overseas pig breeding companies. For details, please refer to the section headed "Business – Our Business Strategies – Continue to enhance the genetic performance of our breeding stock and expand our product lines" in this prospectus.

- Approximately HK$102.7 million (equivalent to approximately RMB93.5 million, representing 9% of the net proceeds) is expected to be used for general working capital and other corporate purposes.

*Notes:*

(1) The pig farm has achieved a breakeven point when the monthly revenue is at least equal to the monthly expenses of the pig farm.

(2) The expected investment payback period refers to the length of time required to recover the initial capital expenditure from the accumulated net profit before biological assets fair value adjustments to be generated from our expanded production capacity since it commences operation, assuming (i) the annual output of pigs is approximately 211 thousand heads; (ii) the prices of gilts, market hogs and market hogs(small) are around RMB3,350 per head, RMB1,830 per head and RMB780 per head, respectively; and (iii) there will be no material impact on our product mix due to fluctuation in market demand, exchange rates, inflations, increase in raw material costs and labor expenses.

(3) The expanded production capacity has achieved a breakeven point when the monthly revenue is at least equal to the monthly expenses of the newly-built production facilities.

(4) The expected investment payback period refers to the length of time required to recover the initial capital expenditure from the accumulated net profit before biological assets fair value adjustments to be generated from our newly-built production facilities since they commence operation, assuming (i) the annual output of pigs is approximately 106 thousand heads; (ii) the prices of gilts, market hogs and market hogs(small) are around RMB3,350 per head, RMB1,830 per head and RMB780 per head, respectively; and (iii) there will be no material impact on our product mix due to fluctuation in market demand, exchange rates, inflations, increase in raw material costs and labor expenses.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$238.6 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such funds in interest-bearing short-term deposits with licensed commercial banks or other authorised financial institutions so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

## THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with certain investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) that may be purchased for in an aggregate amount of approximately HK$137.9 million at the Offer Price (the "**Cornerstone Placing**").

The Company is of the view that the Cornerstone Placing would demonstrate the Cornerstone Investors' confidence on the prospects of the Company, thereby delivering positive signals to potential investors.

Based on the Offer Price of HK$26.00 (being the low-end of the proposed Offer Price range), the total number of H Shares to be subscribed by the Cornerstone Investors would be 5,301,800, representing approximately (i) 15.25% of the International Placing Shares, assuming that the Over-allotment Option is not exercised; (ii) 13.07% of the International Placing Shares, assuming that the Over-allotment Option is fully exercised; (iii) 13.73% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 11.94% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 3.43% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 3.31% of the Shares in issue upon completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

Based on the Offer Price of HK$32.40 (being the mid-point of the proposed Offer Price range), the total number of H Shares to be subscribed by the Cornerstone Investors would be 4,254,600, representing approximately (i) 12.24% of the International Placing Shares, assuming that the Over-allotment Option is not exercised; (ii) 10.49% of the International Placing Shares, assuming that the Over-allotment Option is fully exercised; (iii) 11.01% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 9.58% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 2.75% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 2.65% of the Shares in issue upon completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

Based on the Offer Price of HK$38.80 (being the high-end of the proposed Offer Price range), the total number of H Shares to be subscribed by the Cornerstone Investors would be 3,552,800, representing approximately (i) 10.22% of the International Placing Shares, assuming that the Over-allotment Option is not exercised; (ii) 8.76% of the International Placing Shares, assuming that the Over-allotment Option is fully exercised; (iii) 9.20% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 8.00% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 2.30% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 2.22% of the Shares in issue upon completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

To the best knowledge of our Company, (i) each of the Cornerstone Investor will not have any board representation in the Company, and is independent of the Company, its connected persons and their respective associates; (ii) none of the Cornerstone Investors is accustomed to take instructions from the Company, the Directors, chief executive, Controlling Shareholders, Supervisors, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates; (iii) none of the subscription of the H Shares by the Cornerstone Investors is financed by the Company, the Directors, chief executive, Controlling Shareholders, Supervisors, substantial Shareholders, or existing Shareholders or any of its subsidiaries or their respective close associates; (iv) there is no deferred settlement in payment of the Shares to be subscribed by the Cornerstone Investors; and (v) save as China Lesso Group Holdings Limited (stock code: 2128.HK) being the sole shareholder of Fuhui Capital Investment Limited, there are no other Cornerstone Investors or their respective shareholders being listed on any stock exchanges.

If the Sole Global Coordinator in its sole discretion determines that delivery of all or any part of the H Shares subscribed for by the Cornerstone Investors should be made on a date (the "**Delayed Delivery Date**") later than the Listing Date, the Sole Global Coordinator shall notify the Cornerstone Investors in writing (i) no later than two business days prior to the Listing Date, the number of H Shares which will be deferred in delivery; and (ii) no later than two business days prior to the actual Delayed Delivery Date, the Delayed Delivery Date, provided that the Delayed Delivery Date shall be no later than three business days following the last day on which the Over-allotment Option may be exercised. The deferred delivery arrangement was in place to facilitate the over-allocation of Offer Shares in the International Placing. If there is over-allocation of Offer Shares in the International Placing, the settlement of such Offer Share being over-allocated may be effected through delayed delivery of the Offer Shares to be subscribed by certain Cornerstone Investors under the Cornerstone Placing.

If there is no over-allocation in the International Placing, delayed delivery will not take place. Regardless of whether the H Shares subscribed for by the Cornerstone Investors are to be delivered to the Cornerstone Investors upon Listing (if there is no over-allocation in the International Placing) or on the Delayed Delivery Date (if there is over-allocation in the International Placing), the Cornerstone Investors shall nevertheless pay for the relevant Offer Shares before the Listing Date. For details of the Over-allotment Option and the stabilisation action by the Stabilising Manager, please refer to the sections headed "Structure of the Global Offering – The International Placing – Over-allotment Option" and "Structure of the Global Offering – Stabilisation" in this Prospectus, respectively.

For Cornerstone Investor who subscribe for our H Shares through an asset manager that is a qualified domestic institutional investor ("**QDII**"), such asset manager is an independent third party of our Company, its connected persons and their respective associates and is not a connected client of the lead broker or of any distributors (as defined in paragraph 5 of Appendix 6 to the Listing Rules – Placing Guidelines for Equity Securities).

As confirmed by each of the Cornerstone Investors, (i) their subscription under the Cornerstone Placing would be using internal funds, and (ii) there are no side agreements or arrangements made between the Company and the Cornerstone Investors.

Pursuant to the respective cornerstone investment agreements, (i) each Cornerstone Investor should be obliged to make full payment of their respective investment amounts before the Listing Date; and (ii) our Company and the Sole Global Coordinator may at their sole discretion, determine that delivery of all or any part of the Offer Shares to be subscribed by the Cornerstone Investors to be made on the Listing Date or a date later than the Listing Date, provided that the delayed delivery date shall not be later than the third business day after the end of the stabilising period, and the Cornerstone Investors shall nevertheless make full payment of their respective investment amount as specified in (i) above.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue. The Offer Shares to be subscribed by the Cornerstone Investors will be counted towards the public float of the Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective cornerstone investment agreements). Immediately following completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in the Company, nor will any of the Cornerstone Investors become a substantial Shareholder. With respect to their cornerstone investment, other than the H Shares agreed to allocate to them, none of the Cornerstone Investors have any preferential rights compared to other public investors in their respective cornerstone agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation between the Hong Kong Public Offering and the International Placing as described in the section headed "Structure of the Global Offering". Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around Friday, 13 November 2020.

## CORNERSTONE INVESTORS

The Company has entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing.

| Cornerstone Investor | Investment amount [1] | Indicative Offer Price[2] | Number of H Shares to be subscribed for[3] | Approximate percentage of the International Placing Shares (assuming that Over-allotment Option is not exercised) | Approximate percentage of the International Placing Shares (assuming that Over-allotment Option is exercised in full) | Approximate percentage of the Offer Shares (assuming that Over-allotment Option is not exercised) | Approximate percentage of the Offer Shares (assuming that Over-allotment Option is exercised in full) | Approximate percentage of Shares in issue immediately following completion of the Global Offering (assuming that Over-allotment Option is not exercised) | Approximate percentage of Shares in issue immediately following completion of the Global Offering (assuming that Over-allotment Option is exercised in full) |
|---|---|---|---|---|---|---|---|---|---|
| Xinjiang Guoli Minsheng Equity Investment Co., Ltd. (新疆國力民生股權投資有限公司) | RMB50 million | HK$26.00<br>HK$32.40<br>HK$38.80 | 2,111,800<br>1,694,600<br>1,415,200 | 6.07%<br>4.87%<br>4.07% | 5.21%<br>4.18%<br>3.49% | 5.47%<br>4.39%<br>3.66% | 4.75%<br>3.81%<br>3.19% | 1.37%<br>1.10%<br>0.92% | 1.32%<br>1.06%<br>0.88% |
| Fuhui Capital Investment Limited | RMB30 million | HK$26.00<br>HK$32.40<br>HK$38.80 | 1,267,000<br>1,016,800<br>849,000 | 3.64%<br>2.92%<br>2.44% | 3.12%<br>2.51%<br>2.09% | 3.28%<br>2.63%<br>2.20% | 2.85%<br>2.29%<br>1.91% | 0.82%<br>0.66%<br>0.55% | 0.79%<br>0.63%<br>0.53% |
| Mr. Zhong Zhaomin | HK$50 million | HK$26.00<br>HK$32.40<br>HK$38.80 | 1,923,000<br>1,543,200<br>1,288,600 | 5.53%<br>4.44%<br>3.71% | 4.74%<br>3.80%<br>3.18% | 4.98%<br>4.00%<br>3.34% | 4.33%<br>3.47%<br>2.90% | 1.24%<br>1.00%<br>0.83% | 1.20%<br>0.96%<br>0.80% |

*Notes:*

(1) Excluding brokerage, SFC transaction levy and Stock Exchange trading fee.

(2) Being the low-end, mid-point and high-end of the proposed Offer Price range set out in this prospectus respectively.

(3) Number of H Shares to be subscribed for is based on investment amounts exchanged at an exchange rate as set forth in "Information about this Prospectus and Global Offering – Exchange Rates". The actual investment amount of each Cornerstone Investor may change due to the actual exchange rate to be used as prescribed in the relevant cornerstone investment agreement.

The information about the Cornerstone Investors as set forth below has been provided by the Cornerstone Investors.

## CORNERSTONE INVESTORS

1. Xinjiang Guoli Minsheng Equity Investment Co., Ltd. (新疆國力民生股權投資有限公司) ("**Xinjiang Guoli Minsheng**")

   Xinjiang Guoli Minsheng was established on 6 November 2000, with its scope of business covering equity investment in non-listed companies as well as listed companies. Xinjiang Guoli Minsheng is beneficially owned by Mr. Zhang Gaolu (章高路) as to 32.9%, Mr. Dai Yuhan (戴玉寒) as to 25.9%, Mr. Lu Qiuwen (陸秋文) as to 25.2% and Mr. Sun Gang (孫剛) as to 16.0%. Mr. Zhang Gaolu is a director of various companies in the food, technology and commercial services industry. He is also the chairman of Xinjiang Guoli Minsheng. Mr. Zhang Gaolu, Mr. Dai Yuhan, Mr. Lu Qiuwen and Mr. Sun Gang indirectly invest in other companies through Xinjiang Guoli Minsheng. They have over 15 years of experience in investing in securities. Xinjiang Guoli Minsheng, through years of development, has become a large-scale private holding group with investments over RMB3 billion in various sectors, including food, medical and Technology, Media and Telecom (TMT) industries. Xinjiang Guoli Minsheng is currently the controlling shareholder of Fujian Anjoy Foods Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 603345.SH). The Company became acquainted with Xinjiang Guoli Minsheng through introduction of Fuyuan Securities Limited, one of the Joint Bookrunners.

   For the purpose of this cornerstone investment, Xinjiang Guoli Minsheng has engaged an asset manager, which is a QDII, to subscribe for and hold such Offer Shares on behalf of Xinjiang Guoli Minsheng.

2. Fuhui Capital Investment Limited ("**Fuhui Capital**")

   Fuhui Capital is an investment holding company incorporated in the British Virgin Islands and is wholly-owned by China Lesso Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2128.HK). China Lesso Group Holdings Limited and its subsidiaries are principally engaged in manufacturing of building materials and interior decoration products. No approval is required to be obtained from the shareholders of China Lesso Group Holdings Limited for the investment in the Company pursuant to the Listing Rules. The Company became acquainted with Fuhui Capital through introduction of Guotai Junan Securities (Hong Kong) Limited, one of the Joint Bookrunners.

3. Mr. Zhong Zhaomin

   Mr. Zhong Zhaomin is a professional investor in private equity as well as securities. He has over 20 years of experience in securities investment industry. He is experienced in investing in Hong Kong and PRC stock markets. He served as the research manager and executive vice general manager of China Foshan Poly Futures Co., Ltd. (中國佛山保利期貨有限公司) from 1994 to 1996; general manager of Guotai Junan Securities Co., Ltd.

(formerly known as J&A Securities Co., Ltd.) from 1996 to 1998; general manager of China Everbright Securities Company Limited from 1998 to 2001; and general manager of Ping An Securities Limited from 2001 to 2003. He founded Eastern Marathon Investment Management (Hong Kong) Company Limited (formerly known as Eastern Bay Investment Management (Hong Kong) Limited) in 2004. Currently, he is a director, shareholder and responsible officer of Eastern Marathon Investment Management (Hong Kong) Company Limited (Central Entity number: AQS566) for type 9 regulated activity (asset management) as defined under the SFO. Eastern Marathon Investment Management (Hong Kong) Company Limited is a licensed corporation on advising on securities and asset management under the SFO. Mr. Zhong Zhaomin is an active investors for primary market and secondary market for both in the PRC and Hong Kong, and is experienced in investing in agricultural companies. The Company became acquainted with Mr. Zhong Zhaomin through introduction of Valuable Capital Limited, one of the Joint Bookrunners.

***Conditions Precedent***

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator (on behalf of the Underwriters);

(iii) the Listing Committee of the Stock Exchange having granted the Listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed by the Cornerstone Investors as well as other applicable waivers and approvals) and such approval, permission or waiver not having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees or rulings of any governmental authority (including the Stock Exchange and the SFC) of all relevant jurisdictions having been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Global Offering or the cornerstone investment agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor.

***Restrictions on the Cornerstone Investors' Investment***

Each of the Cornerstone Investors has agreed that, it will not, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that, amongst other requirements, such wholly-owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, abide by such restrictions imposed on the Cornerstone Investor.

## HONG KONG UNDERWRITERS

### Hong Kong Underwriters

Fortune (HK) Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Valuable Capital Limited
(in alphabetical order)

Alpha International Securities (HONG KONG) Limited
Blackwell Global Securities Limited
China Everbright Securities (HK) Limited
Fuyuan Securities Limited
Glory Sun Securities Limited
Guosen Securities (HK) Capital Company Limited
HTF Securities Limited
Huabang Securities Limited
SPDB International Capital Limited
Zhongtai International Securities Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Hong Kong Public Offering

#### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are initially offering 3,862,600 H Shares (subject to reallocation) for subscription by the public in Hong Kong on, and subject to the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

- certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters),

the Hong Kong Underwriters have agreed severally but not jointly to subscribe or procure subscribers to subscribe for, or failing which to subscribe for themselves, the Hong Kong Offer Shares which are being offered but not taken up under the Hong Kong Public Offering on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

***Grounds for Termination***

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) given to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(a) there shall develop, occur or come into force:

(i) any new law or regulation or any material change in existing laws or regulations or any material change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event; or

(ii) any material change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong, the PRC or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event; or

(iii) without prejudice to sub-paragraph (i) of paragraph (a) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange; or

(iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, riots, public disorder, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident); or

(v) any material change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the PRC or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls; or

(vi) any material litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC or any other jurisdiction(s) relevant to our Company and our subsidiaries; or

(viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or any Director; or

(ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group;

which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(i) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

(ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or

(iii) makes it inadvisable or impracticable to proceed with the Global Offering; or

(iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

(b) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting

Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors under the Hong Kong Underwriting Agreement not to have been complied with in any respect which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material; or

(c) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any material breach on the part of our Company or any of the covenantors of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its opinion to be material to the Global Offering; or

(d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Stock Exchange, the legal adviser to the Sole Global Coordinator and the Underwriters and any other parties involved in the Global Offering which have been approved by our Company to be issued or used by or on behalf of our Company in connection with the Global Offering (collectively, the "**Offer Documents**"), which in the opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

(e) matters have arisen or have been discovered which would, if the Offer Documents was to be issued at that time, constitute, in the opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), a material omission of such information; or

(f) there is any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group which in the opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is material; or

(g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Offer Shares under the Global Offering is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or

(i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(j) there comes to the notice of the Sole Global Coordinator or any of the Underwriters any information, matter or event which in the opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters): (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form H) given by any Directors pursuant to the Global Offering; or (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

**Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules**

***Undertakings by the Company***

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) will be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except:

(a) for the circumstances expressly allowed under Rule 10.08 of the Listing Rules; or

(b) pursuant to the Global Offering (including the Over-allotment Option).

***Undertaking by the Controlling Shareholders***

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange, the Sole Sponsor and to the Company that, except for the circumstances permitted under the Listing Rules, they shall not and shall procure that the relevant registered holder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of their shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which they are shown by this prospectus to be the beneficial owners;

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be a group of controlling shareholders of the Company for the purposes of the Listing Rules; and

(c) in the period commencing on the date by reference to which disclosure of their shareholding in our Company is made in the Prospectus and ending on the date which is 12 months from the Listing Date, they shall:

   (i) when they pledge or charge any securities of our Company beneficially owned by any of them in favour of any authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

   (ii) when any of them or the relevant requested holders receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

**Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement**

***Undertakings by our Company***

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Global Coordinator, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters that, except pursuant to the Global Offering and the exercise of the Over-allotment Option, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"), the Company will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable; or;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transactions specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the six month period after the expiry of the First Six-Month Period (the "**Second Six-Month Period**")). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

***Undertaking by our Controlling Shareholders***

Each of the Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of their respective close associates will:

(a) during the First Six Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iii) offer to or agree to or publicly announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii) or (iii) in paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a substantial shareholder of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Without prejudice to the above, each of the Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that:

(a) save with the prior written consent from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosures of the shareholding of the Controlling Shareholders are made in the Prospectus and ending on the date which is 12 months from the Listing Date, shall not and shall procure that none of its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by it or any of its close associates or in which it or any of its close associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of scrip dividend or otherwise) or any share or interest in any company controlled by it or any of its close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of scrip dividend or otherwise); and

(b) in the event that notification is given to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), when it or any of its close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) giving details of the number of Shares, shares in our Company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the "**Mortgagee**") in favour of whom the pledge, charge, encumbrance or interest is created and further if it or any of its close associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in (a) above, it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that our Company shall forthwith inform the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after our Company has been informed of the matters referred to in paragraph (b) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

***Indemnity***

We have agreed to indemnify, among others, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement as the case may be.

**Commission and Expenses**

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive an underwriting commission of 3.5% of the total Offer Price for all the Offer Shares (including the H shares to be issued pursuant to the Over-allotment Option) underwritten by them. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing and any International Placing Shares reallocated from the International Placing to the Hong Kong Public Offering, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, the Company may, at its discretion, pay the Hong Kong Underwriters an additional incentive fee of up to 1.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. Our Directors expect that an incentive fee of up to 1.0% of the aggregate Offer Price payable for the International Placing Shares initially offered under the International Placing may also be paid to the International Underwriters at the Company's discretion.

Assuming an Offer Price of HK$32.40 per Offer Share (being the mid-point of the indicative Offer Price Range), the aggregate commissions and fees (excluding the payment of discretionary incentive fee (if any) and assuming no exercise of the Over-allotment Option), together with Hong Kong Stock Exchange listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$43.8 million in total. Such commissions, fees and expenses are payable by the Company.

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

### *Hong Kong Underwriters' Interest in our Company*

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in the Company or any other member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

### The International Placing

In connection with the International Placing, it is expected that we will enter into the International Underwriting Agreement with among others, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters on or around the Price Determination Date, shortly after the determination of the Offer Price. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to procure subscribers to subscribe for, or failing which to subscribe for themselves, their respective applicable proportions of the International Placing Shares being offered pursuant to the International Placing which are not taken up under the International Placing.

### Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

## INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

## ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Share, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Share), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Share at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

## THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

38,626,000 Offer Shares will be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 3,862,600 H Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "– The Hong Kong Public Offering" in this section below; and

(b) the International Placing of an aggregate of initially 34,763,400 H Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the paragraph headed "The International Placing" in this section below.

Investors may either:

(a) apply for Offer Shares under the Hong Kong Public Offering; or

(b) apply for or indicate an interest for Offer Shares under the International Placing,

but may not do both.

The Offer Shares will represent approximately 25.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering – Reallocation" in this section below.

## THE HONG KONG PUBLIC OFFERING

### Number of Offer Shares initially offered

The Company is initially offering 3,862,600 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The initial number of Shares offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the

International Placing and the Hong Kong Public Offering, will represent approximately 2.5% of the total Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" in this section below.

**Allocation**

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally (subject to adjustment of odd lot size) into two pools, namely pool A and pool B, with any odd board lots being allocated to pool A: pool A will comprise 1,931,400 Hong Kong Offer Shares and pool B will comprise 1,931,200 Hong Kong Offer Shares. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 1,931,200 Hong Kong Offer Shares are liable to be rejected.

**Reallocation**

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation on the following basis:

(a) if both the Hong Kong Offer Shares and the International Placing Shares are undersubscribed, the Global Offering shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;

(b) if the Hong Kong Offer Shares are undersubscribed and the International Placing Shares are oversubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate;

(c) if the International Placing Shares are fully subscribed or oversubscribed and:

(i) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares (before taking into account any exercise of Over-allotment Option) initially available under the Hong Kong Public Offering, then 7,725,200 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 11,587,800 Offer Shares, representing 30% of the total number of Offer Shares initially available under the Global Offering (before taking into account any exercise of the Over-allotment Option);

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 11,587,800 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 15,450,400 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering; and

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 15,450,400 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 19,313,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering,

in each case the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its sole and absolute discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

(d) pursuant to the Stock Exchange's Guidance Letter HKEX-GL91-18 :

(i) if the International Placing Shares are undersubscribed and if the Hong Kong Offer Shares are fully subscribed or oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering in such circumstances; or

(ii) if the International Placing Shares are fully subscribed or oversubscribed, and if the Hong Kong Offer Shares are fully subscribed or oversubscribed but the number of Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the initial number of the Hong Kong Offer Shares,

then, provided that the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$26.00 per Offer Share) stated in this prospectus, up to 3,862,600 Offer Shares may be reallocated from the International Placing to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be increased up to 7,725,200 Offer Shares, and such limit represents 20% of the number of the Offer Shares initially available under the Global Offering (before taking into account any exercise of the Over-allotment Option).

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$38.80 per Offer Share in addition to the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section below, is less than the maximum Offer Price of HK$38.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

## THE INTERNATIONAL PLACING

### Number of Offer Shares initially offered

Subject to reallocation as described above, the International Placing will consist of an offering of initially 34,763,400 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of the total Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

### Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "bookbuilding" process described in the paragraph headed "Pricing of the Global Offering" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

**Reallocation and clawback**

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed "The Hong Kong Public Offering" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

**Over-allotment Option**

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to 5,793,800 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing to cover over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

## STABILISATION

Stabilisation is a practice used by underwriter(s) in some markets to facilitate the distribution of securities. To stabilise, the underwriter(s) may bid for, or purchase, the securities in the secondary market, during a specified period of time inter alia, to retard and, if possible, prevent, a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken: (a) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of the Company; (b) may be discontinued at any time; and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes: (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the H Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

(d) no stabilising action can be taken to support the price of the H Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Sunday, 6 December 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

In order to effect stabilisation actions, the Stabilising Manager will arrange cover of up to an aggregate of 5,793,800 H Shares, representing up to approximately 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Placing. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid before the Listing Date. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Placing agrees to the delayed delivery arrangements, no stabilising actions will be undertaken by the Stabilising Manager and the Over-allotment Option will not be exercised.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

### Over-Allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

## PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the

International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, 6 November 2020 and in any event on or before Friday, 13 November 2020 (or such later date as the parties may agree), by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$38.80 per H Share and is expected to be not less than HK$26.00 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this prospectus.**

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process in respect of the International Placing, and with the consent of the Company, reduce the number of Offer Shares being offered in the Global Offering and/or the indicative Offer Price Range that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.tianzow.com**) an announcement, or a supplemental prospectus (as appropriate) in connection with such reduction.

Upon issue of such an announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares offered in the Global Offering and/or the revised Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price Range.

**Prospective investors of the Offer Shares should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such announcement or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction.

If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the announcement or supplemental prospectus (as appropriate)) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement or supplemental prospectus (as appropriate) and all unconfirmed applications will not be valid. In the absence of any such announcement or supplemental prospectus (as appropriate) so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Placing and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The Offer Price for H Shares under the Global Offering, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocation in the Hong Kong Public Offering are expected to be announced on Friday, 13 November 2020 through a variety of channels in the manner described in the paragraph headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus.

## CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;

(ii) the Offer Price having been duly agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, 6 November 2020 and in any event on or before Friday, 13 November 2020 (or such later date as the parties may agree), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**www.tianzow.com**) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Friday, 13 November 2020 but will only become valid certificates of title at 8:00 a.m. on Monday, 16 November 2020 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised at or before that time.

## DEALING IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 16 November 2020, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, 16 November 2020. The H Shares will be traded in board lots of 200 H Shares each and the stock code of the H Shares will be 1248.

## 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, supervisor, or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate of any of the above; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

## 3. APPLYING FOR HONG KONG OFFER SHARES

### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours between 9:00 a.m. on Thursday, 29 October 2020, until 12:00 noon on Friday, 6 November 2020, from:

(i) the following offices of the Hong Kong Underwriters:

| | |
|---|---|
| Fortune (HK) Securities Limited | 43/F COSCO Tower<br>183 Queen's Road Central<br>Hong Kong |
| Guotai Junan Securities (Hong Kong) Limited | 28/F Low Block<br>Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong |

| | |
|---|---|
| Valuable Capital Limited | Room 2808, 28/F, China Merchants Tower<br>Shun Tak Centre,<br>168-200 Connaught Road Central<br>Hong Kong |
| Alpha International Securities (HONG KONG) Limited | Room 10, 9/F China Merchants Tower<br>Shun Tak Centre,<br>168-200 Connaught Road Central,<br>Hong Kong |
| Blackwell Global Securities Limited | Whole of 26/F.,<br>Overseas Trust Bank Building,<br>160 Gloucester Road<br>Wanchai<br>Hong Kong |
| China Everbright Securities (HK) Limited | 12/F, Everbright Centre<br>108 Gloucester Road,<br>Wanchai<br>Hong Kong |
| Fuyuan Securities Limited | Suite 4806-07 48/F Central Plaza<br>18 Harbour Road<br>Wanchai<br>Hong Kong |
| Glory Sun Securities Limited | 18/F Wing On Centre<br>111 Connaught Road Central<br>Sheung Wan<br>Hong Kong |
| Guosen Securities (HK) Capital Company Limited | Suites 3207-3212 on Level 32<br>One Pacific Place<br>88 Queensway<br>Hong Kong |
| HTF Securities Limited | Room 1807, 18/F Office Tower<br>Convention Plaza<br>1 Harbour Road<br>Wanchai<br>Hong Kong |

| | |
|---|---|
| Huabang Securities Limited | Unit 3308, 33/F Enterprise Square Three<br>39 Wang Chiu Road<br>Kowloon Bay<br>Hong Kong |
| SPDB International Capital Limited | 33/F, SPD Bank Tower<br>One Hennessy, 1 Hennessy Road<br>Hong Kong |
| Zhongtai International Securities Limited | 19/F Li Po Chun Chambers<br>189 Des Voeux Road Central<br>Central<br>Hong Kong |

(ii) any of the designated branches of the following receiving banks:

**Bank of China (Hong Kong) Limited**

| **District** | **Branch Name** | **Address** |
|---|---|---|
| **Hong Kong Island** | King's Road Branch | 131-133 King's Road, North Point, Hong Kong |
| **Kowloon** | Telford Plaza Branch | Shop Unit P2-P7, Telford Plaza, No.33 Wai Yip Street, Kowloon Bay, Kowloon |
| **New Territories** | Tai Po Branch | 68-70 Po Heung Street, Tai Po Market, New Territories |
| | Kwai Cheong Road Branch | 40 Kwai Cheong Road, Kwai Chung, New Territories |

**CMB Wing Lung Bank Limited**

| **District** | **Branch Name** | **Address** |
|---|---|---|
| **Hong Kong Island** | Kennedy Town Branch | 28 Catchick Street |
| **Kowloon** | Mongkok Branch | B/F CMB Wing Lung Bank Centre, 636 Nathan Road |

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Thursday, 29 October 2020, until 12:00 noon on Friday, 6 November 2020, from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

**Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SICHUAN TIANZOW BREEDING TECHNOLOGY PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving banks listed above, at the following times:

| | | |
|---|---|---|
| **Thursday, 29 October 2020** | **:** | **9:00 a.m. to 5:00 p.m.** |
| **Friday, 30 October 2020** | **:** | **9:00 a.m. to 5:00 p.m.** |
| **Saturday, 31 October 2020** | **:** | **9:00 a.m. to 1:00 p.m.** |
| **Monday, 2 November 2020** | **:** | **9:00 a.m. to 5:00 p.m.** |
| **Tuesday, 3 November 2020** | **:** | **9:00 a.m. to 5:00 p.m.** |
| **Wednesday, 4 November 2020** | **:** | **9:00 a.m. to 5:00 p.m.** |
| **Thursday, 5 November 2020** | **:** | **9:00 a.m. to 5:00 p.m.** |
| **Friday, 6 November 2020** | **:** | **9:00 a.m. to 12:00 noon** |

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 November 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" below in this section.

## 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's H Share register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company, the Sole Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

**Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## 5. APPLYING THROUGH WHITE FORM eIPO SERVICE

### General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

### Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 29 October 2020, until 11:30 a.m. on Friday, 6 November 2020, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 6 November 2020, or such later time under the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" below in this section.

### No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

**Commitment to sustainability**

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2.00 for each "Sichuan Tianzow Breeding Technology Co., Ltd" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

**General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

**Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors, the Sole Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its/their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each shareholder of the Company, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and the Articles of Association;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

**Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

**Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum number of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

**Time for Inputting Electronic Application Instructions[1]**

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

| | | |
|---|---|---|
| **Thursday, 29 October 2020** | : | **9:00 a.m. to 8:30 p.m.** |
| **Friday, 30 October 2020** | : | **8:00 a.m. to 8:30 p.m.** |
| **Saturday, 31 October 2020** | : | **8:00 a.m. to 1:00 p.m.** |
| **Monday, 2 November 2020** | : | **8:00 a.m. to 8:30 p.m.** |
| **Tuesday, 3 November 2020** | : | **8:00 a.m. to 8:30 p.m.** |
| **Wednesday, 4 November 2020** | : | **8:00 a.m. to 8:30 p.m.** |
| **Thursday, 5 November 2020** | : | **8:00 a.m. to 8:30 p.m.** |
| **Friday, 6 November 2020** | : | **8:00 a.m. to 12:00 noon** |

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 29 October 2020 until 12:00 noon on Friday, 6 November 2020 (24 hours daily, except on Friday, 6 November 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 6 November 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

*Note:*

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

**No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

**Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**Personal Data**

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 6 November 2020.

## 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;

- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum number of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus.

## 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 November 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 6 November 2020, or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

**11. PUBLICATION OF RESULTS**

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on or before Friday, 13 November 2020 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at **www.tianzow.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.tianzow.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 13 November 2020;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 13 November 2020, to 12:00 midnight on Thursday, 19 November 2020;

- by telephone enquiry line by calling 2862 8555 between 9:00 a.m. and 6:00 p.m. Friday, 13 November 2020, Monday, 16 November 2020, Tuesday, 17 November 2020 and Wednesday, 18 November 2020;

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 13 November 2020 to Tuesday, 17 November 2020 at all the receiving banks' designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

## 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

## 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$38.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, 13 November 2020.

## 14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 13 November 2020. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Monday, 16 November 2020 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade the H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

**Personal Collection**

***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 November 2020, or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, 13 November 2020 by ordinary post and at your own risk.

***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting Refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, 13 November 2020 by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 13 November 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of Results" in this section above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 November 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iii) If you apply through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 November 2020, or such other date as notified by the Company in the announcement published by the Company as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 13 November 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

***(iv) If you apply via electronic application instructions to HKSCC***

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of H Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 13 November 2020 or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Friday, 13 November 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 November 2020, or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 13 November 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 November 2020.

## 15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-111, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 四川天兆豬業股份有限公司 SICHUAN TIANZOW BREEDING TECHNOLOGY CO., LTD* AND FORTUNE FINANCIAL CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of 四川天兆豬業股份有限公司 (Sichuan Tianzow Breeding Technology Co., Ltd*) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-111, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017, 2018 and 2019 and 30 April 2020, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-111 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 October 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for Historical Financial Information**

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

**Reporting accountants' responsibility**

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

* *For identification purposes only.*

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

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2017, 2018 and 2019 and 30 April 2020, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the four months ended 30 April 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

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

***Adjustments***

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

***Dividends***

We refer to Note 28(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

**KPMG**
*Certified Public Accountants*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 October 2020

## HISTORICAL FINANCIAL INFORMATION

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

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

# CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi ("RMB"))*

| | | Year ended 31 December | | | | | | | | | Four months ended 30 April | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | | | 2018 | | | 2019 | | | 2019 | | | 2020 | | |
| | | Results before biological assets fair value adjustments | Biological assets fair value adjustments | Total | Results before biological assets fair value adjustments | Biological assets fair value adjustments | Total | Results before biological assets fair value adjustments | Biological assets fair value adjustments | Total | Results before biological assets fair value adjustments | Biological assets fair value adjustments | Total | Results before biological assets fair value adjustments | Biological assets fair value adjustments | Total |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** | 4 | 474,525 | – | 474,525 | 448,866 | – | 448,866 | 784,118 | – | 784,118 | 189,900 | – | 189,900 | 351,925 | – | 351,925 |
| Cost of sales | | (301,641) | – | (301,641) | (346,855) | (2,809) | (349,664) | (399,655) | (4,896) | (404,551) | (136,713) | (1,011) | (137,724) | (119,918) | (3,570) | (123,488) |
| **Gross profit** | | 172,884 | – | 172,884 | 102,011 | (2,809) | 99,202 | 384,463 | (4,896) | 379,567 | 53,187 | (1,011) | 52,176 | 232,007 | (3,570) | 228,437 |
| Net changes in fair value of biological assets | | – | 21,172 | 21,172 | – | 5,965 | 5,965 | – | 140,568 | 140,568 | – | 4,036 | 4,036 | – | 27,846 | 27,846 |
| Gain arising from biological assets at fair value less costs to sell at the point of harvest | | – | – | – | – | 2,809 | 2,809 | – | 4,896 | 4,896 | – | 1,011 | 1,011 | – | 3,570 | 3,570 |
| Other net (loss)/gain | 5 | (12,990) | – | (12,990) | 13,656 | – | 13,656 | (25,462) | – | (25,462) | 904 | – | 904 | (1,630) | – | (1,630) |
| Selling expense | | (7,042) | – | (7,042) | (9,842) | – | (9,842) | (12,257) | – | (12,257) | (2,997) | – | (2,997) | (2,138) | – | (2,138) |
| Administrative expenses | | (31,998) | – | (31,998) | (34,876) | – | (34,876) | (50,140) | – | (50,140) | (12,928) | – | (12,928) | (20,939) | – | (20,939) |
| **Profit from operations** | | 120,854 | 21,172 | 142,026 | 70,949 | 5,965 | 76,914 | 296,604 | 140,568 | 437,172 | 38,166 | 4,036 | 42,202 | 207,300 | 27,846 | 235,146 |
| Finance costs | 6(a) | (19,188) | – | (19,188) | (23,905) | – | (23,905) | (32,968) | – | (32,968) | (10,725) | – | (10,725) | (14,197) | – | (14,197) |
| Share of profits less losses of associates | | 6,784 | – | 6,784 | (1,371) | – | (1,371) | 43,468 | – | 43,468 | 11,208 | – | 11,208 | 3,347 | – | 3,347 |
| Share of profits less losses of joint ventures | | 29,989 | – | 29,989 | (6,751) | – | (6,751) | 40,889 | – | 40,889 | (7,675) | – | (7,675) | 16,192 | – | 16,192 |
| **Profit before taxation** | | 138,439 | 21,172 | 159,611 | 38,922 | 5,965 | 44,887 | 347,993 | 140,568 | 488,561 | 30,974 | 4,036 | 35,010 | 212,642 | 27,846 | 240,488 |
| Income tax | 7(a) | (931) | – | (931) | (4,805) | – | (4,805) | (3,062) | – | (3,062) | (161) | – | (161) | (6,433) | – | (6,433) |
| **Profit and total comprehensive income for the year/period** | | 137,508 | 21,172 | 158,680 | 34,117 | 5,965 | 40,082 | 344,931 | 140,568 | 485,499 | 30,813 | 4,036 | 34,849 | 206,209 | 27,846 | 234,055 |
| **Attributable to:** | | | | | | | | | | | | | | | | |
| Equity shareholders of the Company | | | | 156,287 | | | 40,283 | | | 486,143 | | | 34,900 | | | 234,730 |
| Non-controlling interests | | | | 2,393 | | | (201) | | | (644) | | | (51) | | | (675) |
| **Profit and total comprehensive income for the year/period** | | | | 158,680 | | | 40,082 | | | 485,499 | | | 34,849 | | | 234,055 |
| **Earnings per share** | 10 | | | | | | | | | | | | | | | |
| Basic and diluted | | | | 1.38 | | | 0.35 | | | 4.20 | | | 0.30 | | | 2.03 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Expressed in RMB)*

| | | At 31 December | | | At 30 April |
|---|---|---|---|---|---|
| | *Note* | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | | |
| Investment property | *11* | – | 5,512 | 5,117 | 4,986 |
| Other property, plant and equipment | *11* | 315,665 | 423,294 | 823,993 | 877,881 |
| Non-current biological assets | *12* | 44,829 | 78,003 | 98,661 | 100,868 |
| Intangible assets | *13* | 2,458 | 2,398 | 2,262 | 2,204 |
| Interests in associates | *15* | 64,656 | 60,789 | 130,202 | 132,772 |
| Interests in joint ventures | *16* | 142,233 | 136,939 | 134,454 | 146,461 |
| Other financial assets | *17* | 7,329 | – | – | 28,813 |
| Deferred tax assets | *26(b)* | – | 64 | 114 | – |
| Prepayment for property, plant and equipment | | 621 | 2,620 | 2,846 | 21,654 |
| | | 577,791 | 709,619 | 1,197,649 | 1,315,639 |
| **Current assets** | | | | | |
| Inventories | *18* | 9,212 | 10,901 | 11,819 | 13,222 |
| Current biological assets | *12* | 132,695 | 152,274 | 270,177 | 314,547 |
| Trade and bills receivables | *19* | 12,672 | 27,015 | 10,918 | 12,872 |
| Prepayments, deposits and other receivables | *20* | 9,522 | 19,280 | 30,232 | 36,134 |
| Amounts due from related parties | *34* | 650 | 1,620 | 12,800 | – |
| Cash and cash equivalents | *21* | 13,786 | 20,959 | 124,439 | 149,816 |
| | | 178,537 | 232,049 | 460,385 | 526,591 |
| **Current liabilities** | | | | | |
| Trade payables | *22* | 24,998 | 29,170 | 14,636 | 25,472 |
| Accruals and other payables | *23* | 77,960 | 102,890 | 200,915 | 142,213 |
| Interest-bearing borrowings | *24(a)* | 119,234 | 146,516 | 196,745 | 168,482 |
| Amounts due to related parties | *34* | 2,910 | 1,566 | 16,050 | 30,950 |
| Lease liabilities | *25* | 2,043 | 4,852 | 9,678 | 17,905 |
| Current taxation | *26(a)* | 1,554 | 4,596 | 855 | 1,130 |
| | | 228,699 | 289,590 | 438,879 | 386,152 |

| | Note | At 31 December 2017 RMB'000 | At 31 December 2018 RMB'000 | At 31 December 2019 RMB'000 | At 30 April 2020 RMB'000 |
|---|---|---|---|---|---|
| **Net current (liabilities)/assets** | | (50,162) | (57,541) | 21,506 | 140,439 |
| **Total assets less current liabilities** | | 527,629 | 652,078 | 1,219,155 | 1,456,078 |
| **Non-current liabilities** | | | | | |
| Interest-bearing borrowings | *24(b)* | 67,800 | 110,549 | 103,343 | 93,635 |
| Leases liabilities | *25* | 18,604 | 49,324 | 222,553 | 218,993 |
| Deferred tax liabilities | *26(b)* | 164 | 2,306 | 2,165 | 7,068 |
| Deferred income | *27* | 24,608 | 33,364 | 47,878 | 47,321 |
| | | 111,176 | 195,543 | 375,939 | 367,017 |
| **NET ASSETS** | | 416,453 | 456,535 | 843,216 | 1,089,061 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | *28* | 57,939 | 115,878 | 115,878 | 115,878 |
| Reserves | | 358,514 | 340,858 | 711,124 | 945,854 |
| **Total equity attributable to equity shareholders of the Company** | | 416,453 | 456,736 | 827,002 | 1,061,732 |
| **Non-controlling interests** | | – | (201) | 16,214 | 27,329 |
| **TOTAL EQUITY** | | 416,453 | 456,535 | 843,216 | 1,089,061 |

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

*(Expressed in RMB)*

| | | At 31 December | | | At 30 April |
|---|---|---|---|---|---|
| | *Note* | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | | |
| Other property, plant and equipment | *11* | 133,646 | 160,821 | 227,865 | 242,375 |
| Non-current biological assets | *12* | 20,960 | 23,339 | 21,960 | 36,825 |
| Intangible assets | *13* | 2,458 | 2,362 | 1,986 | 1,948 |
| Interests in subsidiaries | *14* | 79,593 | 124,887 | 257,697 | 324,367 |
| Interests in associates | | 48,502 | 57,252 | 84,646 | 94,494 |
| Interests in joint ventures | | 124,310 | 126,410 | 90,410 | 89,540 |
| Other financial assets | *17* | 7,329 | – | – | 28,813 |
| Prepayments for property, plant and equipment | | 301 | 437 | 955 | 396 |
| | | 417,099 | 495,508 | 685,519 | 818,758 |
| **Current assets** | | | | | |
| Inventories | *18* | 3,811 | 1,570 | 3,167 | 3,904 |
| Current biological assets | *12* | 66,178 | 60,974 | 130,038 | 135,354 |
| Trade and bills receivables | *19* | 8,200 | 8,892 | 4,997 | 5,731 |
| Prepayment, deposits and other receivables | *20* | 6,779 | 13,887 | 25,249 | 29,999 |
| Amounts due from related parties | *34* | 35,120 | 54,496 | 87,610 | 39,945 |
| Cash and cash equivalents | *21* | 7,611 | 5,710 | 94,207 | 128,460 |
| | | 127,699 | 145,529 | 345,268 | 343,393 |
| **Current liabilities** | | | | | |
| Trade payables | *22* | 12,361 | 8,941 | 3,860 | 9,426 |
| Accruals and other payables | *23* | 46,047 | 45,713 | 109,193 | 61,263 |
| Interest-bearing borrowings | *24(a)* | 88,350 | 93,165 | 140,931 | 124,655 |
| Amounts due to related parties | *34* | 53,428 | 57,228 | 147,271 | 237,085 |
| Lease liabilities | *25* | 1,025 | 2,985 | 4,202 | 7,090 |
| Current taxation | *26(a)* | 1,554 | 2,054 | 787 | 787 |
| | | 202,765 | 210,086 | 406,244 | 440,306 |

| | Note | At 31 December | | | At 30 April |
|---|---|---|---|---|---|
| | *Note* | **2017** | **2018** | **2019** | **2020** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Net current liabilities** | | (75,066) | (64,557) | (60,976) | (96,913) |
| **Total assets less current liabilities** | | 342,033 | 430,951 | 624,543 | 721,845 |
| **Non-current liabilities** | | | | | |
| Interest-bearing borrowings | *24(b)* | 50,000 | 81,707 | 90,376 | 84,983 |
| Leases liabilities | *25* | 5,443 | 29,722 | 44,947 | 41,117 |
| Deferred tax liabilities | *26(b)* | 164 | – | – | 4,951 |
| Deferred income | *27* | 9,074 | 10,831 | 26,136 | 25,838 |
| | | 64,681 | 122,260 | 161,459 | 156,889 |
| **NET ASSETS** | | 277,352 | 308,691 | 463,084 | 564,956 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | *28* | 57,939 | 115,878 | 115,878 | 115,878 |
| Reserves | | 219,413 | 192,813 | 347,206 | 449,078 |
| **TOTAL EQUITY** | | 277,352 | 308,691 | 463,084 | 564,956 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(Expressed in RMB)*

| | | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | PRC statutory reserve | Other reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note* | *28(c)* | *28(d)(i)* | *28(d)(ii)* | *28(d)(iii)* | | | | |
| **Balance at 1 January 2017** | | 54,936 | 42,661 | 5,286 | – | 155,218 | 258,101 | 89 | 258,190 |
| **Changes in equity for 2017:** | | | | | | | | | |
| Profit for the year | | – | – | – | – | 156,287 | 156,287 | 2,393 | 158,680 |
| Total comprehensive income | | – | – | – | – | 156,287 | 156,287 | 2,393 | 158,680 |
| Issue of ordinary shares | *28(c)* | 3,003 | 50,821 | – | – | – | 53,824 | – | 53,824 |
| Acquisition of non-controlling interests | *30* | – | – | – | (5,408) | – | (5,408) | (2,482) | (7,890) |
| Appropriation to reserve | *28(d)* | – | – | 10,531 | – | (10,531) | – | – | – |
| Dividends declared and paid during the year | *28(b)* | – | – | – | – | (46,351) | (46,351) | – | (46,351) |
| **Balance at 31 December 2017** | | 57,939 | 93,482 | 15,817 | (5,408) | 254,623 | 416,453 | – | 416,453 |
| **Balance at 1 January 2018** | | 57,939 | 93,482 | 15,817 | (5,408) | 254,623 | 416,453 | – | 416,453 |
| **Changes in equity for 2018:** | | | | | | | | | |
| Profit for the year | | – | – | – | – | 40,283 | 40,283 | (201) | 40,082 |
| Total comprehensive income | | – | – | – | – | 40,283 | 40,283 | (201) | 40,082 |
| Appropriation to reserve | | – | – | 1,697 | – | (1,697) | – | – | – |
| Stock dividend | *28(b)* | 57,939 | – | – | – | (57,939) | – | – | – |
| **Balance at 31 December 2018** | | 115,878 | 93,482 | 17,514 | (5,408) | 235,270 | 456,736 | (201) | 456,535 |

| | | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | PRC statuary reserve | Other reserve | Retained profits | Total | Non-controlling interest | Total equity |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note* | *28(c)* | *28(d)(i)* | *28(d)(ii)* | *28(d)(iii)* | | | | |
| **Balance at 1 January 2019** | | 115,878 | 93,482 | 17,514 | (5,408) | 235,270 | 456,736 | (201) | 456,535 |
| **Changes in equity for 2019:** | | | | | | | | | |
| Profit for the year | | – | – | – | – | 486,143 | 486,143 | (644) | 485,499 |
| Total comprehensive income | | – | – | – | – | 486,143 | 486,143 | (644) | 485,499 |
| Appropriation to reserve | | – | – | 26,690 | – | (26,690) | – | – | – |
| Capital contributions from non-controlling equity owners of subsidiaries | | – | – | – | – | – | – | 15,510 | 15,510 |
| Business combination | *29(b)* | – | – | – | – | – | – | 1,549 | 1,549 |
| Dividends declared during the year | *28(b)* | – | – | – | – | (115,877) | (115,877) | – | (115,877) |
| **Balance at 31 December 2019** | | 115,878 | 93,482 | 44,204 | (5,408) | 578,846 | 827,002 | 16,214 | 843,216 |

| | | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | PRC statuary reserve | Other reserve | Retained profits | Total | Non-controlling interest | Total equity |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note* | *28(c)* | *28(d)(i)* | *28(d)(ii)* | *28(d)(iii)* | | | | |
| **Balance at 1 January 2019** | | 115,878 | 93,482 | 17,514 | (5,408) | 235,270 | 456,736 | (201) | 456,535 |
| **Changes in equity for four months ended 30 April 2019** | | | | | | | | | |
| Profit for the period (unaudited) | | – | – | – | – | 34,900 | 34,900 | (51) | 34,849 |
| Total comprehensive income (unaudited) | | – | – | – | – | 34,900 | 34,900 | (51) | 34,849 |
| **Balance at 30 April 2019 (unaudited)** | | 115,878 | 93,482 | 17,514 | (5,408) | 270,170 | 491,636 | (252) | 491,384 |

| | | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | PRC statuary reserve | Other reserve | Retained profits | Total | Non-controlling interest | Total equity |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note* | *28(c)* | *28(d)(i)* | *28(d)(ii)* | *28(d)(iii)* | | | | |
| **Balance at 1 January 2020** | | 115,878 | 93,482 | 44,204 | (5,408) | 578,846 | 827,002 | 16,214 | 843,216 |
| **Changes in equity for four months ended 30 April 2020** | | | | | | | | | |
| Profit for the period | | – | – | – | – | 234,730 | 234,730 | (675) | 234,055 |
| Total comprehensive income | | – | – | – | – | 234,730 | 234,730 | (675) | 234,055 |
| Acquisition of non-controlling interests | | – | – | – | – | – | – | (1,210) | (1,210) |
| Capital contributions from non-controlling equity owners of subsidiaries | | – | – | – | – | – | – | 13,000 | 13,000 |
| **Balance at 30 April 2020** | | 115,878 | 93,482 | 44,204 | (5,408) | 813,576 | 1,061,732 | 27,329 | 1,089,061 |

## CONSOLIDATED CASH FLOW STATEMENTS

*(Expressed in RMB)*

| | Note | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|---|
| | | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Profit before taxation | | 159,611 | 44,887 | 488,561 | 35,010 | 240,488 |
| Adjustments for: | | | | | | |
| Depreciation charge on investment property and other property, plant and equipment | 6(c) | 15,381 | 20,858 | 30,313 | 9,408 | 15,695 |
| Amortisation of intangible assets | 6(c) | 226 | 379 | 440 | 127 | 150 |
| Finance costs | 6(a) | 19,188 | 23,905 | 32,968 | 10,725 | 14,197 |
| Interest income | 5 | (136) | (490) | (2,477) | (455) | (774) |
| Net realised and unrealised gains on other financial assets | 5 | (657) | (3,671) | – | – | – |
| Gain on remeasurement of interest in associates to other financial assets | 5 | – | – | – | – | (9,692) |
| Share of profits less losses of associates | | (6,784) | 1,371 | (43,468) | (11,208) | (3,347) |
| Share of profits less losses of joint ventures | | (29,989) | 6,751 | (40,889) | 7,675 | (16,192) |
| Loss/(gain) on disposal or acquisition of interests in joint ventures or associates | 5 | 147 | (3,218) | 3,321 | – | – |
| Net loss on sale of property, plant and equipment | 5 | 9,267 | 65 | 69 | – | – |
| Net changes in fair value of biological assets | | (21,172) | (5,965) | (140,568) | (4,036) | (27,846) |
| Impairment on investment on associate | 5 | 8,000 | – | – | – | – |
| Government grants | 5 | (4,971) | (2,657) | (10,132) | (678) | (731) |
| **Changes in working capital:** | | | | | | |
| (Increase)/decrease in inventories | | (1,356) | (1,550) | (835) | 763 | (1,403) |
| (Increase)/decrease in biological assets | | (32,237) | (46,788) | 2,007 | 2,629 | (18,731) |
| (Increase)/decrease in trade and bills receivables | | (4,827) | (4,645) | 16,162 | (2,120) | (1,954) |
| Decrease/(increase) in prepayments, deposits and other receivables | | 9,172 | 16,683 | (2,728) | (5,506) | 1,528 |

| | Note | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|---|
| | | **2017** | **2018** | **2019** | **2019** | **2020** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Increase/(decrease) in trade payables | | 14,269 | 2,896 | (15,654) | (127) | 10,836 |
| Increase/(decrease) in accruals and other payables | | 16,956 | (3,884) | 1,861 | 1,738 | 11,178 |
| **Cash generated from operations** | | 150,088 | 44,927 | 318,951 | 43,945 | 213,402 |
| Tax paid | *26(a)* | – | (2,148) | (6,994) | (2,364) | (1,141) |
| **Net cash generated from operating activities** | | 150,088 | 42,779 | 311,957 | 41,581 | 212,261 |
| **Investing activities** | | | | | | |
| Acquisition of a subsidiary, net of cash acquired | *29* | – | (33,892) | (15,471) | – | – |
| Additional investment in associates and joint ventures | | (35,301) | (14,500) | (31,189) | (1,036) | (20,180) |
| Proceeds from disposal of joint ventures | | 2,779 | 3,900 | 17,202 | 2,988 | – |
| Dividends received from interests in associates and joint ventures | | 117 | 2,117 | 6,646 | 728 | 2,821 |
| Government grants received | | 4,543 | 11,538 | 24,594 | 216 | 158 |
| Disposal of other financial assets | | – | 10,800 | 200 | – | – |
| Interest received | | 136 | 140 | 2,500 | 759 | 1,077 |
| Payment for the purchase of investment property and other property, plant and equipment | | (89,715) | (60,861) | (134,569) | (17,160) | (84,551) |
| Purchase of intangible assets | | (620) | (319) | (299) | – | (92) |
| Proceeds from disposal of investment property and other property, plant and equipment | | 2,081 | 850 | 310 | – | 3 |
| Gross amounts of advances to the related parties | | (102) | (1,100) | (87,057) | (41,900) | – |
| Gross amounts of repayments from the related parties | | 2,801 | 130 | 31,684 | – | 12,800 |
| **Net cash used in investing activities** | | (113,281) | (81,197) | (185,449) | (55,405) | (87,964) |

| | Note | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|---|
| | | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Financing activities** | | | | | | |
| Proceeds from new interest-bearing borrowings | *21(b)* | 115,680 | 185,115 | 210,799 | 156,911 | – |
| Prepayment for listing expenses | | – | (925) | (9,274) | (1,099) | (7,734) |
| Purchase of non-controlling interest | *30* | – | – | (4,000) | (4,000) | (1,210) |
| Dividend paid | *28(b)* | (46,351) | – | (2,158) | – | (66,493) |
| Issue of ordinary shares | *28(c)* | 53,824 | – | – | – | – |
| Capital contributions from non-controlling equity owners of subsidiaries | | – | – | 15,510 | – | 13,000 |
| Repayment of interest-bearing borrowings | *21(b)* | (153,689) | (117,562) | (190,776) | (125,760) | (37,971) |
| Interest paid | *21(b)* | (16,716) | (17,420) | (28,924) | (10,447) | (7,616) |
| Repayment of the interests of lease liabilities | *21(b)* | (1,466) | (3,126) | (8,373) | (2,247) | (8,300) |
| Repayment of the capital of lease liabilities | *21(b)* | (3,278) | (2,853) | (20,316) | (1,668) | (696) |
| Gross amounts of advances from the related parties | | 1,416 | 2,590 | 16,073 | – | 18,100 |
| Gross amounts of repayments to the related parties | | (3,976) | (228) | (1,589) | (1,566) | – |
| **Net cash (used in)/generated from financing activities** | | (54,556) | 45,591 | (23,028) | 10,124 | (98,920) |
| **Net (decrease)/increase in cash and cash equivalents** | | (17,749) | 7,173 | 103,480 | (3,700) | 25,377 |
| **Cash and cash equivalents at 1 January** | *21(a)* | 31,535 | 13,786 | 20,959 | 20,959 | 124,439 |
| **Cash and cash equivalents at 31 December/30 April** | *21(a)* | 13,786 | 20,959 | 124,439 | 17,259 | 149,816 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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

四川天兆豬業股份有限公司 (Sichuan Tianzow Breeding Technology Co., Ltd) (the "Company") was established on 10 November 2004 in the People's Republic of China (the "PRC") as a private-owned enterprise with limited liability. The Company was registered in Jialing District, Nanchong City, Sichuan Province and is previously known as 四川省天兆畜牧科技有限公司 (Sichuan Tianzow Husbandry Technology Company Limited) before it was converted into a joint stock company on 20 June 2016.

Mr. Yu Ping and Ms. Tan Jin are the Company's executive directors. As at 30 April 2020, the Company is directly controlled by 重慶天兆食品有限公司 (Chongqing Tianzow Food Co., Ltd) ("Tianzow Food"), which was controlled by Mr. Yu Ping and Ms. Tan Jin through 重慶天生物業(集團)有限公司 (Chongqing Tiansheng Real Estate (Group) Co., Ltd) ("Tianson Real Estate"), in which Mr. Yu held as to 80% and Ms. Tan held as to 20%. As such, each of Mr. Yu Ping, Ms. Tan Jin, Tianzow Food and Tianson Real Estate are considered as a group of controlling shareholders of the Company (the "Controlling Shareholders").

The Company and its subsidiaries are principally engaged in: (i) providing breeding stock and market hogs; (ii) providing ancillary products and services such as compound premix and pig farming services; and (iii) sales of fresh meat business.

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective during the Track Record Period, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from contracts with customers* and IFRS 16 *Leases*, consistently throughout the Track Record Period. The Group has not adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2020 except IFRS 16 amendment. The new and revised accounting standards and interpretations issued but not yet effective or adopted for the accounting period beginning on 1 January 2020 are set out in Note 38.

As at 30 April 2020, the Company had net current liabilities of RMB96,913,000. The Historical Financial Information has been prepared on a going concern basis, because the directors of the Company are of the opinion that based on a cash flow forecast of the Company for the twelve months ending 30 April 2021 prepared by the management, the Company would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 30 April 2020. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of measurement

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

– other investment in debt and equity securities (see Note 2(f));

– biological assets (see Note 2(g)).

### (b) Use of estimates and judgements

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

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

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

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

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

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

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

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

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

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

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

**(d) Associates and joint ventures**

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

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(l)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

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

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

**(e) Goodwill**

Goodwill represents the excess of:

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

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

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

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

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

**(f) Other investment in debt and equity securities**

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

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

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

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

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

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

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

***(ii) Equity investments***

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

**(g) Biological assets**

The biological assets of the Group include piglets, nursery pigs, growers, gilts and studs which are classified as current assets, and breeding stock held for own use which is used to produce hogs and classified as non-current assets of the Group.

Biological assets are measured at fair value less costs of disposals.

The feeding costs and other related costs such as staff costs, depreciation and amortisation expenses and utilities cost incurred for raising gilts and studs are capitalised until the gilts and studs begin to mate and transfer to the Group of breeding stock. Such costs incurred for breeding stock are also capitalised while upon pregnancy and transferred to the piglets farrowed.

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

**(h) Investment property**

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at its cost less any accumulated depreciation and any accumulated impairment losses (see Note 2(l)(ii)) at the end of the reporting period. Rental income from investment properties is accounted for as described in Note 2(v)(iv).

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

| | **Estimated useful lives** |
|---|---|
| Investment property | 20 – 30 years |

**(i) Other property, plant and equipment**

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

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

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

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

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

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

| | **Estimated useful lives** |
|---|---|
| Plant and buildings | 20 – 30 years |
| Right-of-use assets | Over the term of lease |
| Machinery and equipment | 5 – 10 years |
| Vehicles, furniture, and others | 3 – 5 years |

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

**(j) Leased assets**

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

***(i) As a leasee***

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

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

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

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

The lease liability is remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

The Group presents right-of-use assets in "other property, plant and equipment" and presents lease liabilities separately in the statement financial position.

*(ii) As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(v)(iv).

**(k) Intangible assets (other than goodwill)**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(l)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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

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

| | |
|---|---|
| Software | 5-10 years |
| Patents and trademarks | 5-10 years |

Both the period and method of amortisation are reviewed annually.

**(l) Credit losses and impairment of assets**

***(i) Credit losses from financial instruments***

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

– Financial assets measured at amortised cost (including cash and cash equivalents, trade and bills receivables, and prepayment, deposits and other receivables);

– Contract assets as defined in IFRS 15 (see Note 2(m));

Other financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

*Measurement of ECLs*

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

*Significant increases in credit risk*

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

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

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

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

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

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

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

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

*Basis of calculation of interest income*

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

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

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

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

*Write-off policy*

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

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

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

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

Financial guarantees issued are initially recognised within "accruals and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where financial guarantees in relation to loans of joint ventures and associates are provided for no such consideration received or receivable, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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

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

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

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

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

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

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

– investment property;

– intangible assets;

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position, and

– prepayment for property, plant, and equipment.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

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

**(m) Contract assets and contract liabilities**

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

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

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

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

**(n) Trade and other receivables**

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

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

**(o) Inventories**

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

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

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

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

**(p) Cash and cash equivalents**

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

**(q) Trade and other payables**

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

**(r) Interest-bearing borrowings**

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

**(s) Employee benefits**

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

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

***(ii) Termination benefits***

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

**(t) Income tax**

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

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

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

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

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

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

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

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

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

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

  – the same taxable entity; or

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

**(u) Provisions and contingent liabilities**

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

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

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

***(ii) Onerous contracts***

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

**(v) Revenue and other income**

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

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

*(i) Sale of goods*

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

*(ii) Rendering of services*

Revenue from consultancy services and other services rendered is recognised upon the delivery or performance of the services.

*(iii) Interest income*

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

*(iv) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

*(v) Dividends*

Dividend income from unlisted investments is recognised when the equity holder's right to receive payment is established.

*(vi) Government grants*

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

**(w) Borrowing costs**

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

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

**(x) Related parties**

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

**(y) Segment reporting**

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

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

## 3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 12 and Note 31 contains information about the assumptions and their risk factors relating to fair value of biological assets and financial instruments. Other key source of estimation uncertainty is as follows:

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

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

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

**(b) Expected credit loss for trade receivables**

The impairment provisions for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, set Note 31(a). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of profit or loss.

**(c) Depreciation**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets after taking into account the anticipated changes on how such assets are to be deployed in the future. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

## 4 REVENUE

**(a) Revenue**

The Group generate revenue from: (i) providing breeding stock and market hogs; (ii) providing ancillary products and services such as compound premix and pig farming services; and (iii) sales of fresh meat business.

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Revenue from contracts with customers (within the scope of IFRS 15) | | | | | |
| Sales of goods: | | | | | |
| Sales of pigs | 449,837 | 352,970 | 694,055 | 158,836 | 333,350 |
| Sales of fresh meat | – | 53,282 | 53,205 | 18,431 | 8,295 |
| Sales of ancillary products | 16,642 | 33,115 | 26,476 | 10,402 | 8,550 |
| Rendering services: | | | | | |
| Ancillary services | 8,046 | 8,757 | 9,409 | 1,789 | 1,454 |
| Revenue from other resources | | | | | |
| Rental income from investment property holding operations | – | 742 | 973 | 442 | 276 |
| | 474,525 | 448,866 | 784,118 | 189,900 | 351,925 |

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenues in the respective years/periods are set out below:

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Customer A | 64,639 | –* | – | – | – |
| Customer B | 60,113 | –* | 132,558 | –* | –* |
| Customer C | 55,233 | 50,576 | – | – | – |
| Customer D | – | –* | –* | –* | 66,496 |

* Transactions from these customers did not exceed 10% of the Group's revenue in the respective year/periods.

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

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

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

Details of concentration of credit risk from the Group's customers are set out is Note 31(a).

**(b) Segment reporting**

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

- Pig selling

  Sales of breeding stocks and market hogs

- Sales of fresh meat

  Sales of fresh pork

- Ancillary products and services

  Sales of compound premix feed and provision of pig farming services and others *(i) Segment results*

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

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

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

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

| | Year ended 31 December 2017 | | | |
|---|---|---|---|---|
| | **Pig selling** | **Sales of fresh meat** | **Ancillary products and services** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Disaggregated by timing of revenue recognition | | | | |
| Point in time | 449,837 | – | 16,642 | 466,479 |
| Over time | – | – | 8,046 | 8,046 |
| Revenue from external customer | 449,837 | – | 24,688 | 474,525 |
| Inter-segment revenue | – | – | 13,355 | 13,355 |
| Reportable segment revenue | 449,837 | – | 38,043 | 487,880 |
| Segment gross profit before biological assets fair value adjustments | 161,853 | – | 14,400 | 176,253 |
| Biological assets fair value adjustments | – | – | – | – |
| Reportable segment gross profit | 161,853 | – | 14,400 | 176,253 |

| | Year ended 31 December 2018 | | | |
|---|---|---|---|---|
| | Pig selling | Sales of fresh meat | Ancillary products and services | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Disaggregated by timing of revenue recognition | | | | |
| Point in time | 352,970 | 53,282 | 33,115 | 439,367 |
| Over time | – | – | 9,499 | 9,499 |
| Revenue from external customer | 352,970 | 53,282 | 42,614 | 448,866 |
| Inter-segment revenue | 35,922 | – | 22,420 | 58,342 |
| Reportable segment revenue | 388,892 | 53,282 | 65,034 | 507,208 |
| Segment gross profit before biological assets fair value adjustments | 72,671 | 434 | 34,369 | 107,474 |
| Biological assets fair value adjustments | (2,809) | – | – | (2,809) |
| Reportable segment gross profit | 69,862 | 434 | 34,369 | 104,665 |

| | Year ended 31 December 2019 | | | |
|---|---|---|---|---|
| | Pig selling | Sales of fresh meat | Ancillary products and services | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Disaggregated by timing of revenue recognition | | | | |
| Point in time | 694,055 | 53,205 | 26,476 | 773,736 |
| Over time | – | – | 10,382 | 10,382 |
| Revenue from external customer | 694,055 | 53,205 | 36,858 | 784,118 |
| Inter-segment revenue | 30,763 | – | 33,479 | 64,242 |
| Reportable segment revenue | 724,818 | 53,205 | 70,337 | 848,360 |
| Segment gross profit before biological assets fair value adjustments | 353,135 | 3,448 | 37,323 | 393,906 |
| Biological assets fair value adjustments | (4,896) | – | – | (4,896) |
| Reportable segment gross profit | 348,239 | 3,448 | 37,323 | 389,010 |

| | Four months ended 30 April 2019 | | | |
|---|---|---|---|---|
| | Pig selling | Sales of fresh meat | Ancillary products and services | Total |
| | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) |
| Disaggregated by timing of revenue recognition | | | | |
| Point in time | 158,836 | 18,431 | 10,402 | 187,669 |
| Over time | – | – | 2,231 | 2,231 |
| Revenue from external customer | 158,836 | 18,431 | 12,633 | 189,900 |
| Inter-segment revenue | 10,311 | – | 8,947 | 19,258 |
| Reportable segment revenue | 169,147 | 18,431 | 21,580 | 209,158 |
| Segment gross profit before biological assets fair value adjustments | 45,522 | 1,088 | 12,638 | 59,248 |
| Biological assets fair value adjustments | (1,011) | – | – | (1,011) |
| Reportable segment gross profit | 44,511 | 1,088 | 12,638 | 58,237 |

| | Four months ended 30 April 2020 | | | |
|---|---|---|---|---|
| | Pig selling | Sales of fresh meat | Ancillary products and services | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Disaggregated by timing of revenue recognition | | | | |
| Point in time | 333,350 | 8,295 | 8,550 | 350,195 |
| Over time | – | – | 1,730 | 1,730 |
| Revenue from external customer | 333,350 | 8,295 | 10,280 | 351,925 |
| Inter-segment revenue | 5,917 | 462 | 13,272 | 19,651 |
| Reportable segment revenue | 339,267 | 8,757 | 23,552 | 371,576 |
| Segment gross profit before biological assets fair value adjustments | 229,807 | 315 | 12,495 | 242,617 |
| Biological assets fair value adjustments | (3,570) | – | – | (3,570) |
| Reportable segment gross profit | 226,237 | 315 | 12,495 | 239,047 |

*(ii) Reconciliations of reportable segment gross profit*

| | Years ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Reportable segment profit (gross profit) | 176,253 | 104,665 | 389,010 | 58,237 | 239,047 |
| Elimination of inter-segment profit | (3,369) | (5,463) | (9,443) | (6,061) | (10,610) |
| Consolidated gross profit | 172,884 | 99,202 | 379,567 | 52,176 | 228,437 |

**(c) Geographic information**

The Group's revenue is substantially generated from the sales of breeding stock and market hogs, fresh meat and ancillary products and services in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

## 5 OTHER NET (LOSS)/GAIN

An analysis of other net (loss)/gain is as follows:

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Reversal/(recognition) of expected credit loss | 470 | (7) | 533 | (197) | (7,129) |
| Net loss on sale of property, plant and equipment | (9,267) | (65) | (69) | – | – |
| Net loss on biological assets* | – | – | (33,603) | – | – |
| Government grants *(Note 27)* | 4,971 | 2,657 | 10,132 | 678 | 731 |
| Net (loss)/gain on disposal or acquisition of interests in joint ventures or associates | (147) | 3,218 | (3,321) | – | – |
| Interest income | 136 | 490 | 2,477 | 455 | 774 |
| Impairment on investment in an associate | (8,000) | – | – | – | – |
| Net realised and unrealised gain on other financial assets | 657 | 3,671 | – | – | – |
| Gain on remeasurement of interest in associates to other financial assets | – | – | – | – | 9,692 |
| Insurance compensation | – | 4,607 | – | – | – |
| Donations | – | – | – | – | (4,470) |
| Others | (1,810) | (915) | (1,611) | (32) | (1,228) |
| | (12,990) | 13,656 | (25,462) | 904 | (1,630) |

* The net loss on biological assets includes the loss due to virulent diseases of RMB31,234,000 in 2019.

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Interest on interest-bearing borrowings *(Note 21(b))* | 17,936 | 20,779 | 27,939 | 9,305 | 7,140 |
| Interest on lease liabilities (*Note 11(b) and Note 21(b))* | 1,466 | 3,126 | 8,373 | 2,247 | 8,300 |
| | 19,402 | 23,905 | 36,312 | 11,552 | 15,440 |
| Less: interest expense capitalised* | (214) | – | (3,344) | (827) | (1,243) |
| | 19,188 | 23,905 | 32,968 | 10,725 | 14,197 |

* The borrowing costs have been capitalised at rates of 4.75%, nil, 7.50%, 7.50% (unaudited) and 7.50% per annum in 2017, 2018, and 2019 and the four months ended 30 April 2019 and 2020, respectively.

### (b) Staff costs

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries, wages and other benefits | 40,251 | 37,294 | 51,785 | 14,330 | 15,391 |
| Contributions to defined contribution retirement schemes | 2,754 | 2,380 | 3,187 | 1,506 | 998 |
| | 43,005 | 39,674 | 54,972 | 15,836 | 16,389 |

The employees of the entities comprising the Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these entities are required to contribute to the scheme at a rate of 16%-20% of the minimum local base of retirement schemes. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

**(c) Other items**

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Amortisation cost of intangible assets *(Note 13)*# | 226 | 379 | 440 | 127 | 150 |
| Depreciation charge# | | | | | |
| – Investment property and other property, plant and equipment *(Note 11)* | 15,381 | 20,858 | 30,313 | 9,408 | 15,695 |
| Expense relating to short-term leases | 354 | 186 | 245 | 72 | 103 |
| Auditors' remuneration | | | | | |
| – statutory audit services | 200 | 200 | 200 | 50 | 50 |
| Cost of inventories# | 296,808 | 345,860 | 393,728 | 135,452 | 121,969 |

# Cost of inventories includes RMB33,734,000, RMB41,604,000, RMB42,062,000, RMB15,310,000 (unaudited) and RMB15,793,000 relating to staff costs, depreciation and amortisation expenses for the years ended 31 December 2017, 2018 and 2019 and four months ended 30 April 2019 and 2020 respectively, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

**(a) Taxation in the consolidated statement of profit or loss represents:**

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Current tax** | | | | | |
| Provision for the year/period | 767 | 5,102 | 3,253 | 272 | 1,416 |
| **Deferred tax** | | | | | |
| Origination and reversal of temporary differences | 164 | (297) | (191) | (111) | 5,017 |
| | 931 | 4,805 | 3,062 | 161 | 6,433 |

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

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Profit before taxation | 159,611 | 44,887 | 488,561 | 35,010 | 240,488 |
| Notional tax on profit before taxation at PRC statutory tax rate | 39,903 | 11,222 | 122,140 | 8,753 | 60,122 |
| Tax effect of non-deductible expenses | 215 | 242 | 496 | 48 | 131 |
| Tax effect of interest in associates and joint ventures | (9,193) | 2,031 | (21,089) | (883) | (4,885) |
| Tax effect of unused tax losses and temporary differences not recognised | 340 | 363 | 1,698 | 455 | 2,171 |
| Tax effect of unused tax losses and temporary differences not recognised in previous years but utilised in current year/period | (634) | (855) | (703) | (96) | – |
| Tax concessions *(Note (ii))* | (29,700) | (8,198) | (99,480) | (8,116) | (51,106) |
| | 931 | 4,805 | 3,062 | 161 | 6,433 |

*Notes:*

(i) The Company and its subsidiaries established in the PRC and are subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.

(ii) Pursuant to the article 27 of Law of the People's Republic of China on Enterprise Income Tax (No. 63 Order of the President of the People's Republic of China), the Company and certain subsidiaries are entitled to full income tax exemptions on their animal husbandry business.

**8 Directors' and supervisors' emoluments**

Details of the emoluments of the directors and supervisors of the Company during the Track Record Period are as followings:

| | Year ended 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | Directors' and Supervisors' fee | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Directors** | | | | | |
| Yu Ping | – | 312 | 300 | 23 | 635 |
| Tan Jin | – | 336 | 154 | – | 490 |
| Yu ZhengBo | – | – | – | – | – |
| Dai Guoqun | – | 184 | 154 | 8 | 346 |
| Gong XueWen | – | 178 | 154 | 7 | 339 |
| **Supervisors** | | | | | |
| Mi Gang | – | – | – | – | – |
| Wen Xiaoping | – | 170 | 90 | 8 | 268 |
| Sun Quanxing | – | 162 | 108 | 7 | 277 |
| | – | 1,342 | 960 | 53 | 2,355 |

| | Year ended 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | Directors' and Supervisors' fee | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Directors** | | | | | |
| Yu Ping | – | 513 | 500 | 23 | 1,036 |
| Tan Jin | – | 416 | 300 | – | 716 |
| Yu ZhengBo | – | 150 | 100 | 4 | 254 |
| Dai GuoQun (resigned on 19 December 2018) | – | 314 | – | 8 | 322 |
| Gong XueWen (resigned on 3 May 2018) | – | 56 | 100 | 3 | 159 |
| Jin XiangYu (appointed on 3 May 2018) | – | – | – | – | – |
| Zhang Jian (appointed on 19 December 2018) | – | – | – | – | – |
| **Supervisors** | | | | | |
| Mi Gang | – | – | – | – | – |
| Wen XiaoPing | – | 182 | 36 | 8 | 226 |
| Sun QuanXing (resigned on 15 January 2018) | – | 23 | – | 1 | 24 |
| Yuan YouHua (appointed on 12 March 2018) | – | 307 | – | 8 | 315 |
| | – | 1,961 | 1,036 | 55 | 3,052 |

| | Year ended 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | Directors' and Supervisors' fee | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Directors** | | | | | |
| Yu Ping | – | 649 | 500 | 21 | 1,170 |
| Tan Jin | – | 456 | 300 | – | 756 |
| Yu ZhengBo | – | 305 | 200 | 7 | 512 |
| Jin XiangYu (resigned on 23 December 2019) | – | – | – | – | – |
| Zhang Jian (resigned on 20 September 2019) | – | – | – | – | – |
| Chen RongChuan (appointed on 21 September 2019) | – | 401 | 300 | 7 | 708 |
| Mi Gong (appointed on 24 December 2019) | – | – | – | – | – |
| **Supervisors** | | | | | |
| Mi Gang (resigned on 23 December 2019) | – | – | – | – | – |
| Wen Xiaoping (resigned on 18 June 2019) | – | 77 | – | 4 | 81 |
| Yuan Youhua (resigned on 18 June 2019) | – | 33 | – | 3 | 36 |
| Jiang Kunping (appointed on 19 June 2019) | – | – | – | – | – |
| Diao Ting (appointed on 19 June 2019 and resigned on 23 December 2019) | – | 224 | 57 | 7 | 288 |
| Wang Yi (appointed on 24 December 2019) | – | 5 | 2 | – | 7 |
| Huang Yuanling (appointed on 24 December 2019) | – | – | – | – | – |
| | – | 2,150 | 1,359 | 49 | 3,558 |

| | Four months ended 30 April 2019 (unaudited) | | | | |
|---|---|---|---|---|---|
| | **Directors' and Supervisors' fee** | **Salaries, allowances and benefits in kind** | **Discretionary bonuses** | **Retirement scheme contributions** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Directors** | | | | | |
| Yu Ping | – | 216 | – | 8 | 224 |
| Tan Jin | – | 152 | – | – | 152 |
| Yu Zhengbo | – | 98 | – | 2 | 100 |
| Jin Xiangyu | – | – | – | – | – |
| Zhang Jian | – | – | – | – | – |
| **Supervisors** | | | | | |
| Mi Gang | – | – | – | – | – |
| Wen Xiaoping | – | 61 | – | 3 | 64 |
| Yuan Youhua | – | 29 | – | 2 | 31 |
| | – | 556 | – | 15 | 571 |

| | Four months ended 30 April 2020 | | | | |
|---|---|---|---|---|---|
| | **Directors' and Supervisors' fee** | **Salaries, allowances and benefits in kind** | **Discretionary bonuses** | **Retirement scheme contributions** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Directors** | | | | | |
| Yu Ping | – | 215 | – | 3 | 218 |
| Tan Jin | – | 152 | – | – | 152 |
| Yu Zhengbo | – | 100 | – | – | 100 |
| Chen Rongchuan | – | 134 | – | 1 | 135 |
| Mi Gong | – | – | – | – | – |
| **Supervisors** | | | | | |
| Jiang Kunping | – | – | – | – | – |
| Wang Yi | – | 68 | – | 1 | 69 |
| Huang Yuanling | – | 28 | – | – | 28 |
| | – | 697 | – | 5 | 702 |

During the Track Record Period, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. No emoluments were paid to independent non-executive directors during the Track Record Period as the independent non-executive directors were appointed on 24 December 2019 and such appointment will be effective from date of the listing of the Company's shares on the Stock Exchange.

### 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, five, four, four, four (unaudited) and four are directors or supervisors for each of the years ended 31 December 2017, 2018 and 2019, and four months ended 30 April 2019 and 2020, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individual during the Track Record Period are as followings:

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries and other emoluments | – | 272 | 426 | 133 | 142 |
| Discretionary bonuses | – | 300 | 400 | – | – |
| Retirement scheme contributions | – | 45 | 7 | 3 | 1 |
| | – | 617 | 833 | 136 | 143 |

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

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *Number of individuals* | *Number of individuals* | *Number of individuals* | *Number of individuals* (unaudited) | *Number of individuals* |
| HKD Nil to HKD1,000,000 | – | 1 | 1 | 1 | 1 |

During the Track Record Period, no emoluments were paid by the Group to the individual as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10 EARNINGS PER SHARE

The calculation of the basic earnings per share during the Track Record Period is based on the profit attributable to equity shareholders of the Company of RMB156,287,000, RMB40,283,000, RMB486,143,000, RMB34,900,000 (unaudited) and RMB234,730,000 and the weighted average number of ordinary shares in issue of 113,180,000, 115,877,200, 115,877,200, 115,877,200 (unaudited) and 115,877,200 for the years ended 31 December 2017, 2018 and 2019 and for the four months ended 30 April 2019 and 2020, respectively.

*Weighted average number of ordinary shares*

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** (unaudited) | **2020** |
| Issued ordinary shares at 1 January | 54,936,000 | 57,938,600 | 115,877,200 | 115,877,200 | 115,877,200 |
| Effect of issue of ordinary shares *(Note 28(c))* | 1,654,000 | – | – | – | – |
| Effect of stock dividend *(Note 28(b))* | 56,590,000 | 57,938,600 | – | – | – |
| Weighted average number of ordinary shares at 31 December/ 30 April | 113,180,000 | 115,877,200 | 115,877,200 | 115,877,200 | 115,877,200 |

The Company did not have any potential dilutive shares throughout the Track Record Period. Accordingly, diluted earnings per share is the same as basic earnings per share.

## 11 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

*The Group*

| | Plant and buildings | Right-of-use assets | Machinery and equipment | Vehicles, furniture, and others | Construction in progress | Sub-total | Investment property | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | | | |
| At 1 January 2017 | 193,632 | 25,418 | 32,801 | 14,456 | 15,853 | 282,160 | – | 282,160 |
| Additions | 2,172 | 6,811 | 3,473 | 4,522 | 80,024 | 97,002 | – | 97,002 |
| Disposals | (8,797) | (1,435) | (3,268) | (2,100) | – | (15,600) | – | (15,600) |
| Transfer in/(out) | 31,375 | – | 9,191 | 991 | (41,557) | – | – | – |
| At 31 December 2017 | 218,382 | 30,794 | 42,197 | 17,869 | 54,320 | 363,562 | – | 363,562 |
| At 1 January 2018 | 218,382 | 30,794 | 42,197 | 17,869 | 54,320 | 363,562 | – | 363,562 |
| Additions | 2,199 | 36,576 | 1,400 | 2,005 | 69,107 | 111,287 | – | 111,287 |
| Disposals | (394) | (429) | (162) | (1,035) | – | (2,020) | – | (2,020) |
| Business combination *(Note 29(a))* | 11,767 | 4,200 | 1,828 | 340 | – | 18,135 | 5,736 | 23,871 |
| Transfer in/(out) | 76,070 | – | 11,766 | 709 | (88,545) | – | – | – |
| At 31 December 2018 | 308,024 | 71,141 | 57,029 | 19,888 | 34,882 | 490,964 | 5,736 | 496,700 |
| At 1 January 2019 | 308,024 | 71,141 | 57,029 | 19,888 | 34,882 | 490,964 | 5,736 | 496,700 |
| Additions | 2,450 | 197,256 | 2,795 | 13,231 | 149,532 | 365,264 | – | 365,264 |
| Disposals | – | (681) | (327) | (431) | – | (1,439) | – | (1,439) |
| Business combination *(Note 29(b))* | 37,390 | 18,822 | 5,196 | 2,791 | 1,799 | 65,998 | – | 65,998 |
| Transfer in/(out) | 44,750 | – | 5,820 | 1,195 | (51,765) | – | – | – |
| At 31 December 2019 | 392,614 | 286,538 | 70,513 | 36,674 | 134,448 | 920,787 | 5,736 | 926,523 |
| At 1 January 2020 | 392,614 | 286,538 | 70,513 | 36,674 | 134,448 | 920,787 | 5,736 | 926,523 |
| Additions | – | 5,506 | 1,991 | 3,677 | 59,994 | 71,168 | – | 71,168 |
| Disposals | – | – | – | (148) | – | (148) | – | (148) |
| Transfer in/(out) | 8,640 | – | 291 | 120 | (9,051) | – | – | – |
| At 30 April 2020 | 401,254 | 292,044 | 72,795 | 40,323 | 185,391 | 991,807 | 5,736 | 997,543 |
| **Accumulated depreciation:** | | | | | | | | |
| At 1 January 2017 | (14,987) | (5,927) | (7,495) | (7,304) | – | (35,713) | – | (35,713) |
| Charge for the year | (6,580) | (2,884) | (3,519) | (2,398) | – | (15,381) | – | (15,381) |
| Written back on disposals | 927 | 380 | 730 | 1,160 | – | 3,197 | – | 3,197 |
| At 31 December 2017 | (20,640) | (8,431) | (10,284) | (8,542) | – | (47,897) | – | (47,897) |
| At 1 January 2018 | (20,640) | (8,431) | (10,284) | (8,542) | – | (47,897) | – | (47,897) |
| Charge for the year | (8,785) | (4,177) | (4,895) | (2,777) | – | (20,634) | (224) | (20,858) |
| Written back on disposals | 125 | 185 | 69 | 482 | – | 861 | – | 861 |
| At 31 December 2018 | (29,300) | (12,423) | (15,110) | (10,837) | – | (67,670) | (224) | (67,894) |

| | Plant and buildings | Right-of-use assets | Machinery and equipment | Vehicles, furniture, and others | Construction in progress | Sub-total | Investment property | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2019 | (29,300) | (12,423) | (15,110) | (10,837) | – | (67,670) | (224) | (67,894) |
| Charge for the year | (10,818) | (10,006) | (6,067) | (3,027) | – | (29,918) | (395) | (30,313) |
| Written back on disposals | – | 415 | 86 | 293 | – | 794 | – | 794 |
| At 31 December 2019 | (40,118) | (22,014) | (21,091) | (13,571) | – | (96,794) | (619) | (97,413) |
| At 1 January 2020 | (40,118) | (22,014) | (21,091) | (13,571) | – | (96,794) | (619) | (97,413) |
| Charge for the period | (5,123) | (6,885) | (1,972) | (1,584) | – | (15,564) | (131) | (15,695) |
| Impairment loss | – | – | (1,465) | (248) | – | (1,713) | – | (1,713) |
| Written back on disposals | – | – | – | 145 | – | 145 | – | 145 |
| At 30 April 2020 | (45,241) | (28,899) | (24,528) | (15,258) | – | (113,926) | (750) | (114,676) |
| **Net book value:** | | | | | | | | |
| At 31 December 2017 | 197,742 | 22,363 | 31,913 | 9,327 | 54,320 | 315,665 | – | 315,665 |
| At 31 December 2018 | 278,724 | 58,718 | 41,919 | 9,051 | 34,882 | 423,294 | 5,512 | 428,806 |
| At 31 December 2019 | 352,496 | 264,524 | 49,422 | 23,103 | 134,448 | 823,993 | 5,117 | 829,110 |
| At 30 April 2020 | 356,013 | 263,145 | 48,267 | 25,065 | 185,391 | 877,881 | 4,986 | 882,867 |

*The Company*

| | Plant and buildings | Right-of-use assets | Machinery and equipment | Vehicles, furniture, and others | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | |
| At 1 January 2017 | 105,436 | 10,375 | 20,490 | 9,357 | 7,070 | 152,728 |
| Additions | 293 | 901 | 1,219 | 1,755 | 16,133 | 20,301 |
| Disposals | (7,846) | – | (2,761) | (1,040) | – | (11,647) |
| Transfer in/(out) | 5,095 | – | 5,164 | 589 | (10,848) | – |
| At 31 December 2017 | 102,978 | 11,276 | 24,112 | 10,661 | 12,355 | 161,382 |
| At 1 January 2018 | 102,978 | 11,276 | 24,112 | 10,661 | 12,355 | 161,382 |
| Additions | – | 27,159 | 244 | 387 | 9,004 | 36,794 |
| Disposals | – | (429) | (60) | (385) | – | (874) |
| Transfer in/(out) | 4,532 | – | 321 | 28 | (4,881) | – |
| At 31 December 2018 | 107,510 | 38,006 | 24,617 | 10,691 | 16,478 | 197,302 |
| At 1 January 2019 | 107,510 | 38,006 | 24,617 | 10,691 | 16,478 | 197,302 |
| Additions | 6 | 20,464 | 464 | 4,852 | 54,261 | 80,047 |
| Disposals | – | – | – | (410) | – | (410) |
| Transfer in/(out) | 39,228 | – | 608 | 390 | (40,226) | – |
| At 31 December 2019 | 146,744 | 58,470 | 25,689 | 15,523 | 30,513 | 276,939 |
| At 1 January 2020 | 146,744 | 58,470 | 25,689 | 15,523 | 30,513 | 276,939 |
| Additions | – | 1,428 | 1,966 | 1,603 | 14,566 | 19,563 |
| Disposals | – | – | – | (148) | – | (148) |
| Transfer in/(out) | 1,441 | – | 259 | 120 | (1,820) | – |
| At 30 April 2020 | 148,185 | 59,898 | 27,914 | 17,098 | 43,259 | 296,354 |
| **Accumulated depreciation:** | | | | | | |
| At 1 January 2017 | (8,899) | (2,247) | (5,537) | (4,900) | – | (21,583) |
| Charge for the year | (3,389) | (1,214) | (2,107) | (1,554) | – | (8,264) |
| Written back on disposals | 857 | – | 668 | 586 | – | 2,111 |
| At 31 December 2017 | (11,431) | (3,461) | (6,976) | (5,868) | – | (27,736) |
| At 1 January 2018 | (11,431) | (3,461) | (6,976) | (5,868) | – | (27,736) |
| Charge for the year | (3,285) | (2,335) | (2,351) | (1,323) | – | (9,294) |
| Written back on disposals | – | 185 | 26 | 338 | – | 549 |
| At 31 December 2018 | (14,716) | (5,611) | (9,301) | (6,853) | – | (36,481) |
| At 1 January 2019 | (14,716) | (5,611) | (9,301) | (6,853) | – | (36,481) |
| Charge for the year | (3,605) | (5,754) | (2,180) | (1,333) | – | (12,872) |
| Written back on disposals | – | – | – | 279 | – | 279 |
| At 31 December 2019 | (18,321) | (11,365) | (11,481) | (7,907) | – | (49,074) |

| | Plant and buildings | Right-of-use assets | Machinery and equipment | Vehicles, furniture, and others | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2020 | (18,321) | (11,365) | (11,481) | (7,907) | – | (49,074) |
| Charge for the period | (1,707) | (2,256) | (728) | (359) | – | (5,050) |
| Written back on disposals | – | – | – | 145 | – | 145 |
| At 30 April 2020 | (20,028) | (13,621) | (12,209) | (8,121) | – | (53,979) |
| **Net book value:** | | | | | | |
| At 31 December 2017 | 91,547 | 7,815 | 17,136 | 4,793 | 12,355 | 133,646 |
| At 31 December 2018 | 92,794 | 32,395 | 15,316 | 3,838 | 16,478 | 160,821 |
| At 31 December 2019 | 128,423 | 47,105 | 14,208 | 7,616 | 30,513 | 227,865 |
| At 30 April 2020 | 128,157 | 46,277 | 15,705 | 8,977 | 43,259 | 242,375 |

The Group's and the Company's investment property and other property, plant and equipment are all located in the PRC. The land use rights included in "Right-of use assets" represent premiums paid by the Group for land situated in the PRC. The lease terms of these land use rights ranged from 10 to 50 years.

Certain of the Group's property, plant and equipment in mainland China with an aggregate net carrying amount of RMB141,742,000, RMB208,768,000, RMB201,638,000, RMB183,234,000 and at 31 December 2017, 2018 and 2019 and 30 April 2020 respectively were used to secure certain bank borrowings of the Group (Note 24(d)).

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

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

| **The Group** | **At 31 December** | | | **At 30 April** |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Property leased for own use, carried at depreciation cost: | | | | |
| – Land use rights and leased land | 12,813 | 17,733 | 36,487 | 37,257 |
| – Pig farms and office buildings | 9,550 | 40,985 | 228,037 | 225,888 |
| | 22,363 | 58,718 | 264,524 | 263,145 |

| **The Company** | **At 31 December** | | | **At 30 April** |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Property leased for own use, carried at depreciation cost: | | | | |
| – Land use rights and leased land | 3,957 | 3,472 | 3,613 | 3,541 |
| – Pig farms and office buildings | 3,858 | 28,923 | 43,492 | 42,736 |
| | 7,815 | 32,395 | 47,105 | 46,277 |

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

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Depreciation charge of right of use assets by class of underlying assets: | | | | | |
| – Land use rights and leased land | 937 | 1,136 | 1,292 | 389 | 615 |
| – Pig farms and office buildings | 1,947 | 3,041 | 8,714 | 2,541 | 6,270 |
| | 2,884 | 4,177 | 10,006 | 2,930 | 6,885 |
| Interest on lease liabilities *(Note 6 (a))* | 1,466 | 3,126 | 8,373 | 2,247 | 8,300 |
| Expense relating to short-term leases | 354 | 186 | 245 | 72 | 103 |

Details of total cash outflow for leases and maturity analysis of lease liabilities are set out in notes 21(b) and 25, respectively.

**(c) Investment property**

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

The fair value of investment properties of the Group as at 31 December 2017, 2018 and 2019 and 30 April 2020 were RMB nil, RMB5,675,000, RMB5,632,000 and RMB5,527,000.

All the Group's investment properties are located in the PRC. The fair value measurement of the Group's investment properties is categorised into Level 3 of fair value measurement. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

The current use of the investment properties is their highest and best use.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | – | 372 | 264 | 224 |
| After 1 year but within 2 years | – | 170 | 178 | 163 |
| After 2 years but within 3 years | – | 155 | 155 | 155 |
| After 3 years | – | 242 | 85 | 33 |
| | – | 939 | 682 | 575 |

## 12 BIOLOGICAL ASSETS

| The Group | Non-current biological assets | Current biological assets | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2017 | 41,508 | 82,607 | 124,115 |
| Increase due to purchasing/raising/transfer | 17,946 | 293,137 | 311,083 |
| Decrease due to sales/transfer | (9,080) | (266,701) | (275,781) |
| Decrease due to disposal | (2,690) | (375) | (3,065) |
| Changes in fair value | (2,855) | 24,027 | 21,172 |
| At 31 December 2017 | 44,829 | 132,695 | 177,524 |
| At 1 January 2018 | 44,829 | 132,695 | 177,524 |
| Increase due to purchasing/raising/transfer | 37,836 | 349,599 | 387,435 |
| Decrease due to sales/transfer | (8,270) | (295,719) | (303,989) |
| Decrease due to disposal | (1,111) | (302) | (1,413) |
| Transfer to cost at the point of harvest | (4,401) | (30,844) | (35,245) |
| Changes in fair value | 9,120 | (3,155) | 5,965 |
| At 31 December 2018 | 78,003 | 152,274 | 230,277 |
| At 1 January 2019 | 78,003 | 152,274 | 230,277 |
| Increase due to purchasing/raising/transfer | 35,396 | 386,036 | 421,432 |
| Decrease due to sales/transfer | (24,447) | (326,033) | (350,480) |
| Decrease due to disposal | (13,051) | (29,388) | (42,439) |
| Transfer to cost at the point of harvest | (3,209) | (27,311) | (30,520) |
| Changes in fair value | 25,969 | 114,599 | 140,568 |
| At 31 December 2019 | 98,661 | 270,177 | 368,838 |
| At 1 January 2020 | 98,661 | 270,177 | 368,838 |
| Increase due to purchasing/raising/transfer | 8,663 | 135,890 | 144,553 |
| Decrease due to sales/transfer | (8,084) | (108,498) | (116,582) |
| Decrease due to disposal | (2,253) | (1,070) | (3,323) |
| Transfer to cost at the point of harvest | – | (5,917) | (5,917) |
| Changes in fair value | 3,881 | 23,965 | 27,846 |
| At 30 April 2020 | 100,868 | 314,547 | 415,415 |

| The Company | Non-current biological assets | Current biological assets | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2017 | 19,636 | 47,843 | 67,479 |
| Increase due to purchasing/raising/transfer | 12,694 | 175,563 | 188,257 |
| Decrease due to sales/transfer | (9,218) | (165,381) | (174,599) |
| Decrease due to disposal | (2,735) | (173) | (2,908) |
| Changes in fair value | 583 | 8,326 | 8,909 |
| At 31 December 2017 | 20,960 | 66,178 | 87,138 |
| At 1 January 2018 | 20,960 | 66,178 | 87,138 |
| Increase due to purchasing/raising/transfer | 10,876 | 161,893 | 172,769 |
| Decrease due to sales/transfer | (3,977) | (146,824) | (150,801) |
| Decrease due to disposal | (28) | (119) | (147) |
| Transfer to cost at the point of harvest | (1,909) | (15,956) | (17,865) |
| Changes in fair value | (2,583) | (4,198) | (6,781) |
| At 31 December 2018 | 23,339 | 60,974 | 84,313 |
| At 1 January 2019 | 23,339 | 60,974 | 84,313 |
| Increase due to purchasing/raising/transfer | 6,246 | 219,528 | 225,774 |
| Decrease due to sales/transfer | (884) | (208,829) | (209,713) |
| Decrease due to disposal | (2,361) | (246) | (2,607) |
| Transfer to cost at the point of harvest | (2,536) | (6,563) | (9,099) |
| Changes in fair value | (1,844) | 65,174 | 63,330 |
| At 31 December 2019 | 21,960 | 130,038 | 151,998 |
| At 1 January 2020 | 21,960 | 130,038 | 151,998 |
| Increase due to purchasing/raising/transfer | 6,854 | 75,710 | 82,564 |
| Decrease due to sales/transfer | (1,242) | (71,828) | (73,070) |
| Decrease due to disposal | (302) | (887) | (1,189) |
| Changes in fair value | 9,555 | 2,321 | 11,876 |
| At 30 April 2020 | 36,825 | 135,354 | 172,179 |

*Notes:*

(i) Non-current biological assets

Non-current biological assets represents hogs of required qualities that are selected as breeding stock held for own use, including boars and sows. Boars and sows are male hogs for mating purpose and female hogs which have farrowed, respectively. Boars and sows held for the production of piglets for sale and/or further raising to become swine parentstock or market hogs. Since there was no active market for breeding stocks at specific age, the replacement cost approach has been adopted. Market prices for different species of boars and sows have been obtained as a basis for the replacement cost, and adjusted for the reduction/consumption of economic useful life by applying the respective metrics to estimate the fair value of breeding stock in different species.

Non-current biological assets may transfer to current biological assets, when the pigs held for own use are sold or will be sold as market hogs.

(ii) Current biological assets

Current biological assets include piglets, nursery pigs, growers, gilts and studs. (i) Piglets are newborn pigs between birth and weaning between zero to three weeks of age. (ii) Nursery pigs are young hogs of around 22-73 days old that have been weaned off sow and consuming feeding stuff. (iii) Growers are hogs that age around 74 to 183 days. (iv) Gilts and studs are pigs that may be selected to be sold as commodity breeding stock after growers.

As there was no active market for piglets, replacement cost approach has been adopted to reflect the value due to use of breeding stock held for own use and other associated cost.

Nursery pigs and growers were assumed to be sold live or slaughtered when they become mature, either as the breeding stock (the "Breeding Stock") or as the hogs for production of pork products (the "Market Hogs"). The fair value of nursery pigs and growers were derived by assuming the market prices of the Breeding Stock or the Market Hogs as the estimated price receivable upon sale or slaughtering, multiplying the unit price for different categories or species by the corresponding quantities, less the expected costs required to raise the hogs, adjusting with mortality rate and the respective profit margin.

The fair value of the gilts and studs was derived by multiplying the market price of gilts for different species with their corresponding quantities and the expected costs to complete and sell.

Current biological assets may transfer to non-current biological assets, when the pigs are selected as breeding stock held for own use after growers.

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

| **The Group** | **At 31 December** | | | **At 30 April** |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *(Heads)* | *(Heads)* | *(Heads)* | *(Heads)* |
| Current biological assets | 126,616 | 156,571 | 124,584 | 153,633 |
| – Piglets | 10,339 | 11,510 | 9,821 | 21,559 |
| – Nursery pigs | 19,969 | 32,974 | 31,234 | 34,738 |
| – Growers | 92,606 | 110,824 | 78,119 | 94,669 |
| – Gilts and studs | 3,702 | 1,263 | 5,410 | 2,667 |
| Non-current biological assets | 13,176 | 20,627 | 19,063 | 20,092 |

| **The Company** | **At 31 December** | | | **At 30 April** |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *(Heads)* | *(Heads)* | *(Heads)* | *(Heads)* |
| Current biological assets | 67,125 | 56,978 | 49,314 | 66,477 |
| – Piglets | 4,268 | 3,036 | 2,517 | 9,441 |
| – Nursery pigs | 11,268 | 12,311 | 12,484 | 13,772 |
| – Growers | 51,048 | 40,548 | 29,218 | 41,683 |
| – Gilts and studs | 541 | 1,083 | 5,095 | 1,581 |
| Non-current biological assets | 6,233 | 6,965 | 5,634 | 7,290 |

(iv) Fair value measurement of biological assets

Fair value hierarchy

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

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

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

During the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period and in which they occur.

All of the Group's biological assets were revalued as at 31 December 2017, 2018 and 2019 and 30 April 2019 and 2020. The valuations were carried out by Jones Lang LaSalle (Beijing) Consultants, Inc. ("JLL"). The Group's finance manager and the chief financial officer have discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting date.

Information about Level 3 fair value measurements

| | **Significant unobservable inputs** | **31 December 2017** |
|---|---|---|
| Current biological assets | | |
| – Piglets | Replacement cost | RMB133 to RMB170 per head |
| – Market hogs | Market price | RMB15.0 to RMB15.7 per kilogram |
| – Purebred | Market price | RMB3,600 to RMB14,793 per head |
| – Two-breed crossbreed pigs | Market price | RMB1,900 to RMB2,200 per head |
| Non-current biological assets | | |
| – Purebred | Replacement cost | RMB4,860 to RMB8,775 per head |
| – Two-breed crossbreed pigs | Replacement cost | RMB3,420 to RMB3,960 per head |

| | **Significant unobservable inputs** | **31 December 2018** |
|---|---|---|
| Current biological assets | | |
| – Piglets | Replacement cost | RMB50 to RMB246 per head |
| – Market hogs | Market price | RMB9.3 to RMB18.7 per kilogram |
| – Purebred | Market price | RMB3,300 to RMB5,500 per head |
| – Two-breed crossbreed pigs | Market price | RMB1,300 to RMB1,900 per head |
| Non-current biological assets | | |
| – Purebred | Replacement cost | RMB4,860 to RMB15,362 per head |
| – Two-breed crossbreed pigs | Replacement cost | RMB2,700 to RMB3,420 per head |

| | Significant unobservable inputs | 31 December 2019 |
|---|---|---|
| Current biological assets | | |
| – Piglets | Replacement cost | RMB166 to RMB273 per head |
| – Market hogs | Market price | RMB31.4 to RMB36.8 per kilogram |
| – Purebred | Market price | RMB6,300 to RMB7,000 per head |
| – Two-breed crossbreed pigs | Market price | RMB4,950 to RMB5,400 per head |
| Non-current biological assets | | |
| – Purebred | Replacement cost | RMB8,244 to RMB15,313 per head |
| – Two-breed crossbreed pigs | Replacement cost | RMB6,894 to RMB7,344 per head |

| | Significant unobservable inputs | 30 April 2019 (Unaudited) |
|---|---|---|
| Current biological assets | | |
| – Piglets | Replacement cost | RMB35 to RMB337 per head |
| – Market hogs | Market price | RMB14.7 to RMB16.5 per kilogram |
| – Purebred | Market price | RMB2,880 to RMB5,850 per head |
| – Two-breed crossbreed pigs | Market price | RMB1,800 to RMB2,070 per head |
| Non-current biological assets | | |
| – Purebred | Replacement cost | RMB4,824 to RMB14,269 per head |
| – Two-breed crossbreed pigs | Replacement cost | RMB3,744 to RMB4,014 per head |

| | Significant unobservable inputs | 30 April 2020 |
|---|---|---|
| Current biological assets | | |
| – Piglets | Replacement cost | RMB90 to RMB550 per head |
| – Market hogs | Market price | RMB29.4 to RMB33.7 per kilogram |
| – Purebred | Market price | RMB5,400 to RMB10,800 per head |
| – Two-breed crossbreed pigs | Market price | RMB4,320 to RMB5,670 per head |
| Non-current biological assets | | |
| – Purebred | Replacement cost | RMB7,344 to RMB14,551 per head |
| – Two-breed crossbreed pigs | Replacement cost | RMB6,264 to RMB7,344 per head |

A significant increase/decrease in the estimated market price and replacement cost of breeding stock held for own use in isolation would result in a significant increase/decrease in the fair value of the biological assets.

The estimated fair value of swine increases/decreases as a result of an increase/decrease in the market price and replacement cost of breeding stock held for own use. As at 31 December 2017, 2018 and 2019 and 30 April 2019 and 2020 if market price and replacement cost of breeding stock held for own use increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB17,139,000, RMB22,805,000, RMB36,348,000, RMB22,405,000 (unaudited) and RMB41,091,000, respectively.

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

## 13 INTANGIBLE ASSETS

| The Group | Software | Patents and trademarks | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | |
| At 1 January 2017 | 2,202 | 21 | 2,223 |
| Additions | 620 | – | 620 |
| At 31 December 2017 | 2,822 | 21 | 2,843 |
| Additions | 280 | 39 | 319 |
| At 31 December 2018 | 3,102 | 60 | 3,162 |
| Additions | – | 299 | 299 |
| Business combination *(Note 29(b))* | – | 5 | 5 |
| At 31 December 2019 | 3,102 | 364 | 3,466 |
| Additions | 92 | – | 92 |
| At 30 April 2020 | 3,194 | 364 | 3,558 |
| **Accumulated amortisation:** | | | |
| At 1 January 2017 | (155) | (4) | (159) |
| Charge for the year | (224) | (2) | (226) |
| At 31 December 2017 | (379) | (6) | (385) |
| Charge for the year | (374) | (5) | (379) |
| At 31 December 2018 | (753) | (11) | (764) |
| Charge for the year | (374) | (66) | (440) |
| At 31 December 2019 | (1,127) | (77) | (1,204) |
| Charge for the period | (129) | (21) | (150) |
| At 30 April 2020 | (1,256) | (98) | (1,354) |
| **Net book value:** | | | |
| At 31 December 2017 | 2,443 | 15 | 2,458 |
| At 31 December 2018 | 2,349 | 49 | 2,398 |
| At 31 December 2019 | 1,975 | 287 | 2,262 |
| At 30 April 2020 | 1,938 | 266 | 2,204 |

The amortisation charges are included in "administrative expenses" in the consolidated statement of profit or loss of the Group.

| The Company | Software | Patents and trademarks | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | |
| At 1 January 2017 | 2,202 | 21 | 2,223 |
| Additions | 620 | – | 620 |
| At 31 December 2017 | 2,822 | 21 | 2,843 |
| Additions | 280 | – | 280 |
| At 31 December 2018 | 3,102 | 21 | 3,123 |
| Additions | – | – | – |
| At 31 December 2019 | 3,102 | 21 | 3,123 |
| Additions | 92 | – | 92 |
| At 30 April 2020 | 3,194 | 21 | 3,215 |
| **Accumulated amortisation:** | | | |
| At 1 January 2017 | (155) | (4) | (159) |
| Charge for the year | (224) | (2) | (226) |
| At 31 December 2017 | (379) | (6) | (385) |
| Charge for the year | (374) | (2) | (376) |
| At 31 December 2018 | (753) | (8) | (761) |
| Charge for the year | (374) | (2) | (376) |
| At 31 December 2019 | (1,127) | (10) | (1,137) |
| Charge for the period | (129) | (1) | (130) |
| At 30 April 2020 | (1,256) | (11) | (1,267) |
| **Net book value:** | | | |
| At 31 December 2017 | 2,443 | 15 | 2,458 |
| At 31 December 2018 | 2,349 | 13 | 2,362 |
| At 31 December 2019 | 1,975 | 11 | 1,986 |
| At 30 April 2020 | 1,938 | 10 | 1,948 |

## 14 INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

| Name of company | Place of incorporation/ establishment and kind of legal entity | Date of incorporation | Particulars of issued/ paid-in capital *RMB'000* | Group's effective interest At 31 December 2017 | 2018 | 2019 | At 30 April 2020 | As of date of report | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|---|---|
| Heilongjiang Tianzow Breeding Company Limited 黑龍江天兆豬業有限公司 | the PRC, limited liability company | 22 May 2017 | 66,000 | 100% | 100% | 100% | 100% | 100% | Stockbreeding/ the PRC |
| Heilongjiang Tianzow Feed Company Limited 黑龍江天兆飼料有限公司 | the PRC, limited liability company | 3 June 2019 | – | – | – | 100% | 100% | 100% | Feed production/ the PRC |
| Chongqing Tianzow Husbandry Technology Company Limited 重慶天兆畜牧科技有限公司 | the PRC, limited liability company | 18 November 2014 | 10,000 | 100% | 100% | 100% | 100% | 100% | Stockbreeding/ the PRC |
| Sichuan Tianmu Feed Company Limited 四川省天牧飼料有限公司 | the PRC, limited liability company | 13 June 2014 | 1,000 | 100% | 100% | 100% | 100% | 100% | Feed production/ the PRC |
| Ya'an Tianzow Husbandry Technology Company Limited 雅安天兆畜牧科技有限公司 | the PRC, limited liability company | 6 May 2014 | 10,000 | 100% | 100% | 100% | 100% | 100% | Stockbreeding/ the PRC |
| Chongqing Tian'an Animal Pharmaceuticals Trading Company Limited 重慶天安動物藥品銷售有限公司 | the PRC, limited liability company | 24 June 2013 | 1,000 | 100% | 100% | 100% | 100% | 100% | Sales of animal drugs/the PRC |
| Chongqing Tiansai Husbandry Technology Consulting Company Limited 重慶天賽畜牧技術諮詢有限公司 | the PRC, limited liability company | 8 May 2012 | 500 | 100% | 100% | 100% | 100% | 100% | Breeding technology consultancy/ the PRC |
| Gansu Tianzow Breeding Technology Company Limited 甘肅天兆豬業科技有限公司 | the PRC, limited liability company | 28 February 2012 | 20,000 | 100% | 100% | 100% | 100% | 100% | Stockbreeding/ the PRC |
| Guizhou Tianzow Breeding Technology Company Limited 貴州天兆豬業科技有限公司 | the PRC, limited liability company | 12 January 2011 | 20,000 | 100% | 100% | 100% | 100% | 100% | Stockbreeding/ the PRC |
| Wusheng Tianzow Husbandry Technology Company Limited 武勝天兆畜牧科技有限公司 | the PRC, limited liability company | 29 January 2010 | 10,000 | 100% | 100% | 100% | 100% | 100% | Stockbreeding/ the PRC |
| Guang'an Tianzow Food Company Limited 廣安天兆食品有限公司 | the PRC, limited liability company | 26 October 2004 | 30,000 | – | 100% | 100% | 100% | 100% | Meat processing/ the PRC |
| Boli Tianzow Breeding Company Limited 勃利天兆豬業有限公司 | the PRC, limited liability company | 3 April 2018 | 88,760 | – | 54.55% | 54.55% | 54.55% | 54.55% | Stockbreeding/ the PRC |
| Xinjiang Bayin Tianzow Breeding Company Limited 新疆巴音天兆豬業有限公司 *(Note 30)* | the PRC, limited liability company | 5 September 2019 | 3,010 | – | – | 52% | 100% | 100% | Stockbreeding/ the PRC |
| Jiayuguan Tianzow Breeding Company Limited 嘉峪關天兆宏源豬業有限公司 | the PRC, limited liability company | 6 September 2019 | 10,000 | – | – | 60% | 60% | 60% | Stockbreeding/ the PRC |
| Gansu Tianzow Breeding Company Limited 甘肅天兆豬業有限公司 | the PRC, limited liability company | 7 December 2018 | 45,000 | 100% | 100% | 100% | 100% | 100% | Stockbreeding/ the PRC |

| Name of company | Place of incorporation/ establishment and kind of legal entity | Date of incorporation | Particulars of issued/ paid-in capital | Group's effective interest At 31 December 2017 | 2018 | 2019 | At 30 April 2020 | As of date of report | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|---|---|
| | | | *RMB'000* | | | | | | |
| Jiangsu Tianzow Industrial Co., Ltd. 江蘇天兆實業有限公司 *(Note 29(b)) (iv)* | the PRC, limited liability company | 11 May 2017 | 21,000 | – | – | 95.24% | 95.24% | 100% | Stockbreeding/ the PRC |
| Pengshui Tianzow Breeding Husbandry Company Limited 彭水天兆畜牧有限公司 | the PRC, limited liability company | 24 October 2019 | 3,010 | – | – | 100% | 100% | 100% | Stockbreeding/ the PRC |
| Ebian Tianzow Breeding Co., Ltd. 峨邊天兆大堡畜牧有限公司 *(Note 36)* | the PRC, limited liability company | 19 November 2019 | 1,000 | – | – | N/A | N/A | 60.00% | Stockbreeding/ the PRC |

*Notes:*

(i) The official names of all these entities are in Chinese. The English translation is for identification only.

(ii) As at the date of this report, no audited financial statements for the years ended 31 December 2017, 2018 and 2019 and four months ended 30 April 2020 have been prepared for the Company's subsidiaries.

(iii) The financial statements of the Company for the year ended 31 December 2017 have been audited by 瑞華會計師事務所(特殊普通合夥) Ruihua Certified Public Accountants and the financial statements of the Company for the years ended 31 December 2018 and 2019 have been audited by 深圳市伯勤會計師事務所(普通合夥) Shenzhen Boqin Certified Public Accountants.

(iv) On 6 May 2020, the Group acquired 4.76% of the total interest in Jiangsu Tianzow Industrial Company Limited ("Jiangsu Tianzow") owned by non-controlling shareholder, increasing its ownership from 95.24% to 100%, representing an increase of the Group's share of net assets of Jiangsu Tianzow from RMB21,391,000 to RMB22,460,000. The consideration was RMB1,550,000 and was settled by cash in May 2020.

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

## 15 INTERESTS IN ASSOCIATES

The principal associates of the Group are as follows:

| Name of company | Place of incorporation/ establishment and kind of legal entity | Date of incorporation | Particulars of issued/paid-in capital | Group's effective interest | | | | | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|---|---|
| | | | | At 31 December | | | At 30 April | As of date of report | |
| | | | | 2017 | 2018 | 2019 | 2020 | | |
| | | | *RMB'000* | | | | | | |
| Tailai Tianzow Breeding Co., Ltd. 泰來天兆豬業有限公司 *(i)* | the PRC, limited liability company | 11 May 2017 | 30,615 | 49.00% | 49.00% | 49.00% | 49.00% | 49.00% | Stockbreeding/ the PRC |
| Shenmu Tianzow Breeding Agriculture Technology Co., Ltd. 神木市天兆畜牧農業科技有限公司 | the PRC, limited liability company | 31 July 2013 | 20,000 | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | Stockbreeding/ the PRC |
| Xinjiang Zhongshengpuzhao Breeding Technology Co., Ltd. 新疆中盛譜兆畜牧科技有限公司 | the PRC, limited liability company | 29 April 2016 | 50,000 | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | Stockbreeding/ the PRC |
| Shanxi Jinhong Tianzow Breeding Technology Co., Ltd. 山西晉宏天兆畜牧科技有限公司 | the PRC, limited liability company | 25 June 2015 | 40,000 | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | Stockbreeding/ the PRC |
| Xinjiang Qiangdu Tianzow Breeding Technology Co., Ltd. 新疆羌都天兆畜牧科技有限公司 *(iv) (v)* | the PRC, limited liability company | 24 July 2013 | 160,800 | 14.06% | 7.54% | 4.91% | – | – | Stockbreeding/ the PRC |
| Shehong Lvwang Agriculture and Breeding Co., Ltd. 射洪縣綠旺農牧業有限公司 | the PRC, limited liability company | 28 June 2013 | 33,710 | 25.00% | 25.00% | 39.29% | 39.29% | 39.29% | Stockbreeding/ the PRC |
| Sichuan Gaojin Tianzow Breeding Co., Ltd. 四川高金天兆牧業有限公司 | the PRC, limited liability company | 19 March 2013 | 18,000 | 44.44% | 44.44% | 44.44% | 44.44% | 44.44% | Stockbreeding/ the PRC |
| Tianjin Kangjia Tianzow Breeding Co., Ltd. 天津康嘉天兆畜牧養殖有限公司 *(ii) (iv)* | the PRC, limited liability company | 10 July 2019 | – | – | – | 15.00% | – | – | Stockbreeding/ the PRC |
| Tianjin Agriculture Kangjia Breeding Co., Ltd. 天津農墾康嘉生態養殖有限公司 *(iv)* | the PRC, limited liability company | 12 May 2008 | 240,780 | – | – | 15.00% | 15.00% | 15.00% | Stockbreeding/ the PRC |
| Shehong Tianzow Breeding Co., Ltd. 射洪天兆養殖有限公司 | the PRC, limited liability company | 20 May 2019 | 10,000 | – | – | 20.00% | 20.00% | 20.00% | Stockbreeding/ the PRC |
| Jilin Shengbang Tianzow Breeding Technology Co., Ltd. 吉林聖邦天兆畜牧科技有限公司 *(iii) (iv)* | the PRC, limited liability company | 22 February 2017 | 51,300 | – | – | – | 10.00% | 10.00% | Stockbreeding/ the PRC |
| Fujian Xingsheng Tianzow Breeding Co., Ltd. 福建興盛天兆豬業有限公司 *(Note 36)* | the PRC, limited liability company | 8 April 2020 | – | – | – | – | – | 20.00% | Stockbreeding/ the PRC |

(i) The entity is regarded as individually material, which operates in PRC and is a strategic partner for the Group in expanding sales to Heilongjiang province.

(ii) The entity was deregistered on 17 January 2020.

(iii) The Group acquired 10% share of the entity's total interest in January 2020.

(iv) The Group has voting right in the meetings of the board of these entities and has significant influence on these entities.

(v) The Group has lost its voting right in the meeting of the board of the entity.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the Historical Financial Information, is disclosed below.

| | Tailai Tianzow Breeding Co., Ltd. | | | |
|---|---|---|---|---|
| | At 31 December | | | At 30 April |
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Gross amounts** | | | | |
| Current assets | 8,970 | 16,526 | 26,749 | 10,762 |
| Non-current assets | 42,297 | 58,984 | 59,470 | 58,011 |
| Current liabilities | (29,127) | (39,000) | (4,227) | (1,945) |
| Non-current liabilities | (749) | (24,649) | (26,805) | (21,371) |
| Net assets | 21,391 | 11,861 | 55,187 | 45,457 |
| **Included in the above assets and liabilities** | | | | |
| Cash and cash equivalents | 150 | 6,240 | 11,611 | 5,932 |
| Current financial liabilities (excluding trade and other payables and provisions) | (51) | (84) | (68) | (74) |

| | Tailai Tianzow Breeding Co., Ltd. | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Four months ended 30 April | |
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Gross amounts** | | | | | |
| Revenue | 6 | 9,537 | 91,468 | 15,770 | – |
| (Loss)/profit for the year/period | (9,224) | (9,531) | 43,326 | 9,625 | (9,730) |
| Total comprehensive income for the year/period (100%) | (9,224) | (9,531) | 43,326 | 9,625 | (9,730) |
| Group's share of total comprehensive income for the year/period (49%) | (4,520) | (4,670) | 21,230 | 4,716 | (4,768) |

| | Tailai Tianzow Breeding Co., Ltd. | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Four months ended 30 April | |
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (unaudited) | |
| **Included in the above profit** | | | | | |
| Depreciation and amortisation | 33 | 2,004 | 2,720 | 1,812 | 782 |
| Interest expense | 4 | 723 | 3,030 | 796 | (6) |
| **Reconciled to the Group's interests** | | | | | |
| Gross amount of net assets of the associate | 21,391 | 11,861 | 55,187 | 21,486 | 45,457 |
| The Group's effective interest | 49% | 49% | 49% | 49% | 49% |
| Carrying amount in the Historical Financial Information | 10,482 | 5,812 | 27,042 | 10,528 | 22,274 |

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Aggregate carrying amount of individually immaterial associates in the Historical Financial Information | 54,174 | 54,977 | 103,160 | 110,498 |

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (unaudited) | |
| Aggregate amounts of the Group's share of individually immaterial associates' profit and total comprehensive income | 11,304 | 3,299 | 22,238 | 6,492 | 8,115 |

## 16 INTERESTS IN JOINT VENTURES

The principal joint ventures of the Group are as follow:

| Name of company | Place of incorporation/ establishment and kind of legal entity | Date of incorporation | Particulars of issued/ paid-in capital | Group's effective interest | | | | | Principal activities and place of operations |
|---|---|---|---|---|---|---|---|---|---|
| | | | | At 31 December | | | At 30 April | As of date of report | |
| | | | | 2017 | 2018 | 2019 | 2020 | | |
| | | | *RMB'000* | | | | | | |
| Jiangsu Tianzow Industrial Co., Ltd. 江蘇天兆實業有限公司 *(i) (iii)* | the PRC, limited liability company | 26 November 2008 | 21,000 | 47.62% | 47.62% | – | – | – | Stockbreeding/ the PRC |
| Hainan Tianzow Breeding Technology Co., Ltd. 海南天兆畜牧科技有限公司 | the PRC, limited liability company | 5 June 2008 | 40,000 | 40.00% | 40.00% | 40.00% | 40.00% | 40.00% | Stockbreeding/ the PRC |
| Hunan Tianzow Jingyuan Breeding Co., Ltd. 湖南天兆景園畜牧業有限公司 | the PRC, limited liability company | 22 October 2012 | 22,220 | 45.00% | 45.00% | 45.00% | 45.00% | 45.00% | Stockbreeding/ the PRC |
| Yunnan Tianzow Longsheng Breeding Co., Ltd. 雲南天兆隆升牧業有限公司 | the PRC, limited liability company | 12 July 2013 | 17,330 | 45.00% | 45.00% | 41.03% | 41.03% | 41.03% | Stockbreeding/ the PRC |
| Luzhou Tianzow Breeding Co., Ltd. 瀘州天兆畜牧有限公司 *(iv)* | the PRC, limited liability company | 26 November 2012 | 19,560 | 40.90% | 40.90% | – | – | – | Stockbreeding/ the PRC |
| Tianjin Jingang Tianzow Breeding Technology Co., Ltd. 天津市津港天兆畜牧科技有限公司 *(ii)* | the PRC, limited liability company | 29 March 2016 | – | 40.00% | 40.00% | 15.00% | – | – | Stockbreeding/ the PRC |
| Hebei Shunde Tianzow Breeding Technology Co., Ltd. 河北順德天兆畜牧科技有限公司 | the PRC, limited liability company | 14 November 2013 | 25,000 | 40.00% | 40.00% | 40.00% | 40.00% | 40.00% | Stockbreeding/ the PRC |
| Inner Mongolia Yingge Tianzow Breeding Technology Co., Ltd. 內蒙古英歌天兆畜牧科技有限公司 *(i) (v)* | the PRC, limited liability company | 8 July 2014 | 41,000 | 30.00% | 30.00% | 30.00% | 30.00% | 30.00% | Stockbreeding/ the PRC |
| Nanle Guangzhao Breeding Co., Ltd. 南樂廣兆豬業有限公司 *(v)* | the PRC, limited liability company | 28 November 2017 | 40,000 | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | Stockbreeding/ the PRC |
| Fujian Xingshun Tianzow Breeding Co., Ltd. 福建興順天兆豬業有限公司 *(v)* | the PRC, limited liability company | 25 May 2017 | 50,000 | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | Stockbreeding/ the PRC |
| Shaanxi Dingbian Mingfeng Tianzow Breeding Co., Ltd. 陝西定邊縣銘豐天兆畜牧有限公司 *(v)* | the PRC, limited liability company | 7 August 2014 | 32,500 | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | Stockbreeding/ the PRC |
| Suining Gaojin Breeding Co., Ltd. 遂寧市高金農牧有限公司 | the PRC, limited liability company | 20 April 2020 | – | – | – | – | 40.00% | 40.00% | Stockbreeding/ the PRC |

(i) These entities are regarded as individually material, which operate in PRC and are strategic partners for the Group in expanding sales to Jiangsu province and Inner Mongolia Autonomous Region, respectively.

(ii) The entity was deregistered on 17 January 2020.

(iii) The Group has acquired additional interest in this entity in December 2019. The entity has become the Company's subsidiary thereon. See Note 29(b) for details.

(iv) The Group has sold out all of its interest in this entity in November 2019 to a third party of the Company with a consideration of RMB7,859,000.

(v) According to the articles of association of these entities, all the decisions of board meeting should be approved by unanimous consent from all parties attending the meeting. Therefore, the Group jointly controls these entities together with other shareholders of these entities.

All of the above joint ventures are accounted for using the equity method in the Historical Financial Information.

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the Historical Financial Information, are disclosed below.

| | **Jiangsu Tianzow Industrial Co., Ltd.** | | | |
|---|---|---|---|---|
| | **At 31 December** | | | **At 30 April** |
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Gross amounts** | | | | |
| Current assets | 20,467 | 23,265 | N/A | N/A |
| Non-current assets | 76,848 | 73,792 | N/A | N/A |
| Current liabilities | (34,902) | (38,732) | N/A | N/A |
| Non-current liabilities | (4,036) | (4,956) | N/A | N/A |
| Net assets | 58,377 | 53,369 | N/A | N/A |
| **Included in the above assets and liabilities** | | | | |
| Cash and cash equivalents | 1,431 | 433 | N/A | N/A |
| Current financial liabilities (excluding trade and other payables and provisions) | (32,166) | (32,260) | N/A | N/A |

| | **Jiangsu Tianzow Industrial Co., Ltd.** | | | | |
|---|---|---|---|---|---|
| | **Year ended 31 December** | | | **Four months ended 30 April** | |
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000** | *RMB'000* (unaudited) | *RMB'000* |
| **Gross amounts** | | | | | |
| Revenue | 74,543 | 65,603 | 26,911 | 24,298 | N/A |
| Profit/(loss) for the year/period | 24,176 | (1,944) | (28,739) | (15,881) | N/A |
| Total comprehensive income for the year/period (100%) | 24,176 | (1,944) | (28,739) | (15,881) | N/A |
| Groups' share of total comprehensive income for the year/period (47.62%) | 11,513 | (926) | (13,686) | (7,563) | N/A |
| **Included in the above profit** | | | | | |
| Depreciation and amortisation | 2,481 | 1,842 | 3,388 | 1,217 | N/A |
| Interest expense | 3,248 | 2,034 | 2,041 | 666 | N/A |

* The figures represent the financial results of Jiangsu Tianzow Industrial Co., Ltd. for the period from 1 January 2019 to 30 December 2019, the date on which it became a subsidiary of the Group.

| | Jiangsu Tianzow Industrial Co., Ltd. | | | |
|---|---|---|---|---|
| | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Reconciled to the Group's interests** | | | | |
| Gross amount of net assets of the joint ventures | 58,377 | 53,369 | N/A | N/A |
| The Group's effective interest | 47.62% | 47.62% | N/A | N/A |
| Carrying amount in the Historical Financial Information | 27,799 | 25,414 | N/A | N/A |

| | Inner Mongolia Yingge Tianzow Breeding Technology Co., Ltd. | | | |
|---|---|---|---|---|
| | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Gross amounts** | | | | |
| Current assets | 15,633 | 23,958 | 41,318 | 61,359 |
| Non-current assets | 31,900 | 45,840 | 95,606 | 93,801 |
| Current liabilities | (4,548) | (10,060) | (7,651) | (17,723) |
| Non-current liabilities | (4,228) | (13,422) | (23,215) | (25,482) |
| Net assets | 38,757 | 46,316 | 106,058 | 111,955 |
| **Included in the above assets and liabilities** | | | | |
| Cash and cash equivalents | 68 | 27 | 7,251 | 17,570 |
| Current financial liabilities (excluding trade and other payables and provisions) | (13) | (2,253) | (1,942) | (1,576) |

| | Inner Mongolia Yingge Tianzow Breeding Technology Co., Ltd. | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Four months ended 30 April | |
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Gross amounts** | | | | | |
| Revenue | 100,055 | 21,815 | 95,981 | 16,411 | 34,759 |
| Profit for the year/period | 11,793 | (7,440) | 59,742 | 13,068 | 5,897 |
| Total comprehensive income for the year/period (100%) | 11,793 | (7,440) | 59,742 | 13,068 | 5,897 |
| Group's share of total comprehensive income for the year/period (30%) | 3,538 | (2,232) | 17,923 | 3,920 | 1,769 |
| **Included in the above profit** | | | | | |
| Depreciation and amortisation | 567 | 933 | 1,555 | 500 | 596 |
| Interest expense | 1,161 | 697 | 1,136 | 350 | 262 |
| **Reconciled to the Group's interests** | | | | | |
| Gross amount of net assets of the joint ventures | 38,757 | 46,316 | 106,058 | 59,385 | 111,955 |
| The Group's effective interest | 30% | 30% | 30% | 30% | 30% |
| Carrying amount in the Historical Financial Information | 11,627 | 13,895 | 31,817 | 17,816 | 33,587 |

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Aggregate carrying amount of individually immaterial joint ventures in the Historical Financial Information | 102,807 | 97,630 | 102,637 | 112,874 |

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Aggregate amounts of the Group's share of those joint ventures' profit and total comprehensive income | 14,938 | (3,593) | 36,652 | (4,032) | 14,423 |

## 17 OTHER FINANCIAL ASSETS

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets measured at FVPL** | | | | | | | | |
| Unlisted equity investments | 7,329 | – | – | 28,813 | 7,329 | – | – | 28,813 |

## 18 INVENTORIES

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 7,580 | 7,391 | 10,773 | 12,392 | 3,811 | 1,570 | 3,167 | 3,904 |
| Finished goods | 1,612 | 3,290 | 928 | 826 | – | – | – | – |
| Others | 20 | 220 | 118 | 4 | – | – | – | – |
| | 9,212 | 10,901 | 11,819 | 13,222 | 3,811 | 1,570 | 3,167 | 3,904 |

## 19 TRADE AND BILLS RECEIVABLES

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables due from | | | | | | | | |
| – related parties | 8,177 | 5,462 | 1,717 | 8,775 | 5,145 | 1,880 | 49 | 5,071 |
| – third parties | 5,268 | 20,269 | 9,633 | 7,783 | 3,690 | 5,286 | 5,030 | 1,762 |
| | 13,445 | 25,731 | 11,350 | 16,558 | 8,835 | 7,166 | 5,079 | 6,833 |
| Less: expected credit loss | (773) | (516) | (432) | (3,686) | (635) | (74) | (82) | (1,102) |
| Bills receivable | – | 1,800 | – | – | – | 1,800 | – | – |
| | 12,672 | 27,015 | 10,918 | 12,872 | 8,200 | 8,892 | 4,997 | 5,731 |

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

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

At 31 December 2017, 2018 and 2019 and 30 April 2020, bills receivables of RMB nil, RMB1,800,000, RMB nil and RMB nil were pledged for certain bank loans.

**(a) Ageing analysis**

The ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

| | **The Group** | | | | **The Company** | | | |
|---|---|---|---|---|---|---|---|---|
| | **At 31 December** | | | **At 30 April** | **At 31 December** | | | **At 30 April** |
| | **2017** | **2018** | **2019** | **2020** | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 9,794 | 23,442 | 8,998 | 11,653 | 6,409 | 6,970 | 4,620 | 5,458 |
| 1 to 2 years | 1,101 | 679 | 1,656 | 740 | 28 | 95 | 284 | – |
| 2 to 3 years | 1,777 | 1,094 | 264 | 479 | 1,763 | 27 | 93 | 273 |
| | 12,672 | 25,215 | 10,918 | 12,872 | 8,200 | 7,092 | 4,997 | 5,731 |

Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in Note 31(a).

**(b) Transfer of financial assets**

The Group receives short-term bank acceptance notes from its customers as a method of settlement of goods sold. These notes entitle the Group to receive the full face values from the issuing banks upon the maturities of these notes, which generally range from 3 to 6 months from the dates of issuance.

At 31 December 2018, the Group had endorsed certain of the bank acceptance notes to its suppliers for settlement of the Group's trade and other payables. Upon the above endorsement, the Group has derecognised the bills receivables in their entirety. These derecognised bank acceptance notes have maturity dates of less than twelve months from each of the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers and other creditors. The Group considered the issuing banks of these notes are of good credit quality and non-settlement of these notes by the issuing banks on maturity is highly unlikely. At 31 December 2018, the Group's maximum exposure to loss and undiscounted cash outflow should be the issuing banks fail to settle the bills on maturity dates amounted to RMB4,990,000. At 31 December 2017, 2019 and 30 April 2020, there is no such exposure to loss and undiscounted cash outflow relating to bank acceptance notes.

## 20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Receivables from disposal of property, plant and equipment | 3,054 | – | – | – | 3,054 | – | – | – |
| Other receivables relating to disposal of interest in joint ventures and other financial assets | 1,288 | 7,988 | 3,963 | 3,963 | 1,288 | 7,988 | 3,963 | 3,963 |
| Restricted deposit | – | – | 640 | 640 | – | – | – | – |
| Deposits | 1,507 | 1,769 | 1,179 | 1,377 | 1,364 | 275 | 593 | 737 |
| Dividends receivables | – | 2,532 | 4,848 | 4,848 | – | 2,532 | 4,848 | 4,848 |
| Others | 749 | 661 | 1,563 | 2,397 | 209 | 466 | 979 | 1,060 |
| Less: expected credit loss | (368) | (632) | (183) | (4,058) | (318) | (525) | (49) | (3,924) |
| Total financial assets measured at amortised cost | 6,230 | 12,318 | 12,010 | 9,167 | 5,597 | 10,736 | 10,334 | 6,684 |
| Prepayments for purchase of inventories | | | | | | | | |
| – related parties | 118 | – | – | – | 71 | 43 | – | – |
| – third parties | 1,038 | 1,407 | 2,053 | 2,967 | 211 | 749 | 601 | 1,348 |
| Prepaid expenses | 2,136 | 4,630 | 4,201 | 4,526 | 900 | 1,434 | 2,346 | 2,493 |
| Prepayments for costs incurred in connection with the proposed initial public offering of the Company's shares *(Note (i))* | – | 925 | 11,968 | 19,474 | – | 925 | 11,968 | 19,474 |
| | 9,522 | 19,280 | 30,232 | 36,134 | 6,779 | 13,887 | 25,249 | 29,999 |

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

*Note:*

(i) The balance at 31 December 2018 and 2019 and 30 April 2020 will be transferred to the capital reserve account within equity upon the listing of the Company's shares on the Stock Exchange.

## 21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents comprise:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash on hand | 151 | 21 | – | – | 3 | 20 | – | – |
| Cash at bank | 13,635 | 20,938 | 124,439 | 149,816 | 7,608 | 5,690 | 94,207 | 128,460 |
| | 13,786 | 20,959 | 124,439 | 149,816 | 7,611 | 5,710 | 94,207 | 128,460 |

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

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

| | Interest-bearing borrowings | Interest payable | Amounts due to related parties | Lease liabilities | Total |
|---|---|---|---|---|---|
| | *RMB'000* *(Note 24)* | *RMB'000* *(Note 23)* | *RMB'000* *(Note 34)* | *RMB'000* *(Note 25)* | *RMB'000* |
| **At 1 January 2017** | 225,043 | 13 | 5,470 | 18,735 | 249,261 |
| **Changes from financing cash flows:** | | | | | |
| Proceeds from interest-bearing borrowings | 115,680 | – | – | – | 115,680 |
| Repayment of interest-bearing borrowings | (153,689) | – | – | – | (153,689) |
| Interest paid | – | (16,716) | – | – | (16,716) |
| Repayment of interests of lease liabilities | – | – | – | (1,466) | (1,466) |
| Repayment of capital of lease liabilities | – | – | – | (3,278) | (3,278) |
| Net decrease in the amounts due to the related parties | – | – | (2,560) | – | (2,560) |
| Total changes from financing cash flows | (38,009) | (16,716) | (2,560) | (4,744) | (62,029) |
| **Other changes:** | | | | | |
| Interest expense | – | 17,936 | – | 1,466 | 19,402 |
| Capitalisation of new leases | – | – | – | 5,190 | 5,190 |
| Total liability-related other change | – | 17,936 | – | 6,656 | 24,592 |
| **At 31 December 2017** | 187,034 | 1,233 | 2,910 | 20,647 | 211,824 |

| | Interest-bearing borrowings | Interest payable | Amounts due to related parties | Lease liabilities | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 24)* | *(Note 23)* | *(Note 34)* | *(Note 25)* | |
| **At 1 January 2018** | 187,034 | 1,233 | 2,910 | 20,647 | 211,824 |
| **Changes from financing cash flows:** | | | | | |
| Proceeds from interest-bearing borrowings | 185,115 | – | – | – | 185,115 |
| Repayment of interest-bearing borrowings | (117,562) | – | – | – | (117,562) |
| Interest paid | – | (17,420) | – | – | (17,420) |
| Repayment of interests of lease liabilities | – | – | – | (3,126) | (3,126) |
| Repayment of capital of lease liabilities | – | – | – | (2,853) | (2,853) |
| Net increase in the amounts due to the related parties | – | – | 2,362 | – | 2,362 |
| Total changes from financing cash flows | 67,553 | (17,420) | 2,362 | (5,979) | 46,516 |
| **Other changes:** | | | | | |
| Interest expense | 2,478 | 18,301 | – | 3,126 | 23,905 |
| Capitalisation of new leases | – | – | – | 36,382 | 36,382 |
| Other changes* | – | – | (3,706) | – | (3,706) |
| Total liability-related other change | 2,478 | 18,301 | (3,706) | 39,508 | 56,581 |
| **At 31 December 2018** | 257,065 | 2,114 | 1,566 | 54,176 | 314,921 |

* The amounts represented liabilities offset by dividends declared by associates rather than by cash.

| | Interest-bearing borrowings | Interest payable | Amounts due to related parties | Lease liabilities | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 24)* | *(Note 23)* | *(Note 34)* | *(Note 25)* | |
| **At 1 January 2019** | 257,065 | 2,114 | 1,566 | 54,176 | 314,921 |
| **Changes from financing cash flows:** | | | | | |
| Proceeds from interest-bearing borrowings | 210,799 | – | – | – | 210,799 |
| Repayment of interest-bearing borrowings | (190,776) | – | – | – | (190,776) |
| Interest paid | – | (28,924) | – | – | (28,924) |
| Repayment of interests of lease liabilities | – | – | – | (8,373) | (8,373) |
| Repayment of capital of lease liabilities | – | – | – | (20,316) | (20,316) |
| Net increase in the amounts due to the related parties | – | – | 14,484 | – | 14,484 |
| Total changes from financing cash flows | 20,023 | (28,924) | 14,484 | (28,689) | (23,106) |
| **Other changes:** | | | | | |
| Interest expense | – | 27,939 | – | 8,373 | 36,312 |
| Capitalise of new leases | – | – | – | 194,893 | 194,893 |
| Business combination *(Note 29(b))* | 23,000 | – | – | 3,478 | 26,478 |
| Total liability-related other change | 23,000 | 27,939 | – | 206,744 | 257,683 |
| **At 31 December 2019** | 300,088 | 1,129 | 16,050 | 232,231 | 549,498 |
| **At 1 January 2020** | 300,088 | 1,129 | 16,050 | 232,231 | 549,498 |
| **Changes from financing cash flows:** | | | | | |
| Proceeds from interest-bearing borrowings | – | – | – | – | – |
| Repayment of interest-bearing borrowings | (37,971) | – | – | – | (37,971) |
| Interest paid | – | (7,616) | – | – | (7,616) |
| Repayment of interests of lease liabilities | – | – | – | (8,300) | (8,300) |
| Repayment of capital of lease liabilities | – | – | – | (696) | (696) |
| Net increase in the amounts due to the related parties | – | – | 18,100 | – | 18,100 |
| Total changes from financing cash flows | (37,971) | (7,616) | 18,100 | (8,996) | (36,483) |
| **Other changes:** | | | | | |
| Interest expense | – | 7,140 | – | 8,300 | 15,440 |
| Capitalise of new leases | – | – | – | 5,363 | 5,363 |
| Other changes* | – | – | (3,200) | – | (3,200) |
| Total liability-related other changes | – | 7,140 | (3,200) | 13,663 | 17,603 |
| **At 30 April 2020** | 262,117 | 653 | 30,950 | 236,898 | 530,618 |

* The amounts represented liabilities offset by dividends declared by associates rather than by cash.

## 22 TRADE PAYABLES

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables due to | | | | | | | | |
| – subsidiaries | – | – | – | – | 1,149 | 1,012 | – | 5 |
| – third parties | 24,998 | 29,170 | 14,636 | 25,472 | 11,212 | 7,929 | 3,860 | 9,421 |
| | 24,998 | 29,170 | 14,636 | 25,472 | 12,361 | 8,941 | 3,860 | 9,426 |

At 31 December 2017, 2018 and 2019 and 30 April 2020, the ageing analysis of trade payables, based on the invoice date, is as follows:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 24,998 | 29,170 | 14,636 | 25,472 | 12,361 | 8,941 | 3,860 | 9,426 |

As at 31 December 2017, 2018 and 2019 and 30 April 2020, all trade payables of the Group and the Company are expected to be settled within one year or are payable on demand.

## 23 ACCRUALS AND OTHER PAYABLES

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Payables for staff related costs | 9,718 | 8,411 | 14,981 | 8,668 | 3,476 | 2,911 | 3,823 | 2,434 |
| Payables for capital injection of joint ventures | 16,750 | 16,750 | 9,290 | 9,290 | 16,750 | 16,750 | 9,290 | 9,290 |
| Deposits received | 4,374 | 5,096 | 4,121 | 4,675 | 2,329 | 1,882 | 1,314 | 1,836 |
| Payables for acquisition of non-controlling interest | 4,000 | 4,000 | – | – | 4,000 | 4,000 | – | – |
| Other taxes payable | 513 | 413 | 725 | 287 | 394 | 300 | 240 | 221 |
| Interest payable | 1,233 | 2,114 | 1,129 | 653 | 719 | 1,162 | 535 | 427 |
| Payables relating to purchases of property, plant and equipment | 18,687 | 34,536 | 65,305 | 62,268 | 6,312 | 4,348 | 8,698 | 6,285 |
| Current portion of deferred income *(Note 27)* | 1,312 | 1,437 | 1,385 | 1,369 | 474 | 537 | 540 | 540 |

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | **2017** | **2018** | **2019** | **2020** | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Dividends payable | – | – | 69,526 | 3,033 | – | – | 69,526 | – |
| Others | 6,856 | 15,602 | 17,557 | 6,962 | 1,236 | 3,472 | 8,361 | 4,779 |
| Total financial liabilities measured at amortised cost | 63,443 | 88,359 | 184,019 | 97,205 | 35,690 | 35,362 | 102,327 | 25,812 |
| Contract liabilities *(Note ii)* | | | | | | | | |
| – related parties | 6,459 | 12,502 | 9,907 | 7,537 | 2,678 | 10,000 | 2,299 | – |
| – third parties | 8,058 | 2,029 | 6,989 | 37,471 | 7,679 | 351 | 4,567 | 35,451 |
| | 77,960 | 102,890 | 200,915 | 142,213 | 46,047 | 45,713 | 109,193 | 61,263 |

*Notes:*

(i) All of the accruals and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

(ii) Movements in contract liabilities

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December | | | At 30 April | Year ended 31 December | | | At 30 April |
| | **2017** | **2018** | **2019** | **2020** | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January | 4,275 | 14,517 | 14,531 | 16,896 | 3,576 | 10,357 | 10,351 | 6,866 |
| Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period | (4,275) | (14,517) | (14,531) | (16,896) | (3,576) | (10,357) | (10,351) | (6,866) |
| Increase in contract liabilities as a result of receipt in advance of transferring goods | 14,517 | 14,531 | 16,896 | 45,008 | 10,357 | 10,351 | 6,866 | 35,451 |
| At 31 December/30 April | 14,517 | 14,531 | 16,896 | 45,008 | 10,357 | 10,351 | 6,866 | 35,451 |

## 24 INTEREST-BEARING BORROWINGS

### (a) The short-term interest-bearing borrowings comprise:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank loans | | | | | | | | |
| – guaranteed by certain Controlling Shareholders and a financial guarantee company *(i)* | 2,000 | – | – | – | – | – | – | – |
| – guaranteed by the former general manager of a subsidiary and a financial guarantee company *(i)* | – | 2,000 | – | – | – | – | – | – |
| – guaranteed by certain Controlling Shareholders of the Company and a financial guarantee company *(ii)* | – | 4,500 | – | – | – | – | – | – |
| – guaranteed by certain Controlling Shareholders of the Company and a financial guarantee company *(iii)* | – | 4,500 | – | – | – | – | – | – |
| – secured by bills receivables | – | 1,710 | – | – | – | 1,710 | – | – |
| – secured by non-current biological assets and guaranteed by certain Controlling Shareholders, fellow subsidiaries of the Company and a financial guarantee company | 65,000 | – | – | – | 65,000 | – | – | – |
| – guaranteed by certain Controlling Shareholders and a fellow subsidiary of the Company | – | 20,000 | 50,000 | – | – | 20,000 | 50,000 | – |
| – guaranteed by certain Controlling Shareholders and a company controlled by one of the directors | – | – | – | 50,000 | – | – | – | 50,000 |
| – secured by property, plant and equipment and guaranteed by certain Controlling Shareholders and fellow subsidiaries of the Company *(iv)* | – | 65,000 | 65,000 | – | – | 65,000 | 65,000 | – |

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| – secured by property, plant and equipment and guaranteed by certain Controlling Shareholders | – | – | – | 50,000 | – | – | – | 50,000 |
| – guaranteed by a former shareholder of a subsidiary *(Note 29(b))* | – | – | 20,000 | 20,000 | – | – | – | – |
| Total bank loans | 67,000 | 97,710 | 135,000 | 120,000 | 65,000 | 86,710 | 115,000 | 100,000 |
| Other loans | | | | | | | | |
| – guaranteed by a former general manager of a subsidiary of the Company | 2,800 | 3,000 | – | – | – | – | – | – |
| – unsecured and unguaranteed | 28,966 | – | 3,000 | – | 23,350 | – | – | – |
| Add: Current portion of long-term interest-bearing borrowings | 20,468 | 45,806 | 58,745 | 48,482 | – | 6,455 | 25,931 | 24,655 |
| | 119,234 | 146,516 | 196,745 | 168,482 | 88,350 | 93,165 | 140,931 | 124,655 |

(i) Counter-guarantee is provided to the financial guarantee company by the Company and the former general manager of a subsidiary, and the counter-guarantee is secured by the Group's property, plant and equipment.

(ii) Counter-guarantee is provided to the financial guarantee company by a supplier of the Company.

(iii) Counter-guarantee is provided to the financial guarantee company by certain Controlling Shareholders and a supplier of the Company.

(iv) Guarantee is provided by fellow subsidiaries 四川天兆同發食品有限公司 (Sichuan Tianzow Tongfa Food Company Limited) in 2018 and 重慶天攀科技開發有限公司 (Chongqing Tianpan Technology Limited) in 2019, respectively.

**(b) The long-term interest-bearing borrowings comprise:**

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank loans | | | | | | | | |
| – guaranteed by certain Controlling Shareholders and a fellow subsidiary of the Company | – | 30,000 | – | – | – | 30,000 | – | – |
| – guaranteed by certain Controlling Shareholders of the Company | – | – | 50,000 | 50,000 | – | – | 50,000 | 50,000 |
| – secured by property, plant and equipment and guaranteed by certain Controlling Shareholders and an employee of the Company | 50,000 | 50,000 | 40,000 | 40,000 | 50,000 | 50,000 | 40,000 | 40,000 |
| – secured by trade receivables generated during the loan period and guaranteed by one of the Controlling Shareholders of the Company | 13,500 | 9,000 | 4,500 | 4,500 | – | – | – | – |
| – secured by the entire equity interest in a subsidiary and guaranteed by one of the Controlling Shareholders of the Company | 4,900 | 4,800 | – | – | – | – | – | – |
| – guaranteed by a financial guarantee company *(i)* | – | – | 10,868 | 7,608 | – | – | – | – |
| Total bank loans | 68,400 | 93,800 | 105,368 | 102,108 | 50,000 | 80,000 | 90,000 | 90,000 |
| Other loans | | | | | | | | |
| – unsecured and unguaranteed | 4,000 | 4,300 | 4,300 | 2,300 | – | – | 4,000 | 2,000 |
| – secured by property, plant and equipment, current biological assets and non-current biological assets | 4,000 | 4,000 | – | – | – | – | – | – |
| – secured by property, plant and equipment | 11,868 | 6,868 | – | – | – | – | – | – |
| – secured by property, plant and equipment and the entire equity interest in a subsidiary and guaranteed by certain Controlling Shareholders of the Company | – | 37,058 | 23,229 | 15,505 | – | – | – | – |

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| – secured by property, plant and equipment and guaranteed by certain Controlling Shareholders and a fellow subsidiary of the Company | – | – | 20,616 | – | – | – | 20,616 | – |
| – secured by property, plant and equipment and guaranteed by certain Controlling Shareholders and a company controlled by one of the directors | – | – | – | 17,638 | – | – | – | 17,638 |
| – secured by property, plant and equipment and guaranteed by certain Controlling Shareholders of the Company | – | 10,329 | 8,193 | 4,227 | – | 8,162 | 1,691 | – |
| – secured by property, plant and equipment and guaranteed by a third party of the Company | – | – | 382 | 339 | – | – | – | – |
| Total other loans | 19,868 | 62,555 | 56,720 | 40,009 | – | 8,162 | 26,307 | 19,638 |
| Less: Current portion of long-term interest-bearing borrowings | (20,468) | (45,806) | (58,745) | (48,482) | – | (6,455) | (25,931) | (24,655) |
| | 67,800 | 110,549 | 103,343 | 93,635 | 50,000 | 81,707 | 90,376 | 84,983 |

(i) Counter guarantee is provided to the financial guarantee company and secured by the Group's property, plant and equipment and guaranteed by a general manager of a subsidiary of the Company and the general manager's spouse.

**(c) The long-term interest-bearing borrowings are repayable as follows:**

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | **2017** | **2018** | **2019** | **2020** | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year or on demand | 20,468 | 45,806 | 58,745 | 48,482 | – | 6,455 | 25,931 | 24,655 |
| After 1 year but within 2 years | 23,300 | 30,151 | 58,415 | 43,584 | 10,000 | 11,707 | 50,095 | 34,983 |
| After 2 years but within 5 years | 44,500 | 80,398 | 44,928 | 50,051 | 40,000 | 70,000 | 40,281 | 50,000 |
| | 88,268 | 156,355 | 162,088 | 142,117 | 50,000 | 88,162 | 116,307 | 109,638 |

**(d) Carrying value of assets pledged against bank of loans at end of each reporting period is analysed as follows:**

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December | | | At 30 April | At 31 December | | | At 30 April |
| | **2017** | **2018** | **2019** | **2020** | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Investment property and other property, plant and equipment | 141,742 | 208,768 | 201,638 | 183,234 | 81,756 | 90,479 | 137,613 | 91,454 |
| Investment in subsidiaries | 24,349 | 119,801 | 59,335 | 116,709 | 20,000 | 30,000 | 20,000 | 20,000 |
| Bills receivable | – | 1,800 | – | – | – | 1,800 | – | – |
| Non-current biological assets | 13,973 | 2,703 | – | – | 11,539 | – | – | – |
| Current biological assets | 841 | 812 | – | – | – | – | – | – |
| Trade receivables | 6,114 | 5,554 | 4,396 | 4,396 | – | – | – | – |
| | 187,019 | 339,438 | 265,369 | 304,339 | 113,295 | 122,279 | 157,613 | 111,454 |

*Note:* The equity of certain subsidiaries was pledged to secured certain bank loan and other loan, the net asset value of these subsidiaries amounted to RMB45,238,000, RMB143,305,000, RMB82,535,000 and RMB139,620,000 at the end of 31 December 2017, 2018 and 2019 and 30 April 2020, including investment property, other property, plant and equipment with amounts of RMB20,889,000, RMB23,504,000, RMB23,200,000 and RMB22,911,000 secured for other loans.

## 25 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2017, 2018 and 2019 and 30 April 2020.

**The Group**

| | 31 December 2017 | | 31 December 2018 | | 31 December 2019 | | 30 April 2020 | |
|---|---|---|---|---|---|---|---|---|
| | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 2,043 | 3,417 | 4,852 | 9,439 | 9,678 | 32,011 | 17,905 | 33,843 |
| After 1 year but within 2 years | 2,160 | 3,307 | 3,894 | 8,124 | 11,146 | 32,455 | 12,178 | 34,170 |
| After 2 years but within 5 years | 4,444 | 7,271 | 13,775 | 24,109 | 41,270 | 97,829 | 43,703 | 100,233 |
| After 5 years | 12,000 | 14,920 | 31,655 | 42,743 | 170,137 | 306,103 | 163,112 | 297,446 |
| | 18,604 | 25,498 | 49,324 | 74,976 | 222,553 | 436,387 | 218,993 | 431,849 |
| | 20,647 | 28,915 | 54,176 | 84,415 | 232,231 | 468,398 | 236,898 | 465,692 |
| Less: total future interest expenses | | (8,268) | | (30,239) | | (236,167) | | (228,794) |
| Present value of lease obligations | | 20,647 | | 54,176 | | 232,231 | | 236,898 |

**The Company**

| | 31 December 2017 | | 31 December 2018 | | 31 December 2019 | | 30 April 2020 | |
|---|---|---|---|---|---|---|---|---|
| | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 1,025 | 1,383 | 2,985 | 6,134 | 4,202 | 9,107 | 7,090 | 9,355 |
| After 1 year but within 2 years | 1,042 | 1,334 | 2,546 | 5,452 | 4,658 | 9,111 | 7,710 | 9,360 |
| After 2 years but within 5 years | 1,265 | 1,970 | 9,389 | 16,372 | 17,092 | 27,341 | 18,660 | 27,414 |
| After 5 years | 3,136 | 3,380 | 17,787 | 24,660 | 23,197 | 33,855 | 14,747 | 23,286 |
| | 5,443 | 6,684 | 29,722 | 46,484 | 44,947 | 70,307 | 41,117 | 60,060 |
| | 6,468 | 8,067 | 32,707 | 52,618 | 49,149 | 79,414 | 48,207 | 69,415 |
| Less: total future interest expenses | | (1,599) | | (19,911) | | (30,265) | | (21,208) |
| Present value of lease obligations | | 6,468 | | 32,707 | | 49,149 | | 48,207 |

## 26 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

**The Group**

| | Year ended 31 December | | | Four months ended 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 787 | 1,554 | 4,596 | 855 |
| Provision for the year/period *(Note 7(a))* | 767 | 5,102 | 3,253 | 1,416 |
| Increase due to the business combination *(Note 29)* | – | 88 | – | – |
| Income tax paid | – | (2,148) | (6,994) | (1,141) |
| At the end of the year/period | 1,554 | 4,596 | 855 | 1,130 |

**The Company**

| | Year ended 31 December | | | Four months ended 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 787 | 1,554 | 2,054 | 787 |
| Provision for the year/period | 767 | 500 | – | – |
| Income tax paid | – | – | (1,267) | – |
| At the end of the year/period | 1,554 | 2,054 | 787 | 787 |

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

Movement of each component of deferred tax assets and liabilities

**The Group**

| | Investment property, and other property, plant and equipment | Credit loss allowance | Changes in fair value of other financial assets | Net |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Deferred tax arising from:** | | | | |
| At 1 January 2017 | – | – | – | – |
| Charged to profit or loss | – | – | (164) | (164) |
| At 31 December 2017 and 1 January 2018 | – | – | (164) | (164) |
| Increase due to the business combination *(Note 29)* | (2,375) | – | – | (2,375) |
| Credit to profit or loss | 69 | 64 | 164 | 297 |
| At 31 December 2018 and 1 January 2019 | (2,306) | 64 | – | (2,242) |
| Credit to profit or loss | 141 | 50 | – | 191 |
| At 31 December 2019 | (2,165) | 114 | – | (2,051) |
| Credit/(charged) to profit or loss | 48 | (114) | (4,951) | (5,017) |
| At 30 April 2020 | (2,117) | – | (4,951) | (7,068) |

**The Company**

| | Changes in fair value of other financial assets |
|---|---|
| | *RMB'000* |
| **Deferred tax arising from:** | |
| At 1 January 2017 | – |
| Charged to profit or loss | (164) |
| At 31 December 2017 and 1 January 2018 | (164) |
| Credit to profit or loss | 164 |
| At 31 December 2018 and 1 January 2019 | – |
| Charged to profit or loss | – |
| At 31 December 2019 and 1 January 2020 | – |
| Charged to profit or loss | (4,951) |
| At 30 April 2020 | (4,951) |

**(c) Deferred tax assets not recognised**

In accordance with the accounting policy set out in Note 2, the Group has not recognised deferred tax assets in respect of tax losses and other temporary difference of RMB1,360,000, RMB1,452,000, RMB6,792,000 and RMB8,684,000 during the years ended 31 December 2017, 2018 and 2019 and four months ended 30 April 2020, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for five years from the year incurred.

As at 31 December 2017, tax losses of RMB477,000, RMB1,379,000, RMB3,928,000, RMB1,360,000 will expire, if unused by the end of 31 December 2019, 2020, 2021 and 2022, respectively.

As at 31 December 2018, tax losses of RMB638,000, RMB3,086,000, RMB1,452,000 will expire, if unused by the end of 31 December 2020, 2021 and 2023, respectively.

As at 31 December 2019, tax losses of RMB1,114,000, RMB1,250,000 and RMB6,792,000 will expire, if unused by the end of 31 December 2021, 2023 and 2024, respectively.

As at 30 April 2020, tax losses of RMB1,114,000, RMB1,250,000, RMB6,792,000 and RMB8,684,000 will expire, if unused by the end of 31 December 2021, 2023, 2024 and 2025, respectively.

## 27 DEFERRED INCOME

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December | | | Four months ended 30 April | Year ended 31 December | | | Four months ended 30 April |
| | **2017** | **2018** | **2019** | **2020** | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January | 26,348 | 25,920 | 34,801 | 49,263 | 9,939 | 9,548 | 11,368 | 26,676 |
| Additions | 4,543 | 11,538 | 24,594 | 158 | 134 | 3,326 | 19,161 | – |
| Credit to profit or loss | (4,971) | (2,657) | (10,132) | (731) | (525) | (1,506) | (3,853) | (298) |
| At 31 December/ 30 April | 25,920 | 34,801 | 49,263 | 48,690 | 9,548 | 11,368 | 26,676 | 26,378 |
| Less: current portion of deferred income *(Note 23)* | (1,312) | (1,437) | (1,385) | (1,369) | (474) | (537) | (540) | (540) |
| At 31 December/ 30 April | 24,608 | 33,364 | 47,878 | 47,321 | 9,074 | 10,831 | 26,136 | 25,838 |

Deferred income mainly represents government grants relating to construction of property, plant and equipment, as well as funding related to import of breeding stock and breeding technology ("the Agricultural Subsidies"). The government grants relating to construction of property, plant and equipment are recognised as income on a straight-line basis over the expected useful life of relevant assets. The Agricultural Subsidies for import of breeding stock and breeding technology are recognised in profit or loss as income when the local government completes its verification.

**28 CAPITAL, RESERVES AND DIVIDENDS**

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

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

| | **Share capital** | **Capital reserve** | **PRC statutory reserve** | **Retained profits** | **Total equity** |
|---|---|---|---|---|---|
| | *RMB'000* *(Note 28 (c))* | *RMB'000* *(Note 28 (d)(i))* | *RMB'000* *(Note 28 (d)(ii))* | *RMB'000* | *RMB'000* |
| **At 1 January 2017** | 54,936 | 42,661 | 5,286 | 41,554 | 144,437 |
| **Changes in equity:** | | | | | |
| Profit for the year | – | – | – | 125,442 | 125,442 |
| Total comprehensive income | – | – | – | 125,442 | 125,442 |
| Issue of ordinary shares | 3,003 | 50,821 | – | – | 53,824 |
| Appropriation to reserves | – | – | 10,531 | (10,531) | – |
| Dividends declared in respect of the current year *(Note 28(b))* | – | – | – | (46,351) | (46,351) |
| **At 31 December 2017 and 1 January 2018** | 57,939 | 93,482 | 15,817 | 110,114 | 277,352 |
| **Changes in equity:** | | | | | |
| Profit for the year | – | – | – | 31,339 | 31,339 |
| Total comprehensive income | – | – | – | 31,339 | 31,339 |
| Appropriation to reserves | – | – | 1,697 | (1,697) | – |
| Stock dividend *(Note 28(b))* | 57,939 | – | – | (57,939) | – |
| **At 31 December 2018 and 1 January 2019** | 115,878 | 93,482 | 17,514 | 81,817 | 308,691 |
| **Changes in equity:** | | | | | |
| Profit for the year | – | – | – | 270,270 | 270,270 |
| Total comprehensive income | – | – | – | 270,270 | 270,270 |
| Appropriation to reserves | – | – | 26,690 | (26,690) | – |
| Dividends declared in respect of the current year *(Note 28(b))* | – | – | – | (115,877) | (115,877) |
| **At 31 December 2019** | 115,878 | 93,482 | 44,204 | 209,520 | 463,084 |

| | Share capital | Capital reserve | PRC statutory reserve | Retained profits | Total equity |
|---|---|---|---|---|---|
| | *RMB'000* *(Note 28 (c))* | *RMB'000* *(Note 28 (d)(i))* | *RMB'000* *(Note 28 (d)(ii))* | *RMB'000* | *RMB'000* |
| **At 1 January 2019** | 115,878 | 93,482 | 17,514 | 81,817 | 308,691 |
| **Change in equity:** | | | | | |
| Profit for the period (unaudited) | – | – | – | 2,874 | 2,874 |
| Total comprehensive income (unaudited) | – | – | – | 2,874 | 2,874 |
| **At 30 April 2019 (unaudited)** | 115,878 | 93,482 | 17,514 | 84,691 | 311,565 |
| **At 1 January 2020** | 115,878 | 93,482 | 44,204 | 209,520 | 463,084 |
| **Change in equity:** | | | | | |
| Profit for the period | – | – | – | 101,872 | 101,872 |
| Total comprehensive income | – | – | – | 101,872 | 101,872 |
| **At 30 April 2020** | 115,878 | 93,482 | 44,204 | 311,392 | 564,956 |

**(b) Dividends**

Dividends declared during the Track Record Period.

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Dividend declared during the year/period | 46,351 | 57,939 | 115,877 | – | – |
| Dividend per ordinary share (RMB) | 0.80 | 1.00 | 1.00 | – | – |

(i) In September 2017, the Company declared dividends to its shareholders with amounts of RMB46,351,000, which was fully settled in cash in September 2017.

(ii) On 11 October 2018, the shareholders of the Company resolved to distribute stock dividend at a ratio of 10 shares per 10 shares to all shareholders. As a result of such share issue, the issued share capital was increased from RMB57,938,600 to RMB115,877,200.

(iii) In July 2019, the Company declared dividends to its shareholders with amounts of RMB46,351,000, in which RMB2,158,000 was paid by cash in September 2019 and the rest was settled by offsetting the Group's amount due from certain shareholders, including Tianson Real Estate, Tianzow Food and 重慶天攀科技開發有限公司 (Chongqing Tianpan Technology Limited) in the amount of RMB28,905,000, RMB11,189,000 and RMB4,099,000, respectively.

(vi) On 23 October 2019, the Company declared dividends to its shareholders with amounts of RMB69,526,320, in which RMB66,493,000 was settled by cash as at 30 April 2020.

**(c) Share capital**

| | At 31 December 2017 | | At 31 December 2018 | | At 31 December 2019 | | At 30 April 2020 | |
|---|---|---|---|---|---|---|---|---|
| | **No. of shares** | *RMB* | **No. of shares** | *RMB* | **No. of shares** | *RMB* | **No. of shares** | *RMB* |
| **Ordinary shares, issued:** | | | | | | | | |
| At 1 January | 54,935,600 | 54,935,600 | 57,938,600 | 57,938,600 | 115,877,200 | 115,877,200 | 115,877,200 | 115,877,200 |
| Shares issue | 3,003,000 | 3,003,000 | – | – | – | – | – | – |
| Stock dividend *(Note 28(b))* | – | – | 57,938,600 | 57,938,600 | – | – | – | – |
| **At 31 December/ 30 April** | 57,938,600 | 57,938,600 | 115,877,200 | 115,877,200 | 115,877,200 | 115,877,200 | 115,877,200 | 115,877,200 |

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

On 18 November 2016 the Company listed in the National Equities Exchange and Quotations Co., Ltd. ("NEEQ"), a PRC over-the-counter system for trading shares of public companies. On 18 September 2017, the Company issued 3,003,000 new ordinary shares to 32 individual shareholders at an aggregated consideration of RMB54,054,000. The proceeds of RMB3,003,000 received by the Company, representing the par value, were credited to the Company's share capital. The remaining proceeds received by the Company, net of transaction costs, RMB50,821,000 were credited to the Company's capital reserve account. Tianzow Food, Tianson Real Estate, 重慶天攀科技開發公司 (Chongqing Tianpan Technology Limited) and 32 individual shareholders held 62.36%, 23.61%, 8.84% and 5.19% equity interest in the Company respectively immediately after the ordinary shares issue.

On 4 April 2019, the Company de-listed from NEEQ. After delisting from the NEEQ, the dissenting or abstaining shareholders transferred the whole or part of equity shares to Tianson Real Estate and 1 individual shareholder. Tianzow Food, Tianson Real Estate, 重慶天攀科技開發有限公司 (Chongqing Tianpan Technology Limited) and 13 individual shareholders held 62.36%, 24.43%, 8.84% and 4.37% equity interest in the Company respectively after the transferring.

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

***(i) Capital reserve***

Capital reserve represents the proceeds in excess of the par value upon shares issuance received by the Company as disclosed in Note 28(c).

***(ii) PRC statutory reserve***

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

*(iii) Other reserve*

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

**(e) Capital management**

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

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

**29 BUSINESS COMBINATION**

**(a) Guang'an Tianzow Food Company Limited**

In June 2018, the Group acquired the entire interest of Guang'an Tianzow Food Company Limited ("Guang'an Tianzow"), from a shareholder of the Company at a consideration of RMB35,293,300. Guang'an Tianzow is mainly engaged in slaughtering and sales of fresh pork. Consideration for the acquisition was fully settled during the year 2018. During the acquisition no transaction cost was incurred.

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

| | *RMB'000* |
|---|---|
| Investment property | 5,736 |
| Other property, plant and equipment | 13,935 |
| Right of use assets | 4,200 |
| Inventories | 139 |
| Trade and bills receivables | 9,698 |
| Prepayments, deposits and other receivables | 15,943 |
| Cash and cash equivalents | 1,401 |
| Trade payables | (1,276) |
| Accrued expense and other payables | (12,020) |
| Current taxation | (88) |
| Deferred tax liabilities | (2,375) |
| Total identifiable net assets at fair value | 35,293 |
| Satisfied by cash | (35,293) |

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

| | **During the year ended 31 December 2018** |
|---|---|
| | *RMB'000* |
| Cash consideration | 35,293 |
| Cash and cash equivalents acquired | (1,401) |
| Net cash outflow included in cash flows used in investing activities | 33,892 |

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

The fair value of investment property located in PRC is determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield is determined with reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

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

The right of use asset represents the land use right located in PRC and the fair value is determined using the prevailing market price basis with reference to comparable sales transactions as identified in the relevant markets.

The fair value of measurement of investment property, other property, plant and equipment and right-of-use assets fall into level 3 of the fair value hierarchy.

**(i) Acquired receivables**

The fair value and gross contractual amounts of acquired account receivables is RMB9,698,000.

**(ii) Revenue and profit contribution**

Since the acquisition, Guang'an Tianzow contributed RMB54,684,000 to the Group's revenue, and a loss of RMB319,000 to the consolidated net profit respectively for the year ended 31 December 2018.

Had the business combinations taken place on 1 January 2018, the revenue and the net profit of the Group would have been RMB457,027,000 and RMB39,860,000, respectively for the year ended 31 December 2018.

**(b) Jiangsu Tianzow Industrial Co., Ltd.**

On 30 December 2019, the Group acquired an additional 47.62% of the total equity interest in Jiangsu Tianzow Industrial Co., Ltd. ("Jiangsu Tianzow"), from SJTU Education Service Industry Investment Management (Group) Co. Ltd. at a consideration of RMB15,500,000, and increasing its ownership from 47.62% to 95.24%. Jiangsu Tianzow has become the Company's non-wholly owned subsidiary thereon. Jiangsu Tianzow is mainly engaged in stockbreeding. Consideration for the acquisition was fully settled during the year 2019. During the acquisition no transaction cost was incurred.

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

| | *RMB'000* |
|---|---|
| Property, plant and equipment | 47,176 |
| Intangible assets | 5 |
| Land use rights | 15,035 |
| Other right of use assets | 3,787 |
| Prepayments for equipment | 507 |
| Inventories | 83 |
| Trade receivables | 65 |
| Prepayment, deposits and other receivables | 178 |
| Cash at bank and on hand | 29 |
| Trade payables | (1,120) |
| Accrued expenses and other payables | (6,718) |
| Interest-bearing borrowings | (23,000) |
| Leases liabilities | (3,478) |
| Total identifiable net assets at fair value | 32,549 |
| NCI | (1,549) |
| Total consideration | 31,000 |

***Satisfied by***

| | *RMB'000* |
|---|---|
| Cash | 15,500 |
| Fair value of pre-existing interest in Jiangsu Tianzow | 15,500 |
| | 31,000 |

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

| | **During the year ended 31 December 2019** |
|---|---|
| | *RMB'000* |
| Cash consideration | 15,500 |
| Cash and cash equivalents acquired | (29) |
| Net cash outflow included in cash flows used in investing activities | 15,471 |

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

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

Industrial land use right located in PRC and the fair value is determined using the prevailing market price basis with reference to comparable sales transactions as identified in the relevant markets. Other right of use assets are plants located in PRC and the fair value was determined based on the market rentals of the plants and the incremental interest rate of similar financing conditions.

The fair value of measurement of other property, plant and equipment and right-of-use assets fall into level 3 of the fair value hierarchy.

**(i) Acquired receivables**

The fair value and gross contractual amounts of acquired account receivables is RMB65,000.

**(ii) Revenue and profit contribution**

Since the acquisition taken place on 30 December 2019, Jiangsu Tianzow didn't contribute revenue or net profit to the Group's revenue or net profit for the year ended 31 December 2019.

Had the business combinations taken place on 1 January 2019, the revenue and the net profit of the Group would have been RMB810,196,000 and RMB473,394,000, respectively for the year ended 31 December 2019.

**30 ACQUISITION OF NON-CONTROLLING INTERESTS**

In May 2017, the Group acquired an additional 40% of the total interest in Gansu Tianzow Breeding Technology Company Limited ("Gansu Tianzow") owned by non-controlling shareholder, increasing its ownership from 60% to 100%, representing an increase of the Group's share of net assets of Gansu Tianzow from RMB495,000 to RMB825,000. The consideration was RMB4,000,000 and was settled by cash in 2019.

In July 2017, the Group acquired 37% of the total interest in Guizhou Tianzow Breeding Technology Company Limited ("Guizhou Tianzow") owned by non-controlling shareholder, increasing its ownership from 63% to 100%, representing an increase of the Group's share of net assets of Guizhou Tianzow from RMB3,665,000 to RMB5,817,000. The consideration of this acquisition was RMB3,890,000 and was settled by offsetting with other receivables from the former non-controlling shareholder of Guizhou Tianzow in 2017.

| | **Year ended 31 December 2017** |
|---|---|
| | *RMB'000* |
| Carrying amount of non-controlling interests acquired | 2,482 |
| Consideration paid to non-controlling interests | (7,890) |
| A decrease in total equity attributable to equity shareholders of the Group | (5,408) |

The decrease in equity attributable to equity shareholders of the Company comprise a decrease in "Other reserve" of RMB5,408,000.

In March 2020, the Group acquired 48% of the total interest in Xinjiang Bayin Tianzow Breeding Company Limited ("Bayin Tianzow") owned by non-controlling shareholder, increasing its ownership from 52% to 100%, representing an increase of the Group's share of net assets of Bayin Tianzow from RMB1,566,000 to RMB3,012,000. The consideration was RMB1,210,000 and was settled by cash in April 2020.

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arise in the normal course of the Group's and the Company's business.

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

### (a) Credit risk

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

Except for the financial guarantees given by the Group and the Company as set out in Note 33, the Group and the Company do not provide any other guarantees which would expose the Group and the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 33.

***Trade receivables***

The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group and the Company have significant exposure to individual customers. At 31 December 2017, 2018 and 2019 and 30 April 2020, 17%, 13%, 30% and 21% of the total trade receivables, respectively, were due from the Group's largest debtor, and 47%, 47%, 62% and 51% of the total trade receivables, respectively, were due from the Group's five largest debtors. At 31 December 2017, 2018 and 2019 and 30 April 2020, 26%, 34%, 66% and 50% of the total trade receivables, respectively, were due from the Company's largest debtor, and 42%, 85%, 99% and 98% of the total trade receivables, respectively, were due from the Company's five largest debtors.

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

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

The following table provides information about the Group's and the Company's exposure to credit risk and ECLs for trade receivables at 31 December 2017, 2018 and 2019 and 30 April 2020:

| | At 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | The Group | | | The Company | | |
| | Expected loss rate | Gross carrying amount | Loss allowance | Expected loss rate | Gross carrying amount | Loss allowance |
| | *%* | *RMB'000* | *RMB'000* | *%* | *RMB'000* | *RMB'000* |
| less than 1 year | 1.1% | 9,906 | 112 | 1.1% | 6,483 | 74 |
| 1 to 2 years | 8.3% | 1,201 | 100 | 8.3% | 30 | 2 |
| 2 to 3 years | 12.7% | 2,036 | 259 | 12.7% | 2,020 | 257 |
| Over 3 years | 100.0% | 302 | 302 | 100.0% | 302 | 302 |
| Total | | 13,445 | 773 | | 8,835 | 635 |

| | Year ended 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|
| | The Group | | | The Company | | |
| | Expected loss rate | Gross carrying amount | Loss allowance | Expected loss rate | Gross carrying amount | Loss allowance |
| | *%* | *RMB'000* | *RMB'000* | *%* | *RMB'000* | *RMB'000* |
| less than 1 year | 0.7% | 23,598 | 156 | 0.9% | 7,033 | 63 |
| 1 to 2 years | 7.3% | 732 | 53 | 7.3% | 103 | 8 |
| 2 to 3 years | 21.0% | 1,385 | 291 | 8.9% | 30 | 3 |
| Over 3 years | 100.0% | 16 | 16 | 100.0% | – | – |
| Total | | 25,731 | 516 | | 7,166 | 74 |

| | At 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | The Group | | | The Company | | |
| | Expected loss rate | Gross carrying amount | Loss allowance | Expected loss rate | Gross carrying amount | Loss allowance |
| | *%* | *RMB'000* | *RMB'000* | *%* | *RMB'000* | *RMB'000* |
| less than 1 year | 0.9% | 9,078 | 80 | 1.1% | 4,673 | 53 |
| 1 to 2 years | 6.1% | 1,764 | 108 | 6.3% | 303 | 19 |
| 2 to 3 years | 9.2% | 291 | 27 | 9.7% | 103 | 10 |
| Over 3 years | 100.0% | 217 | 217 | 100.0% | – | – |
| Total | | 11,350 | 432 | | 5,079 | 82 |

| | At 30 April 2020 | | | | | |
|---|---|---|---|---|---|---|
| | The Group | | | The Company | | |
| | Expected loss rate | Gross carrying amount | Loss allowance | Expected loss rate | Gross carrying amount | Loss allowance |
| | % | *RMB'000* | *RMB'000* | % | *RMB'000* | *RMB'000* |
| less than 1 year | 1.0% | 11,766 | 113 | 1.2% | 5,527 | 69 |
| 1 to 2 years | 6.6% | 793 | 53 | 6.6% | – | – |
| 2 to 3 years | 10.0% | 532 | 53 | 10.0% | 303 | 30 |
| Over 3 years | 100.0% | 107 | 107 | 100.0% | – | – |
| Total | | 13,198 | 326 | | 5,830 | 99 |

An impairment allowance of RMB3,360,000 and RMB1,003,000 of the Group and the Company in respect of receivables from specific customers at 30 April 2020 was recognized because of the significant financial difficulties being experienced by the debtors during the four months ended 30 April 2020.

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

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

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December | | | Four months ended 30 April | Year ended 31 December | | | Four months ended 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at 1 January | 714 | 773 | 516 | 432 | 636 | 635 | 74 | 82 |
| Impairment loss recognised/(reversed) during the year/period | 59 | (257) | (84) | 3,254 | (1) | (561) | 8 | 1,020 |
| Balance at 31 December/30 April | 773 | 516 | 432 | 3,686 | 635 | 74 | 82 | 1,102 |

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

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December | | | Four months ended 30 April | Year ended 31 December | | | Four months ended 30 April |
| | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at 1 January | 897 | 368 | 632 | 183 | 350 | 318 | 525 | 49 |
| Impairment loss/(reversed) during the year/period | (529) | 264 | (449) | 3,875 | (32) | 207 | (476) | 3,875 |
| Balance at 31 December/30 April | 368 | 632 | 183 | 4,058 | 318 | 525 | 49 | 3,924 |

**(b) Liquidity risk**

The following tables show the remaining contractual maturities at 31 December 2017, 2018 and 2019 and 30 April 2020 of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group and the Company can be required to pay:

| | The Group At 31 December 2017 | | | | | | The Company At 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Contractual undiscounted cash flow | | | | | | Contractual undiscounted cash flow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Over 5 years | Total | Carrying amount | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Over 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing borrowings | 128,716 | 28,112 | 47,828 | – | 204,656 | 187,034 | 94,587 | 13,900 | 43,120 | – | 151,607 | 138,350 |
| Lease liabilities | 3,417 | 3,307 | 7,271 | 14,920 | 28,915 | 20,647 | 1,383 | 1,334 | 1,970 | 3,380 | 8,067 | 6,468 |
| Amounts due to related parties | 2,910 | – | – | – | 2,910 | 2,910 | 53,428 | – | – | – | 53,428 | 53,428 |
| Trade payables | 24,998 | – | – | – | 24,998 | 24,998 | 12,361 | – | – | – | 12,361 | 12,361 |
| Accruals and other payables | 62,131 | – | – | – | 62,131 | 62,131 | 35,216 | – | – | – | 35,216 | 35,216 |
| | 222,172 | 31,419 | 55,099 | 14,920 | 323,610 | 297,720 | 196,975 | 15,234 | 45,090 | 3,380 | 260,679 | 245,823 |
| Financial guarantees issued: | | | | | | | | | | | | |
| Maximum amount guaranteed *(Note 33)* | 60,000 | – | 15,000 | – | 75,000 | – | 60,000 | – | 15,000 | – | 75,000 | – |

| | The Group At 31 December 2018 | | | | | | The Company At 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Contractual undiscounted cash flow | | | | | | Contractual undiscounted cash flow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Over 5 years | Total | Carrying amount | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Over 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing borrowings | 161,472 | 36,010 | 85,263 | – | 282,745 | 257,065 | 104,915 | 17,332 | 74,845 | – | 197,092 | 174,872 |
| Lease liabilities | 9,439 | 8,124 | 24,109 | 42,743 | 84,415 | 54,176 | 6,134 | 5,452 | 16,372 | 24,660 | 52,618 | 32,707 |
| Amounts due to related parties | 1,566 | – | – | – | 1,566 | 1,566 | 57,228 | – | – | – | 57,228 | 57,228 |
| Trade payables | 29,170 | – | – | – | 29,170 | 29,170 | 8,941 | – | – | – | 8,941 | 8,941 |
| Accruals and other payables | 86,922 | – | – | – | 86,922 | 86,922 | 34,825 | – | – | – | 34,825 | 34,825 |
| | 288,569 | 44,134 | 109,372 | 42,743 | 484,818 | 428,899 | 212,043 | 22,784 | 91,217 | 24,660 | 350,704 | 308,573 |
| Financial guarantees issued: Maximum amount guaranteed *(Note 33)* | 77,000 | 15,000 | – | – | 92,000 | – | 77,000 | 15,000 | – | – | 92,000 | – |

| | The Group At 31 December 2019 | | | | | | The Company At 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Contractual undiscounted cash flow | | | | | | Contractual undiscounted cash flow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Over 5 years | Total | Carrying amount | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Over 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing borrowings | 211,312 | 66,683 | 49,961 | – | 327,956 | 300,088 | 151,478 | 57,864 | 45,167 | – | 254,509 | 231,307 |
| Lease liabilities | 32,011 | 32,455 | 97,829 | 306,103 | 468,398 | 232,231 | 9,107 | 9,111 | 27,341 | 33,855 | 79,414 | 49,149 |
| Amounts due to related parties | 16,050 | – | – | – | 16,050 | 16,050 | 147,271 | – | – | – | 147,271 | 147,271 |
| Trade payables | 14,636 | – | – | – | 14,636 | 14,636 | 3,860 | – | – | – | 3,860 | 3,860 |
| Accruals and other payables | 182,634 | – | – | – | 182,634 | 182,634 | 101,787 | – | – | – | 101,787 | 101,787 |
| | 456,643 | 99,138 | 147,790 | 306,103 | 1,009,674 | 745,639 | 413,503 | 66,975 | 72,508 | 33,855 | 586,841 | 533,374 |
| Financial guarantees issued: | | | | | | | | | | | | |
| Maximum amount guaranteed *(Note 33)* | 2,000 | – | – | – | 2,000 | – | 2,000 | – | – | – | 2,000 | – |

| | The Group At 30 April 2020 | | | | | | The Company At 30 April 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Contractual undiscounted cash flow | | | | | | Contractual undiscounted cash flow | | | | | |
| | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **More than 2 years but less than 5 years** | **Over 5 years** | **Total** | **Carrying amount** | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **More than 2 years but less than 5 years** | **Over 5 years** | **Total** | **Carrying amount** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing borrowings | 184,539 | 45,643 | 53,807 | – | 283,989 | 262,117 | 139,121 | 40,661 | 53,750 | – | 233,532 | 209,638 |
| Lease liabilities | 33,843 | 34,170 | 100,233 | 297,446 | 465,692 | 236,898 | 9,355 | 9,360 | 27,414 | 23,286 | 69,415 | 48,207 |
| Amounts due to related parties | 30,950 | – | – | – | 30,950 | 30,950 | 237,085 | – | – | – | 237,085 | 237,085 |
| Trade payables | 25,472 | – | – | – | 25,472 | 25,472 | 9,426 | – | – | – | 9,426 | 9,426 |
| Accruals and other payables | 95,836 | – | – | – | 95,836 | 95,836 | 25,272 | – | – | – | 25,272 | 25,272 |
| | 370,640 | 79,813 | 154,040 | 297,446 | 901,939 | 651,273 | 420,259 | 50,021 | 81,164 | 23,286 | 574,730 | 529,628 |
| Financial guarantees issued: | | | | | | | | | | | | |
| Maximum amount guaranteed *(Note 33)* | 2,000 | – | – | – | 2,000 | – | 2,000 | – | – | – | – | 2,000 |

**(c) Interest rate risk**

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

The following table details the profile of the Group's interest-bearing financial liabilities at the end of each reporting period. The detailed maturity information of the Group's borrowings are disclosed in Note 24.

| | The Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December 2017 | | At 31 December 2018 | | At 31 December 2019 | | At 30 April 2020 | |
| | Effective interest rate | Amounts | Effective interest rate | Amounts | Effective interest rate | Amounts | Effective interest rate | Amounts |
| | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 |
| Fixed rate borrowings | | | | | | | | |
| – Lease liabilities | 7.08% | 20,647 | 9.84% | 54,176 | 10.39% | 232,231 | 10.18% | 236,898 |
| – Bank loans | – | – | 5.75%-6.48% | 39,000 | 4.75%-5.75% | 40,868 | 4.75%-5.75% | 37,608 |
| – Other loans | 7%-12% | 51,634 | 6.67%-15% | 65,555 | 5.76%-15% | 59,720 | 5.76%-15% | 40,009 |
| Variable rate borrowings | | | | | | | | |
| – Bank loans | 4.75%-8.5% | 135,400 | 4.35%-8.5% | 152,510 | 4.75%-7.8% | 199,500 | 4.75%-7.8% | 184,500 |
| Total borrowings | | 207,681 | | 311,241 | | 532,319 | | 499,015 |
| Fixed rate borrowings as a percentage of total borrowings | | 35% | | 51% | | 63% | | 63% |

| | The Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At 31 December 2017 | | At 31 December 2018 | | At 31 December 2019 | | At 30 April 2020 | |
| | Effective interest rate | Amounts | Effective interest rate | Amounts | Effective interest rate | Amounts | Effective interest rate | Amounts |
| | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 |
| Fixed rate borrowings | | | | | | | | |
| – Lease liabilities | 7.08% | 6,468 | 9.84% | 32,707 | 10.39% | 49,149 | 10.18% | 48,207 |
| – Bank loans | – | – | – | – | 5.75% | 30,000 | 5.75% | 30,000 |
| – Other loans | 10% | 23,350 | 5.75%-11.37% | 38,162 | 11.37%-15% | 26,307 | 14.11%-15% | 19,638 |
| Variable rate borrowings | | | | | | | | |
| – Bank loans | 7.8%-8.5% | 115,000 | 4.35%-7.8% | 136,710 | 7.5%-7.8% | 175,000 | 7.5%-7.8% | 160,000 |
| Total borrowings | | 144,818 | | 207,579 | | 280,456 | | 257,845 |
| Fixed rate borrowings as a percentage of total borrowings | | 21% | | 34% | | 38% | | 38% |

*(i) Sensitivity analysis*

At 31 December 2017, 2018 and 2019 and 30 April 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decrease the Group's profit after tax and decreased/increased the Group's retained profits by approximately RMB1,354,000, RMB1,525,000, RMB1,995,000 and RMB1,845,000 respectively.

The sensitivity analysis above indicate the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the each reporting period. The impact is estimated as an annualised impact on interest exposure of such a change in interest rates. The sensitivity analysis is performed on the same basis during the Track Record Period.

**(d) Fair values measurement**

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

The fair value of unlisted equity investment falls into level 3 of the fair value hierarchy. The Group has a finance manager performing valuations for the unquoted equity investments. The manager reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the manager at 31 December 2017, 2018 and 2019 and 30 April 2020, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held once a year, to coincide with the reporting dates.

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

| | **Valuation techniques** | **Significant unobservable inputs** | **Range** | **Weighted average** |
|---|---|---|---|---|
| Unlisted equity instruments | Market comparable companies | Discount for lack of marketability | 68%-78% | 73% |

The fair value of unlisted equity instruments is determined using the price to book ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

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

| | **Year ended 31 December** | | | **Four months ended 30 April** |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Unlisted equity investments: | | | | |
| At 1 January | – | 7,329 | – | – |
| Additions | 6,672 | – | – | 19,121 |
| Net realised and unrealised gains or losses recognised in profit or loss during the year/period | 657 | 3,671 | – | 9,692 |
| Disposal of other financial assets | – | (11,000) | – | – |
| At 31 December/30 April | 7,329 | – | – | 28,813 |

As at 31 December 2017 and 30 April 2020, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 500 percentage points would have increased/decreased the Group's net profit after tax by RMB377,000 and RMB400,000, respectively.

## 32 COMMITMENTS

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

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Purchase of property, plant and equipment:** | | | | |
| Contracted for | 45,540 | 45,310 | 24,065 | 111,287 |
| Authorised but not contracted for | 116,276 | 50,890 | 921,725 | 712,405 |
| | 161,816 | 96,200 | 945,790 | 823,692 |
| Investment in associates contracted for | 84,000 | 84,000 | 120,053 | 102,623 |

The capital commitment of the Group's joint ventures and associates are as followed:

| | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Purchase of property, plant and equipment:** | | | | |
| Contracted for | 16,205 | 39,015 | 34,085 | 33,769 |
| Authorised but not contracted for | 12,380 | 5,089 | 3,419 | 15,406 |
| | 28,585 | 44,104 | 37,504 | 49,175 |

## 33 CONTINGENT LIABILITIES

At 31 December 2017, 31 December 2018 and 31 December 2019 and 30 April 2020, the Group has issued guarantees in respect of loans made by banks to an shareholder, an associate and a joint venture. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the directors of the Company do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2017, 2018 and 2019 and 30 April 2020 under the guarantees issued is the outstanding amount of the loans of a shareholder of RMB25,000,000, RMB25,000,000, RMB nil, RMB nil of an associate of RMB nil, RMB32,000,000, RMB2,000,000, RMB2,000,000 and of joint ventures of RMB50,000,000, RMB35,000,000, RMB nil and RMB nil, respectively.

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

**34 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES**

**(a) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:**

| Name of related party | Relationship |
|---|---|
| Yuping 余平 | One of the Controlling Shareholders |
| Tanjin 譚瑾 | One of the Controlling Shareholders |
| Tianson Real Estate | One of the Controlling Shareholders |
| Tianzow Food | One of the Controlling Shareholders |
| Chongqing Tianpan Technology Limited 重慶天攀科技開發有限公司# | Fellow subsidiary/A company controlled by one of the directors |
| Chongqing Yu's Style Husbandry Technology Consulting Company 重慶余平式畜牧技術諮詢有限公司 | Fellow subsidiary |
| Sichuan Tianzow Tongfa Food Company Limited 四川天兆同發食品有限公司 | Fellow subsidiary |
| Chongqing Guanxin Real Estate Development Company Limited 重慶冠鑫實業開發有限公司 | Fellow subsidiary |
| Jiangsu Tianzow Industrial Company Limited 江蘇天兆實業有限公司 | Joint venture |
| Shanxi Changrong Tianzow Breeding Technology Co., Ltd. 山西長榮天兆畜牧科技有限公司 | Joint venture |
| Hunan Tianzow Jingyuan Breeding Co., Ltd. 湖南天兆景園畜牧業有限公司 | Joint venture |
| Yunnan Tianzow Longsheng Breeding Co., Ltd. 雲南天兆隆升牧業有限公司 | Joint venture |
| Sichuan Gaojin Tianzow Breeding Co., Ltd. 四川高金天兆牧業有限公司 | Associate |
| Luzhou Tianzow Breeding Co., Ltd. 瀘州天兆畜牧有限公司 | Joint venture |
| Tianjin Jingang Tianzow Breeding Technology Co., Ltd. 天津市津港天兆畜牧科技有限公司 | Joint venture |
| Hebei Shunde Tianzow Breeding Technology Co., Ltd. 河北順德天兆畜牧科技有限公司 | Joint venture |
| Wushan Tianzow Breeding Technology Co., Ltd. 巫山天兆畜牧科技有限公司 | Joint venture |
| Hainan Tianzow Breeding Technology Co., Ltd. 海南天兆畜牧科技有限公司 | Joint venture |
| Jiamusi Shuangzhao Breeding Technology Co., Ltd. 佳木斯雙兆豬業有限公司 | Associate |
| Inner Mongolia Yingge Tianzow Breeding Technology Co., Ltd. 內蒙古英歌天兆畜牧科技有限公司 | Joint venture |
| Fujian Xingshun Tianzow Breeding Technology Co., Ltd. 福建興順天兆豬業有限公司 | Joint venture |

| Name of related party | Relationship |
| --- | --- |
| Fuzhou Yaguolong Breeding Co., Ltd. 福州亞國龍畜牧有限公司 | Joint venture |
| Shenmu Tianzow Breeding Agriculture Technology Co., Ltd. 神木市天兆畜牧農業科技有限公司 | Associate |
| Xinjiang Zhongshengpuzhao Breeding Technology Co., Ltd. 新疆中盛譜兆畜牧科技有限公司 | Associate |
| Shanxi Jinhong Tianzow Breeding Technology Co., Ltd. 山西晉宏天兆畜牧科技有限公司 | Associate |
| Shaanxi Dingbian Mingfeng Tianzow Breeding Co., Ltd. 陝西定邊縣銘豐天兆畜牧有限公司 | Joint venture |
| Huachuan Shuangzhao Breeding Technology Co., Ltd. 樺川雙兆豬業有限公司 | Associate |
| Xinjiang Qiangdu Tianzow Breeding Technology Co., Ltd. 新疆羌都天兆畜牧科技有限公司 | Associate |
| Guangyuan Gaojin Food Co., Ltd. 廣元市高金食品有限公司 | A company controlled by one of the directors |
| Suining Gaojin Food Co., Ltd. 遂寧市高金食品有限公司 | A company controlled by one of the directors |
| Yibin Gaojin Food Co., Ltd. 宜賓市高金食品有限公司 | A company controlled by one of the directors |
| Sichuan Wangyi Food Co., Ltd. 四川王壹食品有限公司 | A company controlled by one of the directors |

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

\# On 19 January 2020, each of Mr. Yu and Ms. Tan signed an equity transfer agreement with Mr. Yu Zhengbo (the son of Mr. Yu and Ms. Tan) pursuant to which Mr. Yu and Ms. Tan agreed to transfer 20.2% and 23.95% of the equity interest in 重慶天攀科技開發有限公司 (Chongqing Tianpan Technology Limited) to Mr. Yu Zhengbo, respectively, at nil consideration. Therefore 重慶天攀科技開發有限公司 (Chongqing Tianpan Technology Limited) has been classified as a company controlled by one of the directors, instead of a fellow subsidiary since then.

**(b) Transactions with related parties during the Track Record Period**

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Sales of goods to joint ventures | 20,939 | 10,428 | 1,121 | 565 | 335 |
| Sales of goods to associates | 37,933 | 3,630 | 28,392 | 133 | 22,260 |
| Sales of goods to a company controlled by certain Controlling Shareholders | 64,639 | 26,063 | – | – | – |
| Sales of goods to companies controlled by one of the directors* | – | 29,542 | 894 | 850 | – |
| Services provided to companies controlled by one of the directors* | – | – | 120 | 65 | – |
| Services provided to joint ventures | 2,004 | 2,138 | 6,266 | 817 | 179 |
| Services provided to associates | 926 | 1,727 | 2,459 | 790 | 1,009 |
| Purchase of goods from an associate | – | 2,603 | 983 | 488 | – |
| Purchase of goods from a company controlled by certain Controlling Shareholders | 74 | 38 | – | – | – |
| Purchase of service from a company controlled by one of the directors | – | 1,156 | 5,274 | 835 | 466 |
| Net (decrease)/increase in the amounts due from the related parties | 2,699 | (970) | (55,373) | 41,900 | (12,800) |
| Net (decrease)/increase in the amounts due to the related parties | (2,560) | 2,362 | 14,484 | (1,566) | 14,900 |
| Repayment of interest-bearing borrowing to certain Controlling Shareholders | (19,488) | (23,350) | – | – | – |
| Proceeds of interest-bearing borrowing from certain Controlling Shareholders | 29,180 | – | – | – | – |
| Guarantees provided by Certain Controlling Shareholders | 6,900 | 76,387 | 55,933 | 50,000 | – |
| Guarantees provided by Certain Controlling Shareholders and fellow subsidiaries | 65,000 | 95,000 | 135,616 | – | – |
| Guarantees provided for a controlling shareholder | 25,000 | – | – | – | – |
| Guarantees provided for an associate | – | 32,000 | 2,000 | – | – |
| Guarantees provided for joint ventures | 50,000 | – | – | – | – |
| Interests payable to certain Controlling Shareholders | 667 | 1,123 | 2,504 | 1,600 | – |

* The director was appointed by the Company in May 2018. Since then, the transactions with the companies controlled by this director are related party transactions and included in the disclosures above.

**(c) Balances with related parties**

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

| **The Group** | **At 31 December** | | | **At 30 April** |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade in nature: | | | | |
| – Trade and bills receivables *(Note 19)* | 8,177 | 5,462 | 1,717 | 8,775 |
| – Prepayments, deposits and other receivables *(Note 20)* | 118 | – | 223 | – |
| – Accruals and other payables | 6,459 | 12,502 | 17,341 | 7,537 |
| Non-trade in nature: | | | | |
| – Amounts due from a shareholder | – | 1,100 | – | – |
| – Amounts due from joint ventures | 650 | 520 | 12,800 | – |
| – Dividends receivables from joint ventures | – | 693 | 4,848 | 4,848 |
| – Dividends receivables from associates | – | 1,839 | – | – |
| | 650 | 4,152 | 17,648 | 4,848 |
| Non-trade in nature: | | | | |
| – Amounts due to certain of the Controlling Shareholders | 300 | – | – | – |
| – Amounts due to joint ventures | 2,610 | 17 | 16,050 | 30,950 |
| – Amounts due to other related parties | – | 1,549 | – | – |
| – Dividends payables to certain Controlling Shareholders | – | – | 60,345 | – |
| – Dividends payables to a fellow subsidiary | – | – | 6,149 | – |
| | 2,910 | 1,566 | 82,544 | 30,950 |
| Interest-bearing borrowings from certain Controlling shareholders | 23,350 | – | – | – |
| Guarantees provided by certain Controlling Shareholders# | 70,400 | 140,187 | 125,922 | 164,232 |
| Guarantees provided by certain Controlling Shareholders and fellow subsidiaries | 65,000 | 95,000 | 135,616 | – |
| Guarantees provided by certain Controlling Shareholders and a company controlled by one of the directors# | – | – | – | 67,638 |
| Guarantees provided for a shareholder | 25,000 | 25,000 | – | – |
| Guarantees provided for an associate | – | 32,000 | 2,000 | 2,000 |
| Guarantees provided for joint ventures | 50,000 | 35,000 | – | – |

| The Company | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade in nature: | | | | |
| – Trade and bills receivables *(Note 19)* | 5,145 | 1,880 | 49 | 5,071 |
| – Prepayments, deposits and other receivables *(Note 20)* | 71 | 43 | 223 | – |
| – Accruals and other payables | 2,678 | 10,000 | 8,699 | – |
| Non-trade in nature: | | | | |
| – Amounts due from subsidiaries | 34,470 | 52,876 | 74,810 | 39,945 |
| – Amounts due from a shareholder | – | 1,100 | – | – |
| – Amounts due from joint ventures | 650 | 520 | 12,800 | – |
| – Dividends receivables from joint ventures | – | 693 | 4,848 | 4,848 |
| – Dividends receivables from associates | – | 1,839 | – | – |
| | 35,120 | 57,028 | 92,458 | 44,793 |
| Non-trade in nature: | | | | |
| – Amounts due to subsidiaries | 50,518 | 56,834 | 131,221 | 206,135 |
| – Amounts due to a shareholder | 228 | – | – | – |
| – Amounts due to joint ventures | 2,610 | 3 | 16,050 | 30,950 |
| – Amounts due to directors of the Company | 72 | 87 | – | – |
| – Amounts due to other related parties | – | 304 | – | – |
| – Dividends payables to certain Controlling Shareholders | – | – | 60,345 | – |
| – Dividends payables to a fellow subsidiary | – | – | 6,149 | – |
| | 53,428 | 57,228 | 213,765 | 237,085 |

| The Company | At 31 December | | | At 30 April |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing borrowings from certain Controlling shareholders | 23,350 | – | – | – |
| Guaranteed provided by certain Controlling Shareholders | 50,000 | 50,000 | 91,691 | 140,000 |
| Guaranteed provided by certain Controlling Shareholders and fellow subsidiaries | 65,000 | 123,162 | 135,616 | – |
| Guaranteed provided by certain Controlling Shareholders and a company controlled by one of the directors | – | – | – | 67,638 |
| Guarantees provided for a shareholder | 25,000 | 25,000 | – | – |
| Guarantees provided for an associate | – | 32,000 | 2,000 | 2,000 |
| Guarantees provided for joint ventures | 50,000 | 35,000 | – | – |

All of the non-trade amounts due from and to related parties are unsecured, non-interest bearing and have no fixed terms of repayment except interest-bearing borrowing from certain controlling shareholders. The Group has undertaken to repay the amounts due to the related parties that are non-trade in nature prior to the listing of the Company's shares on the Stock Exchange.

\# For the loans guaranteed by the Controlling Shareholders and a company controlled by a director, loans of RMB71.9 million outstanding at 30 April 2020 has been subsequently settled. The guarantees of the loans for an aggregated amount of RMB160 million will be released upon the Listing.

**(d) Key management personnel remuneration**

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

| | Year ended 31 December | | | Four months ended 30 April | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries and other emoluments | 1,342 | 1,961 | 2,150 | 556 | 697 |
| Discretionary bonuses | 960 | 1,036 | 1,359 | – | – |
| Retirement scheme contributions | 53 | 55 | 49 | 15 | 5 |
| | 2,355 | 3,052 | 3,558 | 571 | 702 |

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

### 35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group acquired 40% of the total equity interest of Suining Gaojin Breeding Co., Ltd. ("Suining Gaojin") by subscribing share capital of RMB3.2 million. On 8 May 2020, the Group finished filing and registration of the subscription in local Marketing Surveillance and Administration Bureau, and Suining Gaojin had no paid-up share capital and had no track record of business as at 30 April 2020, so financial information for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020 is not applicable.

On 13 May 2020, the Group acquired 20% of the total equity interest of Fujian Xingsheng Tianzow Breeding Co., Ltd. ("Xingsheng Tianzow"). On 20 May 2020, the Group increased its ownership in Ebian Tianzow Breeding Co., Ltd. ("Ebian Tianzow") from 30% to 60% through increasing its subscribed capital from RMB300,000 out of the entity's registered capital of RMB1,000,000 to RMB36,000,000 out of the entity's revised register capital of RMB60,000,000, Ebian Tianzow has become the Company's non-wholly owned subsidiary thereon.

### 36 ADDITIONAL FINANCIAL INFORMATION OF XINGSHENG TIANZOW AND EBIAN TIANZOW

Set out below is the financial information of Xingsheng Tianzow and Ebian Tianzow for the periods since their respective dates of establishment to 30 April 2020, which are prepared in accordance with the accounting polices of the Group set out in Note 2:

***(i) Statements of profit or loss and other comprehensive income of Xingsheng Tianzow***

| | *Note* | **Period from 8 April 2020 (date of establishment) to 30 April 2020** *RMB'000* |
|---|---|---|
| **Revenue** | | – |
| Cost of sales | | – |
| **Gross profit** | | – |
| Administrative expenses | | (42) |
| **Loss from operations** | | (42) |
| **Loss before taxation** | | (42) |
| Income tax | | – |
| **Loss and total comprehensive income for the period** | | (42) |

*(ii) Statements of financial position of Xingsheng Tianzow*

| | Note | At 30 April 2020 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property plant and equipment | | 2,847 |
| **Current assets** | | |
| Prepayment, deposits and other receivables | | 866 |
| Cash and cash equivalents | | 455 |
| | | 1,321 |
| **Current liabilities** | | |
| Accrued expenses and other payables | | 2,160 |
| **Net current liabilities** | | (839) |
| **Total assets less current liabilities** | | 2,008 |
| **Non-current liabilities** | | – |
| **NET ASSETS** | | 2,008 |
| **CAPITAL AND RESERVES** | | |
| Paid-in capital | | 2,050 |
| Reserves | | (42) |
| **TOTAL EQUITY** | | 2,008 |

*(iii) Statements of profit or loss and other comprehensive income of Ebian Tianzow*

| | Note | Period from 19 November 2019 (date of establishment) to 31 December 2019 RMB'000 | Four months ended 30 April 2020 RMB'000 |
|---|---|---|---|
| **Revenue** | | – | – |
| Cost of sales | | – | – |
| **Gross profit** | | – | – |
| Administrative expenses | | – | (36) |
| **Loss from operations** | | – | (36) |
| **Loss before taxation** | | – | (36) |
| Income tax | | – | – |
| **Loss and total comprehensive income for the period** | | – | (36) |

*(iv)* ***Statements of financial position of Ebian Tianzow***

| | Note | At 31 December 2019 RMB'000 | At 30 April 2020 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | – | – |
| **Current assets** | | | |
| Prepayment, deposits and other receivables | | – | 148 |
| Cash and cash equivalents | | – | 816 |
| | | – | 964 |
| **Current liabilities** | | – | – |
| **Net current assets** | | – | 964 |
| **Total assets less current liabilities** | | – | 964 |
| **Non-current liabilities** | | – | – |
| **NET ASSETS** | | – | 964 |
| **CAPITAL AND RESERVES** | | | |
| Paid-in capital | | – | 1,000 |
| Reserves | | – | (36) |
| **TOTAL EQUITY** | | – | 964 |

*(v)* ***Revenue and profit contribution***

Had the above business combinations taken place on 1 January 2020, the revenue and the net profit of the Group would have been RMB351,925,000 and RMB234,019,000, respectively for the four months ended 30 April 2020.

## 37 ULTIMATE HOLDING PARTIES

Tianzow Food was the immediate parent company of the Company during the Track Record Period and was the Company's ultimate parent company before 12 December 2018. Through the increase of Tianson Real Estate's shares in Tianzow Food and changes of directors in board of directors of Tianzow Food at 12 December 2018, Mr. Yu Ping and Ms. Tan Jin become the ultimate controllers of the Company thereafter.

**38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD**

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2020 and which have not been adopted in the Historical Financial Information.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IAS 1, Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Annual Improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| Amendments to IFRS 3, Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use | 1 January 2022 |
| Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| IFRS 17, Insurance contracts | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture | A date to be determined by the IASB |
| Amendments to IFRS 4, Extension of the temporary exemption from applying IFRS 9 | 1 January 2023 |
| Amendment to IFRS 16, Covid-19-Related Rent Concessions | 1 June 2020 |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

## SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 April 2020.

*The following information does not form part of the Accountants' Report received from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

## A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of our Company as of 30 April 2020 as if the Global Offering had taken place on 30 April 2020.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 April 2020 or at any future date.

| | **Consolidated net tangible assets attributable to equity shareholders of the Company as of 30 April 2020(1)** | **Estimated net proceeds from the Global Offering(2)** | **Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company** | **Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(3)** | |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB(4)* | *HK$(4)* |
| Based on an Offer Price of HK$26.00 per Share | 1,059,528 | 852,942 | 1,912,470 | 12.38 | 13.60 |
| Based on an Offer Price of HK$38.80 per Share | 1,059,528 | 1,287,377 | 2,346,905 | 15.19 | 16.68 |

*Notes:*

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 30 April 2020 is arrived after deducting intangible assets attributable to the equity shareholders of the Company of RMB2,204,000 from the consolidated total equity attributable to the equity shareholders of the Company as of 30 April 2020 of RMB1,061,732,000, extracted from the historical financial information as set out in "Appendix I – Accountants' Report" to the prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$26.00 per H Share and HK$38.80 per H Share, after deduction of the underwriting fees and other related expenses paid or payable by the Group (excluding the listing expense that have been charged to profit or loss up to 30 April 2020), and does not take into account any H Shares which may be issued upon the exercise of the Over-allotment Options. The estimated net proceeds of the Global Offering have been converted to RMB at the exchange rate of HK$1.0000 to RMB0.91056 prevailing on 30 April 2020. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted consolidated net tangible assets by 154,503,200 Shares, being the number of shares expected to be in issue immediately following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Options.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share amounts in RMB are converted to Hong Kong dollar with the exchange rate of RMB0.91056 to HK$1.0000 prevailing on 30 April 2020. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.

(5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 April 2020, including the acquisitions disclosed in Note 35 of the Accountants' Report in Appendix I to the prospectus. These acquisitions do not have any material impact on the pro forma adjusted net tangible assets. The dividends of RMB69,526,320 approved by shareholders' meeting on 23 October 2019 has been fully settled in May 2020. The dividend payables as at 30 April 2020 has been reflected in consolidated net tangible assets attributable to equity shareholders of the Company as at 30 April 2020; the subsequent settlement of the dividends after the Track Record Period thus do not have any impact on the pro forma adjusted net tangible assets.

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.*

KPMG

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF 四川天兆豬業股份有限公司 SICHUAN TIANZOW BREEDING TECHNOLOGY CO., LTD**

We have completed our assurance engagement to report on the compilation of pro forma financial information of 四川天兆豬業股份有限公司 Sichuan Tianzow Breeding Technology Co., Ltd* (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 April 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 29 October 2020 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the H shares of the Company (the "Global Offering") on the Group's financial position as at 30 April 2020 as if the Global Offering had taken place 30 April 2020. As part of this process, information about the Group's financial position as at 30 April 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

***Directors' Responsibilities for the Pro Forma Financial Information***

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

* *For identification purposes only.*

***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Reporting Accountants' Responsibilities***

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 April 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

***Opinion***

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG**
*Certified Public Accountants*
8th Floor, Prince's Building
10 Charter Road
Central, Hong Kong
29 October 2020

## TAXATION OF SECURITY HOLDERS

### Taxation

The following is a summary of certain PRC and Hong Kong tax consequences arising from ownership of H Shares by investors who purchase such H Shares and hold the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as at the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section does not address any aspect of taxation of the PRC or Hong Kong other than income tax, capital tax, value-added tax, stamp duty and estate duty. Prospective investors are advised to consult their own tax advisers regarding the PRC, Hong Kong and other tax consequences of investing in H Shares.

## PRC TAXATION

### Taxation on Dividends

*Individual Investors*

In accordance with the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) (hereinafter referred to as "IIT Law") issued by the Fifth Session of the Standing Committee of the NPC on 10 September 1980, last amended on 31 August 2018 and came into effect on 1 January 2019, and the Regulation on the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) issued by the State Council on 18 December 2018 and came into effect on 1 January 2019, dividends paid by Chinese companies to individual investors shall general be subject to withholding tax at a rate of 20%. Meanwhile, according to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《財政部、國家稅務總局、證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (No. 101 [2015] of the Ministry of Finance) issued by the MOF on 7 September 2015 and was partially invalid on 1 July 2019, which means the Notice does not apply to the differentiated individual income tax policies on dividends and bonuses of companies quoted on the National Equities Exchange and Quotations, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, the dividend income shall be included into the taxable incomes at the reduced rate of 50% for the time being. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty. Pursuant to the Notice of the SAT on Issues Concerning Taxation and the Administration of Individual Income Tax Collection After the Annulment of the Document Guo Shui Fa [1993] NO. 045 (《國家稅務總局關於國稅發 [1993] 045號文件廢止後有關個人所得稅徵管問題的通知》) (No. 348 [2011] of the State Administration of Taxation) issued by the SAT on 28 June 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%.

For individual holders of H Shares receiving dividends who are identified as tax residents of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the distributing non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax rate, and, upon approval by the tax authorities, the amount which is over-withheld will be refunded. For individual holders of H Shares receiving dividends who are identified as tax residents of countries that have entered into a tax treaty with the PRC that provides for tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the applicable rate under the treaties, and no application to the tax authorities is required. For individual holders of H Shares receiving dividends who are identified as tax residents of countries without taxation treaties with the PRC, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income(《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then the amount of such shall not exceed 5% of the total dividends payable by the PRC company. Announcement of the SAT on the Entry into Force and Implementation of the Protocol VI to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.(《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書生效執行的公告》) (Announcement No. 12 [2016] of the SAT) becoming effective on 29 December 2015 states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefits.

***Enterprise Investors***

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (hereinafter referred to as "EIT Law") which was promulgated on 16 March 2007 and last amended on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which became effective on 1 January 2008 and be revised on 23 April 2019, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. The aforesaid income tax must be withheld at source, with the payer of the income being the withholding agent. Such withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The Notice of the SAT on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which are Oversea Non-resident Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT and became effective on 6 November 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise H Shareholders which are derived out of profit generated after 1 January 2008. A non-PRC resident enterprise H Shareholder which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld. The Reply of the SAT on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》) issued by the SAT on 24 July 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to non-PRC resident enterprise shareholders.

**Tax Treaties**

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau may be entitled to preferential tax rates on dividends received by such investors from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and tax computed based on the treaty rate.

**Taxation on Gains from Share Transfer**

***Individual Investors***

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Notice of the MOF and SAT on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (No. 61 [1998] of the MOF) issued by the MOF and SAT on 30 March 1998, from 1 January 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. After the latest amendment to the IIT Law on 31 August 2018 which came into effect on 1 January 2019 and its implementation rules last amended on 18 December 2018 and implemented on 1 January 2019, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares. However, on 31 December 2009, the MOF, SAT and CSRC jointly issued the Notice on Relevant Issues Concerning the Individual Income Tax on individual Income from Transfer of Non-tradable Shares of Listed Companies (《財政部、國家稅務總局、證監會關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (No. 167 [2009] of the MOF), which provides that individuals income from transferring listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for shares of certain specified companies (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies issued by the MOF, SAT and CSRC on 10 November 2010) (《財政部、國家稅務總局、證監會關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (No. 70 [2010] of the MOF). As at the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges such as the Stock Exchange. In practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

***Enterprise Investors***

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

**Taxation Policy of Shanghai – Hong Kong Stock Connect**

On 31 October 2014, the MOF, the SAT and the CSRC jointly issued the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transaction in the Shanghai and Hong Kong Stock Markets (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (No. 81 [2014] of the MOF) (hereinafter referred to as "Shanghai-Hong Kong Stock Connect Taxation Policy"). Enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland enterprise investors in stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect. Under the Notice of the MOF, SAT and CSRC on Continuing to Implement the Relevant Individual Income Tax Policy for the Shanghai-Hong Kong Mutual Stock market Access Mechanism (《財政部、稅務總局、證監會關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) ([2017] No. 78 of the MOF) came into effect on 1 November 2017, from 17 November 2017 to 4 December 2019, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Stock Exchange via the Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax. For dividends and bonus obtained by mainland individual investors investing in H stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-stock companies shall apply to China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as CSDCC) for provision by CSDCC to the H-stock companies of the register of mainland individual investors, and the H-stock companies shall withhold individual income tax at the rate of 20%.

Enterprise income tax will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise investors from investing in stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprise investors, the H-stock companies will not withhold dividend and bonus income tax for mainland enterprise investors. The tax payable shall be declared and paid by the enterprises themselves.

**Taxation Policy of Shenzhen – Hong Kong Stock Connect**

On 5 November 2016, the MOF, the SAT and the CSRC jointly issued the Notice on the Relevant Taxation Policies for the Pilot Program of the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (hereinafter referred to as "Shenzhen-Hong Kong Stock Connect Taxation Policy"). Pursuant to the "Shenzhen-Hong Kong Stock Connect Taxation Policy," personal income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect from 5 December 2016 to 4 December 2019. Enterprise income tax will be levied according to law on price difference (included in total income) derived from investment by mainland enterprise investors in stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect.

For dividends and bonus income obtained by mainland individual investors investing in H stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-stock companies shall apply to CSDCC for provision by CSDCC to the H-stock companies of the register of mainland individual investors, and personal income tax shall be withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the tax credit document. For dividends and bonus income obtained by mainland securities investment funds investing in stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, personal income tax will be levied according to the aforesaid provisions.

Enterprise income tax will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise investors from investing in stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. The H-stock companies listed on the Stock Exchange shall apply to CSDCC for provision by CSDCC to the H-stock companies of the register of mainland individual investors, and the H-stock companies will not withhold dividend and bonus income tax for mainland enterprise investors. The tax payable shall be declared and paid by the enterprises themselves.

### PRC Stamp Duty

Under the Interim Regulation of the PRC on Stamp Tax (《中華人民共和國印花稅暫行條例》) amended on 8 January 2011 and the Detailed Rules for Implementation of Provisional Regulations of the PRC on Stamp Tax (《中華人民共和國印花稅暫行條例施行細則》) came into effect on 1 October 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

### Estate Duty

The PRC currently has not imposed any estate duty.

## MAJOR TAXATION OF THE COMPANY IN THE PRC

### Enterprise Income tax

Under the EIT Law published on 16 March 2007 and subsequently amended 29 December 2018, the enterprise income tax rate in the PRC was reduced to 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises.

**Value-added Tax**

Pursuant to the Notice on issuing the Pilot Plan for Levying Value Added Tax ("VAT") in Lieu of Business Tax (《財政部、國家稅務總局關於印發<營業稅改徵增值稅試點方案>的通知》) (No. 110 [2011] of the MOF) promulgated by the MOF and SAT, which came into effect on 16 November 2011, starting from 1 January 2012, the State started the pilot taxation reform of collecting VAT in lieu of business tax in certain regions (including Shanghai and Beijing) and in certain pilot industries (including transportation and certain modern service industries). The MOF and SAT further notified that the aforesaid pilot plan for the transition from business tax to VAT will be implemented nationwide since 1 August 2013.

Under the Announcement of the SAT on Issues Concerning Value-Added Tax during the Period of Pilot Program of Replacing Business Tax with Value-Added Tax (《國家稅務總局關於營業稅改徵增值稅試點期間有關增值稅問題的公告》) (Announcement No. 90 [2015] of the SAT) published by SAT on 22 December 2015 and came into effect on 1 February 2016, tower site service shall be taxed on 6%; DAS site value-added service shall be taxed on 6% and DAS site infrastructure service shall be taxed on 11%. Pursuant to Notice on Adjusting Value-added Tax Rates issued by the MOF and SAT (《財政部、稅務總局關於調整增值稅稅率的通知》) (No. 32 [2018] of the MOF) promulgated on 4 April 2018 and effective from 1 May 2018, the tax rate of taxable sales activities shall be adjusted to 16% or 10%.

Pursuant to Notice on Implementing the Pilot Program of Replacing Business Tax with Value-added Tax in an All-round Manner issued by the MOF and SAT (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (No. 36 [2016] of the MOF) promulgated on 23 March 2016 and effective from 1 May 2016, from 1 May 2016 onwards, the pilot reform for the transition from business tax to VAT ("Business Tax to VAT") is implemented in an All-round manner, and the financial industry is included in such pilot and is required to pay VAT instead of Business Tax. Pursuant to the Implementation Measures for Transition from Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》), unless otherwise provided in the implementation measures, the tax rate is generally 6% for tax payers who conducted taxable behaviors.

## FOREIGN EXCHANGE CONTROL OF THE PRC

The lawful currency of the PRC is the RMB, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE under the PBOC is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated new Regulations of the PRC on the Management of Foreign Exchanges (《中華人民共和國外匯管理條例》) (hereinafter referred to as the "Regulations of the Management of Foreign Exchanges") which became effective on 1 April 1996. The Regulations of the Management of Foreign Exchanges classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items still are. The Regulations of the Management of Foreign Exchanges were subsequently amended on 14 January 1997 and 5 August 2008. The latest amendment to the Regulations of the Management of Foreign Exchanges clearly states that the State will not impose any restriction on international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Circular of the People's Bank of China on Issuing the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (《中國人民銀行關於印發<結匯、售匯及付匯管理規定>的通知》) (No. 210 [1996] of the PBOC)(hereinafter referred to as the "Settlement Provisions") which became effective on 1 July 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the RMB (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》) (Announcement No. 16 [2005] of the PBOC), issued by the PBOC on 21 July 2005, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The RMB exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the RMB against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which would be used as the central parity for RMB transactions on the following business day.

Starting from 4 January 2016, the PBOC introduced over-the-counter transactions into the inter-bank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of RMB exchange rates, and the practice of matching was kept at the same time. In addition, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On 1 July 2014, the PBOC further improved the market-oriented formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the inter-bank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD, and announce it at 9:15 a.m. on each business day.

On 5 August 2008, the State Council promulgated the Regulation of the PRC on Foreign Exchange Administration(《中華人民共和國外匯管理條例》) (hereinafter referred to as the "Regulations on Foreign Exchange Administration"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Regulation on Foreign Exchange Administration have adopted an approach of balancing the inflow and outflow of funds. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, Regulations on Foreign Exchange Administration have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, Regulations on Foreign Exchange Administration have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, Regulations on Foreign Exchange Administration have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

Pursuant to the relevant State rules and regulations, all of the foreign exchange revenue of the PRC enterprises from the current account transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

The Decisions of the State Council on a Group of Administrative Approval Items Cancelled or Adjusted and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) (No. 50 [2014] of the State Council) promulgated on 23 October 2014 has canceled the approval requirement of the SAFE and it branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) ([2014] No. 54 of the SAFE) issued by the SAFE on 26 December 2014, a domestic issuer shall, within 15 business days from completion of its initial public offering overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation. The proceeds from an overseas listing of a domestic issuer may be remitted to a domestic account or deposited overseas, and the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

Pursuant to the Notice on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (No. 16 [2016] of the SAFE) promulgated by the SAFE on 9 June 2016, discretionary settlement of foreign exchange capital income can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may timely adjust the above proportion in based on international balance of payments.

This appendix contains a summary of certain elements of Chinese laws and regulations related to the Company's operations and businesses. Laws and regulations on Chinese taxation are discussed separately in Appendix III to this prospectus. This appendix also contains a summary of certain Hong Kong legal and regulatory requirements, including certain significant differences between China and Hong Kong company law, certain requirements of the Hong Kong Listing Rules, and a summary of other provisions required by the Hong Kong Stock Exchange to be included in the articles of incorporation of a Chinese issuer.

## THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomy regulations, separate regulations, departmental rules of the State Council, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Although court rulings may be used for the purposes of judicial reference and guidance, they do not constitute binding precedents. The Constitution of the People's Republic of China is China's fundamental law, formulated by the National People's Congress, and has the highest legal effect.

The National People's Congress (the "NPC") and the Standing Committee of the NPC (the "Standing Committee") are empowered to exercise the legislative power of China. The NPC is responsible for formulating and amending the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee is empowered to formulate and amend laws other than those required to be enacted by the NPC and may supplement and amend parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The State Council is the highest administrative authority of the PRC and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not violate any provision of the Constitution, laws or administrative regulations. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned, provided that such autonomous and separate regulations do not violate the basic principles of the laws or administrative regulations. No adaptations shall be made to specific provisions on national autonomous areas contained in the Constitution, autonomy law of national areas and other relevant laws and administrative regulations.

The ministries and commissions of the State Council, the People's Bank of China (the PBOC), the National Audit Office and other state organs, ministries and commissions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. The people's governments of the provinces, autonomous regions and municipalities directly under the Central Government as well as cities divided into districts and autonomous prefectures may enact rules in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

According to the Constitution of the People's Republic of China, the Standing Committee of the National People's Congress exercises the power of legal interpretation. According to the Resolution of the Standing Committee of the National People's Congress on Strengthening the Interpretation of Laws adopted on 10 June 1981, all issues concerning the specific application of laws and decrees in court trials and procuratorial work by the Procuratorate are handled by the Supreme People's Court, the prosecutor's office explained. How to specifically apply other laws and decrees in trials and procuratorial work shall be explained by the State Council, competent departments and committees. Where the text of a local statute requires clear boundaries or supplementary provisions, the Standing Committee of the People's Congress of the province, autonomous region, or municipality directly under the state that has formulated such statutes shall interpret or make supplementary provisions. Questions about how specific local regulations apply are to be explained by the competent authorities of the people's governments of provinces, autonomous regions and municipalities.

## THE PRC JUDICIAL SYSTEM

China's judicial system in accordance with the Constitution of the People's Republic of China and the Organic Law of the People's Court of the People's Republic of China, adopted on 1 July 1979 and last revised on 26 October 2018, and implemented on 1 January 2019. It consists of the Supreme People's Court, local people's courts, military courts and other specialized people's courts. Local people's courts at all levels are composed of the basic people's courts, intermediate people's courts and high people's courts. The basic people's courts may have civil, criminal and economic tribunals. The intermediate people's court has a similar structure to the grassroots people's court, and other courts can be set up as needed. The higher people's courts supervise the lower people's courts. The Supreme People's Court is the highest judicial organ in China and has the power to supervise the trial work of people's courts at all levels and all specialized people's courts. The people's procuratorate also has the right to exercise legal supervision over the trial activities of the people's court.

In case trials, the people's courts implement a two-trial final trial system. The parties may appeal the decision and decision of the local people's court to the people's court at the next higher level in accordance with the procedures prescribed by law. The people's procuratorate may protest to the people's court at the next higher level in accordance with the procedures prescribed by law. The judgments and rulings of the first-instance cases of local people's courts at all levels, if the parties do not appeal or the people's procuratorate does not protest within the time limit for appeal, are the final judgments and rulings with legal effect. The judgments and rulings of the second instance cases tried by the Intermediate People's Court, the High People's Court and the Supreme People's Court, and the decisions and rulings of the first instance cases tried by the Supreme People's Court are all final judgments and rulings. The death penalty shall be reported to the Supreme People's Court for approval, unless it is judged by the Supreme People's Court in accordance with the law.

The Civil Procedure Law of the People's Republic of China ("Civil Procedure Law"), issued on 9 April 1991 and last revised on 27 June 2017, and implemented on 1 July 2017, provides for prosecution of civil cases, jurisdiction of people's court, procedures to be followed in civil proceedings, and standards for the enforcement of civil judgments or rulings. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of residence. The parties to a contract may, by express agreement, select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction should be located in the plaintiff's or the defendant's place of residence, the place of execution or implementation of contract, or the place of the subject of the action and other place which has actual connection with the dispute, and provided that, in any case, the provisions of the Civil Procedure Law regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual, enterprise or organization generally has the same litigation rights and obligations as a citizen, legal person or organization of the PRC. Should the judicial system of a foreign country limit the litigation rights of PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country.

If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The termination or suspension of the time limit for the submission of an application for enforcement shall be governed by the provisions on the termination or suspension of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interest.

## THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Standing Committee of the National People's Congress promulgated on 29 December 1993 PRC Company Law, which was last revised on 26 October 2018 and entered into force on 26 October 2018, regulates companies to protect the legitimate rights and interests of companies, shareholders and creditors.

The "Special Provisions of the State Council on Raising and Listing Shares of Overseas Stock Companies" issued and effective by the Standing Committee of the State Council on 4 August 1994 were formulated in accordance with the "Company Law" (1993), and are applicable to the overseas stock raising and Listing matters. The "Mandatory Provisions to the Articles of Association of Overseas Listed Companies" jointly issued by the former State Council Securities Committee and the former National Economic System Reform Commission on 29 September 1994 stipulated the terms of a company's articles of association for overseas listed companies. Therefore, the "Mandatory Terms" have been incorporated into the company's articles of association (summarized in Appendix V to this prospectus-summary of the company's articles of association).

As stated in Appendix VII-Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection, the Chinese text of the Company Law, Special Provisions and Mandatory Provisions, together with its informal English translation, is available for inspection.

## GENERAL PROVISIONS

A "joint stock limited company" ("a company") is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises. The state-owned enterprise reorganized into a company must comply with the conditions and requirements of specific laws and administrative regulations in the amendment of its operating mechanism, the systematic treatment and evaluation of the company's assets and liabilities, and the establishment of internal management institutions.

## INCORPORATION

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. A company incorporated by promotion is the one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be listed to the public or specific parties.

The PRC Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce. Shares in the company shall not be issued to others unless the registered capital has been fully paid up.

For companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce. The promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed in accordance with laws if such assets are to be contributed as capital.

The latest revision of the PRC Company Law no longer imposes restrictions on minimum amount or requirements for payment deadlines of paid-up registered capital. However, if there are laws, administrative regulations and other requirements imposed by the State Council provide for payment deadlines of paid-up registered capital or minimum amount of a limited liability company or a joint stock limited company, such laws, administrative regulations and requirements shall prevail.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the inaugural meeting include adopting the draft articles of association proposed by the promoters and electing the board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated, the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated, and damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

## SHARE CAPITAL

The company's promoters can contribute capital at the appraised value in cash or currency and in kind (such as intellectual property rights or land use rights) that are transferable under the law.

If the capital contribution is made by means other than cash, the assets to be invested must be valued and verified according to law, and then converted into shares.

Companies may issue registered or bearer shares. However, the shares issued to the promoter or legal person must be registered shares and must be registered in the name of the promoter or legal person, and must not be registered under a different name or in the name of a representative.

The "Special Provisions" and "Mandatory Provisions" stipulate that shares issued to overseas investors and listed overseas must be issued in registered form and must be denominated in RMB and subscribed in foreign currencies.

In accordance with the "Special Provisions" and "Mandatory Provisions", shares issued to overseas investors and investors in Hong Kong Special Administrative Region of China, Macao Special Administrative Region of China and Taiwan and listed overseas are referred to as overseas listed foreign shares and are issued to China (Except the above regions) The shares issued by investors are called domestic shares.

With the approval of the securities administration department of the State Council, the company may publicly sell shares overseas, and the State Council makes special regulations. According to the "Special Provisions", with the approval of the China Securities Regulatory Commission, the company may agree to retain in the underwriting agreement for the issuance of overseas listed foreign shares not to exceed 15.0% of the total number of overseas listed foreign shares to be issued.

The offer price of the shares may be equal to or greater than but not lower than the face value.

Shareholders' transfer of shares must be made on a stock exchange established in accordance with the law or in other ways prescribed by the State Council. Shareholders' transfer of registered shares must be endorsed or otherwise prescribed by laws or administrative regulations. Transfer of bearer shares requires delivery of the stock to the assignee.

The company promoter shall not transfer the shares held within one year after the company's incorporation date. The shares issued by the company before the public offering of shares cannot be transferred within one year from the date of listing of the company's shares on the stock exchange. The directors, supervisors and senior management of the company shall not transfer more than 25.0% of their respective company shares during their term of office, and shall not transfer any of their company shares within one year from the company's listing date. China's "Company Law" does not limit the proportion of shares held by a single shareholder.

Within 20 days before the date of the general meeting of shareholders or five days before the record date set for the distribution of dividends, no transfer of shares may be registered in the register of shareholders.

## INCREASE IN SHARE CAPITAL

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law requires the following conditions for a company to issue new shares to the public: the company is a complete and well-operated organization; the company is capable of making profits continuously and maintaining a healthy financial status; no false records or significant irregularities are found in its financial and accounting documents over the last three years; the company is able to fulfill any other requirements as prescribed by the securities regulatory authority of the State Council as approved by the State Council; The approval of the securities regulatory authority of the State Council must be obtained; After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

## REDUCTION OF SHARE CAPITAL

A company may reduce its registered capital in accordance with the following procedures stipulated by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders at the shareholders' general meeting;

- the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction in capital being passed;

- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and

- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

**REPURCHASE OF SHARES**

A company may not repurchase its own shares unless:

- reduction of its registered capital;

- merger with another company which holds its shares;

- use of its shares for carrying out an employee stock ownership plan or equity incentive plan;

- request from shareholders who object to a resolution of a shareholders' general meeting on merger or division of the company to acquire their shares by the company;

- use of shares for conversion of convertible corporate bonds issued by a listed company; and

- the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

A resolution of a shareholders' general meeting is required for a share buyback by a company under either of the circumstances stipulated in item (1) or item (2) above; for a company's share buyback under any of the circumstances stipulated in item (3), item (5) or item (6) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

The shares acquired under the circumstance stipulated in item (1) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either item (2) or item (4); and the shares held in total by a company after a share buyback under any of the circumstances stipulated in item (3), item (5) or item (6) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law of the People's Republic of China. If the share buyback is made under any of the circumstances stipulated in item (3), item (5) or item (6) hereof, centralized trading shall be adopted publicly.

A company shall not accept its own shares as the subject matter of pledge.

## TRANSFER OF SHARES

Shares may be transferred in accordance with the relevant laws and regulations.

## SHAREHOLDERS

The company's articles of association set forth the rights and duties of its shareholders, which are binding on all shareholders. Pursuant to the Company Law and the Mandatory Provisions, the rights of shareholders include:

- the right to attend shareholders' general meetings in person or by proxy and to vote in respect of the number of shares held;
- the right to transfer their shares in accordance with the applicable laws, regulations and the company's articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of board meetings, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's business operations;
- where a resolution passed by shareholders' general meetings or the board of directors violates the articles of association or infringe the lawful rights and interests of shareholders, the right to institute an action in a people's court demanding the cessation of such unlawful infringement;
- the right to receive dividends based on the number of shares held; and
- any other rights of shareholders specified in the company's articles of association.

The obligations of a shareholder include: to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for; to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares subscribed for; not to abuse the shareholders' rights to prejudice the interests of the company or other shareholders thereof; not to abuse the independent status of the company as a legal person and a joint stock limited company to prejudice the interests of the creditor(s) of the company; and any other obligations specified in the company's articles of association.

## SHAREHOLDERS' GENERAL MEETINGS

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The shareholders' general meeting exercises the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors;
- to review and approve annual financial budget and financial accounts proposed by the company;
- to review and approve the company's proposals on profit distribution and recovery of loss;
- to decide on any increase or reduction of the registered capital of the company;
- to decide on the company's issuance of bonds;
- to decide on merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as specified in the articles of association.

Annual general meetings shall be held once a year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number stipulated by the Company Law or less than two thirds of the number specified in the articles of association;
- the losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- as requested by shareholders alone or in aggregate holding 10% or more of the shares of the Company;
- when deemed necessary by the board of directors;
- when proposed by the board of supervisors; or
- other circumstances as specified in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman fails to perform his duties, the vice chairman shall preside over it; if the vice chairman fails to perform his duties, more than half of the directors shall jointly recommend one director to chair. If the board of directors fails to perform the duties of convening a general meeting of shareholders, the board of supervisors shall convene and preside in a timely manner; if the board of supervisors fails to convene and preside, shareholders who individually or collectively hold more than 10.0% of the total shares of the company for more than 90 consecutive days may convene and preside.

The notice to convene an annual general meeting and an extraordinary general meeting shall be given 20 days and 15 days, respectively, before the date of such meeting pursuant to the Company Law.

There is no specific provisions in the Company Law regarding the number of shareholders constituting a quorum in a general meeting.

In accordance with the Company Law, shareholders alone or in aggregate holding more than 3% of the shares of the company may put forth proposals and submit the same in writing to the board of directors 10 days before a general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposals, and submit the interim proposals to the general meeting for review and approval if such proposals are within the scope of its duties and powers.

## DIRECTORS

A company shall have a board of directors, which shall consist of 5 to 19 members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. As for extraordinary meetings convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the general meeting and report on its work to the shareholders;
- to implement the resolution of the general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change in the form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;

- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the order of socialist market economy, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

- persons who are former directors, factory managers or general managers of a company or enterprise that has been bankrupt and has been liquidated, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or

- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company as set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to): to preside over general meetings and convene and preside over meetings of the board of directors; and to check on the implementation of the resolutions of the board of directors.

The Special Regulations provide that a company's directors, supervisors, general managers and other senior management shall bear fiduciary duties and the obligation to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions and power for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI) contain further elaborations of such duties.

## SUPERVISORS

A company shall have a board of supervisors composed of not less than three members. The term of office of a supervisor shall be three years, and the supervisors may hold consecutive terms upon re-election. The board of supervisors is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives, which shall be no less than one-third. Directors and senior management shall not act as supervisors.

The board of supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior management to make corrections if his act is detrimental to the interests of the company;
- propose the convening of extraordinary general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;
- put forward proposals at general meetings;
- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

The "Special Provisions" stipulates that the directors and supervisors of the company shall bear the responsibility of good faith. They must faithfully perform their duties and safeguard the interests of the company, and must not use their positions for personal gain.

Supervisors may attend board meetings and make inquiries or suggestions on matters resolved by the board. The supervisory board or the supervisor of a company without a supervisory board may investigate the company's abnormal situation; if necessary, an accountant may be hired to assist him in his work. The expenses arising from the exercise of the powers of the board of supervisors shall be borne by the company.

The Supervisory Board meets at least once every six months. Supervisors may propose to convene a meeting of the supervisory board. Supervisory Board resolutions shall be approved by more than half of the supervisors. Each supervisor has one vote on the resolutions to be approved by the supervisory board. The board of supervisors shall make minutes of the matters discussed, and the supervisors present at the meeting shall sign and endorse the minutes of the meeting.

## HONG KONG LAWS AND REGULATIONS

### Summary of Material Differences Between Hong Kong and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. The Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

#### *(1) Corporate Existence*

Under the Companies Ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company has no minimum capital requirement except for the special provisions of any other laws, administrative regulations and decisions of the State Council.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

### *(2) Share Capital*

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorised share capital other than registered capital. For joint stock limited companies incorporated by promotion, the registered capital is the total share capital subscribed by all promoters that registered at the registration authority. Where a joint stock limited company is incorporated by public subscription, the registered capital is the total paid-up capital that registered at the registration authority. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities when applicable.

Under the PRC Securities Law, a company which is authorised by the relevant securities administration authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets that may be valued in currency and lawfully transferable. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

### *(3) Restrictions on Shareholding and Transfer of Shares*

Under PRC law, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the domestic investors and qualified foreign institutional investors of the PRC. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, as well as other qualified domestic institutions.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The Articles of Association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the six-month lock-up on the company's issue of shares and the 12 month lock-up on our Controlling Shareholders' disposal of shares as described in the section entitled "Underwriting" in this prospectus.

***(4) Financial Assistance for Acquisition of Shares***

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

***(5) Variation of Class Rights***

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting; (ii) with the consent in writing of the holders representing at least three-fourths of the total voting rights of holders of the issued shares in the class in question; (iii) by agreement of all the members of a Hong Kong company; or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Listing Rules and the Mandatory Provisions) has adopted the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of foreign shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) the Company issues domestic shares and foreign shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as at the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by the CSRC, the shareholders of domestic shares of the Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

***(6) Directors***

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI.

***(7) Board of Supervisors***

Under the PRC Company Law, the directors and senior management of a joint stock limited company is subject to the supervision and inspection of a Board of Supervisors but there is no mandatory requirement for the establishment of a Board of Supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

***(8) Derivative Action by Minority Shareholders***

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of a company violates the law, administrative regulation or articles of association of such company and thus infringes the shareholder's interest. The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Stock Exchange is required to give an undertaking in favour of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

***(9) Protection of Minorities***

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management such that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding 10% or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual interests of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

***(10) Notice of Shareholders' Meetings***

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting, or, not less than 15 days before a shareholders' interim general meeting. In the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum notice period of a general meeting other than an annual meeting is 14 days; and the notice period for an annual general meeting is 21 days.

***(11) Quorum for Shareholders' Meetings***

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

***(12) Voting***

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders with the right to vote present at a shareholders' general meeting.

***(13) Financial Disclosure***

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its financial reports and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public offering under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

***(14) Information on Directors and Shareholders***

The PRC Company Law gives the shareholders of a company the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

***(15) Receiving Agent***

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

***(16) Corporate Reorganization***

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 673, Division 2 of Part 13 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

*(17) Arbitration of Disputes*

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

*(18) Mandatory Deductions*

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declares any dividends after taxation. The company may not be required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

*(19) Remedies of a Company*

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been in compliance with the Listing Rules.

*(20) Dividends*

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

*(21) Fiduciary Duties*

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

*(22) Closure of Register of Shareholders*

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

**Listing Rules**

The Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

*(1) Compliance Adviser*

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the Company's two authorised representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the Company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the Company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company.

It must act as the Company's principal channel of communication with the Stock Exchange if the authorized representatives of the Company are expected to be frequently outside Hong Kong.

***(2) Accountants' Report***

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises in the case of a PRC issuer that has adopted China Accounting Standards for Business Enterprises for the preparation of its annual financial statements.

***(3) Process Agent***

The Company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

***(4) Public Shareholdings***

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("**foreign shares**") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the Company has an expected market capitalization at the time of listing of not less than HK$50,000,000.

The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of over HK$10,000,000,000.

***(5) Independent Non-executive Directors and Supervisors***

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

***(6) Restrictions on purchase and subscription of its own shares***

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

***(7) Mandatory Provisions***

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the Company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI.

***(8) Redeemable Shares***

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

***(9) Pre-emptive Rights***

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Company's Articles of Association, prior to (1) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the Company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the Company and its shareholders in such subsidiary. No such approval will be required, but only to the extent that, the existing shareholders of the Company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as at the date of the passing of the relevant special resolution or of such shares that are part of the Company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of State Council, the shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

***(10) Supervisors***

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

The Company is required to obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

The Remuneration Committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote.

***(11) Amendment to the Articles of Association***

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the Listing Rules, the Mandatory Provisions and the PRC Company Law.

***(12) Documents for Inspection***

The Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by shareholders at reasonable charges the following:

(a) a complete duplicate register of shareholders;

(b) a report showing the state of the issued share capital of the Company;

(c) the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;

(d) special resolutions of the Company;

(e) reports showing the number and nominal value of securities repurchased by the Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);

(f) a copy of the latest annual return led with the State Administration for Industry and Commerce or other competent PRC authority; and

(g) for shareholders only, copies of minutes of meetings of shareholders.

***(13) Receiving Agents***

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

***(14) Statements in H Share Certificates***

The Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

(a) agrees with the Company and each shareholder of the Company, and the company agrees with each shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;

(b) agrees with the Company, each shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of

Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(c) agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and

(d) authorises the Company to enter into a contract on his behalf with each Director, Supervisors, Managers and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

***(15) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association***

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

***(16) Contract between the Company and its Directors, Officers and Supervisors***

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

(a) an undertaking by the Director or officer to the Company to observe and comply with the PRC Company law, the Special Regulations, the Articles of Association, the Takeovers Code and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

(b) an undertaking by the Director or officer to the Company acting as agent for each Shareholder to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;

(c) an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such disputes or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

(d) if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;

(e) PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

(f) the award of the arbitral body is final and shall be binding on the parties thereto;

(g) the Company is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms; and

(h) disputes over who is a shareholder and over the share registrar do not have to be resolved through arbitration.

***(17) Subsequent Listing***

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

***(18) English Translation***

All notices or other documents required under the Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

***(19) General***

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Company's listing.

**Other Legal and Regulatory Provisions**

Upon the Company's listing, the provisions of the Securities and Futures Ordinance, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

**Securities Arbitration Rules**

The Articles of Association provide that certain claims arising from the Articles of Association, PRC Company Law and other applicable laws shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend.

Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party), or any of its witnesses, or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

**"Full Circulation" of H Shares**

Shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". To file an application for "Full Circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company".

An H-share listed company may apply for "Full Circulation" separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas initial public offering.

This Appendix contains a summary of the Articles of Association. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. As stated in "Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection," a copy of the Articles of Association is available for inspection.

The Articles of Association and relevant amendments thereto were adopted by our Shareholders at shareholder's general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the PRC Securities Law, the Circular on Opinion concerning Supplementary Amendments to Articles of Association of Companies Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改意見的意見的函》), the Special Regulations, the Mandatory Provisions and the Hong Kong Listing Rules. The Articles of Association will become effective on the date that the H Shares are listed on the Hong Kong Stock Exchange.

## I. DIRECTORS AND OTHER OFFICERS POWER TO ALLOT AND ISSUE SHARES

### Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of the Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations.

### Power to Dispose of the Assets of the Company or any Subsidiary

The Board is accountable to the shareholders' general meeting.

The Board shall not, without the prior approval or consent of shareholders' general meeting by way of special resolution, purchase and sell or agree to purchase and sell, any substantial assets of the Company where the anticipated value of the assets to be purchased and sold exceeds 30% of the value of the Company's latest audited total assets.

The validity of purchasing and selling substantial assets by the Company shall not be affected by the breach of the above paragraph.

***Emoluments and Compensation or Payments for Loss of Office***

The Company shall, with the prior approval of shareholders' general meeting, enter into a contract in writing with each of the Directors or Supervisors wherein his or her emoluments are stipulated. The aforesaid emoluments include:

i. emoluments in respect of his or her service as a Director, Supervisor or member of senior management of the Company;

ii. emoluments in respect of his or her service as a Director, Supervisor or member of senior management of any subsidiary of the Company;

iii. emoluments in respect of provision of other services in relation to the management of the Company and any subsidiary of the Company; and

iv. payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

Unless otherwise provided by the contract in the preceding paragraph, a Director or Supervisor shall not file legal proceedings against the Company in respect of the benefits due to him/her from the aforesaid matters.

The contracts concerning the emoluments between the Company and its Directors or Supervisors should provide that, in the event of an acquisition of the Company, the Directors and Supervisors shall, subject to the prior approval of the shareholders' general meeting, have the right to receive compensation or other payment in respect of his/her loss of office or retirement. An "acquisition of the Company" referred to in this paragraph means either:

i. a takeover offer made by any person to all Shareholders; or

ii. a takeover offer made by any person to enable the offeror to become a "controlling shareholder" with the meaning set out in the Articles of Association.

If the relevant Director or Supervisor does not comply with the above, any sum so received by him/her shall belong to those persons who have sold their Shares as a result of the offer made. The expenses incurred in distributing such sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and not paid out of that sum.

***Loans to Directors, Supervisors and Other Officers***

The Company shall not directly or indirectly make a loan to, or provide any security in connection with the making of a loan to a Director, Supervisor, our general manager or other members of senior management of the Company or those of its Shareholders or any of their respective Related Persons.

However, the following transactions are not subject to such prohibition:

i. the provision by the Company of a loan or a security of a loan to a company which is a subsidiary of the Company;

ii. the provision by the Company of a loan or a security in connection with the making of a loan or any other funds to any of its Directors, Supervisors, our general manager and other members of senior management for them to pay for expenditure incurred or to be incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting; and

iii. the Company may make a loan to or provide a security in connection with the making of a loan to any of the relevant Directors, Supervisors, our general manager and other members of senior management or their respective Related Persons if the ordinary course of business of the Company includes the lending of money or the provision of a security of a loan, provided that such loans or security for loans are based on normal commercial terms.

A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan, regardless of the terms of the loan.

A security provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

i. at the time when the loan was provided to a Related Person of any of the Directors, Supervisors, our general manager and other members of senior management of the Company or those of its Shareholders, the lender was not aware of the relevant circumstances; or

ii. the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

For these purposes:

(a) the term "security" shall include an guarantor's undertaking to assume liability or provision of property to secure the performance of obligations by the obligor; and

(b) the definition of Related Person as referred to in the sub-section headed "Duties" below applies, mutatis mutandis, to this sub-section.

***Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries***

Subject to the exceptions in the Articles of Association, the Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire Shares of the Company. The said acquirer of Shares of the Company includes a person who directly or indirectly incurs any obligations due to the acquisition of the Shares.

The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer as referred to above for the purpose of reducing or discharging the obligations assumed by that person.

However, the following acts shall not be deemed to be prohibited:

i. the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the main purpose of the financial assistance is not the acquisition of Shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;

ii. the lawful distribution of the Company's assets by way of dividend in accordance with law;

iii. the allotment of Shares as dividends;

iv. a reduction of registered capital, a repurchase of Shares of the Company or a reorganization of the shareholding structure of the Company effected in accordance with the Articles of Association;

v. the lending of money by the Company in the ordinary course of its business, where the lending of money is part of the scope of business of the Company (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and

vi. the provision of money by the Company for contributions to employee share scheme (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

(a) "financial assistance" includes (without limitation) the following meanings:

(1) gift;

(2) security (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation incurred by the Company's own default) or release or waiver of any rights;

(3) provision of a loan or execution of any contract under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights under, such loan or contract; or

(4) any other form of financial assistance given by the Company when the Company is unable to pay its debts or has no net assets or when its net assets would thereby be reduced to a material extent.

(b) "incurring an obligation" includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

***Disclosure of Interests in Contracts with the Company or any of its Subsidiaries***

Where a Director, Supervisor, our general manager or other member of senior management of the Company (or any of its close associates) is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his/her contract of service with the Company), he shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, regardless whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor, general manager or other member of senior management discloses his/her interests in accordance with the Articles of Association and the contract and transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor, general manager or other member of senior management is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, Supervisor, our general manager or other member of senior management is materially interested is voidable at the option of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, our general manager or other member of senior management.

For these purposes, a Director, Supervisor, our general manager or other member of senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which a Related Person is interested.

Where a Director, Supervisor, our general manager or other member of senior management of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description, which may subsequently be made by our Company, such notice shall be deemed for the purposes of this subsection to be a sufficient declaration of his/her interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Company.

***Retirement, Appointment and Removal***

The term of office of the chairman of the Board and the other Board members shall be three (3) years. If the term of appointment of a Director expires and he is re-elected, the Director may be reappointed for consecutive terms.

Directors shall be elected and removed by the shareholders' general meeting. A written notice of the intention to propose a person for election as Director and a notice in writing by that person indicating his/her acceptance of such election is required to be given to the Company no less than seven (7) days prior to commencement of such meeting. The length of period of such notices shall be at least seven (7) days.

The Board shall have one (1) chairman. The chairman shall be elected and removed by a majority of all of the Directors. A Director is not required to be a Shareholder of the Company.

A person may not serve as a Director, Supervisor, our general manager and any other member of senior management of the Company if any of the following circumstances apply:

i. a person without or with restricted capacity of civil conduct;

ii. a person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offense; or who has been deprived of his/her political rights for committing a crime, in each case where no more than five (5) years has elapsed since the date of the completion of implementation of such punishment or deprivation;

iii. a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation because of mismanagement and he is personally liable for the insolvency of such company or enterprise, where no more than three (3) years has elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

iv. a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the laws and who incurred personal liability, where no more than three (3) years has elapsed since the date of the revocation of the business license;

v. a person who has a relatively large amount of debts due and outstanding;

vi. a person who is under criminal investigation or prosecution by judicial organization for violation of the criminal law which investigation or prosecution is not yet concluded;

vii. a person who is not eligible for enterprise leadership according to laws and administrative regulations;

viii. a non-natural person;

ix. a person convicted of the contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years has elapsed since the date of the conviction; or

x. a person who is restricted according to laws, regulations, requirements of relevant securities regulatory authority, or the listing rules of the place where the Shares of the Company are listed.

The validity of an act of a Director, our general manager or other member of senior management on behalf of the Company with respect to, a bona fide third party shall not be affected by any irregularity in his/her appointment, election or any defect in his/her qualification.

There is no provision in the Articles of Association which imposes any age limit for Directors beyond which retirement or non-retirement as a Director is mandatory.

***Borrowing Powers***

The Articles of Association of the Company do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board to formulate proposals for the issuance of corporate bonds or other marketable securities by the Company and public listing; and

- provisions which provide that the issuance of corporate bonds and other marketable securities shall be approved by the shareholders' general meeting by a special resolution.

***Duties***

In addition to obligations imposed by laws, administrative regulations or the listing rules of the stock exchanges on which Shares are listed, each of the Company's Directors, Supervisors, our general manager and other members of senior management shall perform the following obligations to each shareholder, in the exercise of the functions and powers that the Company entrusted to him/her:

i. not to cause the Company to exceed the scope of the business stipulated in its business license;

ii. to act honestly in the best interest of the Company;

iii. not to deprive the Company's property in any form, including (without limitation) usurpation of opportunities advantageous to the Company;

iv. not to expropriate the individual rights of Shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company approved by the shareholders' general meeting in accordance with the Articles of Association.

Each of the Company's Directors, Supervisors, our general manager and other members of senior management owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of the Company's Directors, Supervisors, our general manager and other members of senior management shall carry on his/her duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where his/her interest and his/her duty may conflict. This principle includes (without limitation) discharging the following obligations:

i. to act honestly in the best interests of the Company;

ii. to exercise powers within the scope of his/her powers and not to exceed those powers;

iii. to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders' general meeting, not to delegate the exercise of his/her discretion to others;

iv. to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

v. except in accordance with the Articles of Association or with the informed consent of shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;

vi. without the informed consent of shareholders' general meeting, not to use the Company's property for his/her own benefit in any form;

vii. not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;

viii. without the informed consent of shareholders' general meeting, not to accept commissions in connection with the Company's transactions;

ix. to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own private interests;

x. not to compete with the Company in any form without the informed consent of shareholders' general meeting;

xi. not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a security for debts of a shareholder of the Company or other individual(s) with the Company's assets;

xii. unless otherwise permitted by informed shareholders' general meeting, not to disclose any confidential information acquired by him/her in the course of and during his/her tenure of office and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

(1) disclosure is required by laws;

(2) the interests of the public require disclosure;

(3) the interests of the such Director, Supervisor, our general manager or other member of senior management require disclosure.

Director, Supervisor, our general manager or other member of senior management of the Company shall not cause the following persons or institutions (the "Related Persons") to do what he is prohibited from doing:

i. the spouse or minor children of that Director, Supervisor, our general manager or other member of senior management;

ii. a trustee of that Director, Supervisor, our general manager or other member of senior management or any person referred to in paragraph (i) above;

iii. a partner of that Director, Supervisor, our general manager or other member of senior management or any person referred to in paragraphs (i) and (ii) above;

iv. a company in which that Director, Supervisor, our general manager or other member of senior management, alone or jointly with one or more persons referred to in paragraphs (i), (ii) and (iii) above and other Directors, Supervisors, our general manager and other members of senior management have a de facto controlling interest;

v. the directors, supervisors, general manager and other members of senior management of the controlled company referred to in the preceding paragraph.

The fiduciary obligations of the Directors, Supervisors, our general manager and other members of senior management of the Company do not necessarily cease upon the termination of their tenure. The obligations of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other obligations may continue for such period on a fair basis depending on the time lapse between the termination and the act concerned and the circumstances and conditions under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, general manager or other member of senior management of the Company is in breach of his/her obligations to the Company, the Company has a right to:

i. claim damages from the Director, Supervisor, our general manager or other member of senior management in compensation for losses sustained by the Company as a result of such breach;

ii. rescind any contract or transaction entered into by the Company with the Director, Supervisor, our general manager or other member of senior management or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor, our general manager or other member of senior management);

iii. require the relevant Director, Supervisor, general manager or other member of senior management return the benefits received by him/her as a result of the breach of the obligations;

iv. recover any funds received by the Director, Supervisor, our general manager or other member of senior management that should have been received by the Company, including (without limitation) commissions;

v. require the relevant Director, Supervisor, the general manager or other senior officer to return the interest that is earned or may have been earned from the fund which should have been payable to the Company.

## II. ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Articles of Association.

Amendments to the Articles of Association involving the contents of the Mandatory Provisions and circular of CSRC shall become effective upon approvals by the companies approving department authorized by the State Council and the CSRC. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with laws.

## III. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Apart from the holders of other classes of Shares, holders of Domestic Shares and holders of overseas listed Shares of the Company shall be considered as different classes of Shareholders.

Rights conferred on any class of Shareholders in the capacity of Shareholders ("**class rights**") may not be varied or abrogated unless approved by a special resolution of shareholders' general meeting and by holders of Shares of that class at a separate shareholders' meeting conducted in accordance with Article 91 to 95 stipulated in the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the rights of Shareholders of a certain class:

i. to increase or reduce the number of Shares of that class or to increase or reduce the number of Shares of another class which carries the same or more voting rights, distribution right or other privileges;

ii. to effect an exchange of all or part of the Shares of such class into Shares of another class or to effect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;

iii. to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;

iv. to reduce or remove a dividend preference or a liquidation preference attached to Shares of such class;

v. to add, remove or reduce conversion privileges, options, right to vote, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;

vi. to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;

vii. to create a new class of Shares having voting or equity rights or privileges equal or superior to those of the Shares of such class;

viii. to restrict the transfer of ownership of the Shares of such class or add to such restriction;

ix. to issue rights to subscribe for, or convert into, Shares of such class or another class;

x. to increase the rights and privileges of Shares of another class;

xi. to restructure the Company where the proposed restructuring will result in different classes of Shareholders bearing a disproportionate burden of such proposed restructuring;

xii. to vary or abrogate provisions in chapter 9 of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but interested shareholder(s) shall not be entitled to vote at class meetings.

The meaning of "interested shareholder(s)" in the preceding paragraph is as follows:

i. in the case of a repurchase of Shares by offers to all Shareholders pro rata according to Article 30 under this Articles of Association or public dealing on a stock exchange, a "controlling shareholder" within the meaning of Article 56 stipulated in the Articles of Association;

ii. in the case of a repurchase of Shares by an off-market contract according to Article 30 provided in this Articles of Association, a holder of the Shares to which the proposed contract relates;

iii. in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of Shareholders of that class.

Resolutions of a class of Shareholders shall be passed by votes representing more than two-thirds (2/3) of the voting rights represented at the relevant meeting who are entitled to vote at class meetings in accordance with Article 93 of the Articles of Association.

In convening a class meeting, the Company shall notify, twenty (20) days prior to the date of the meeting, the Shareholders on the date and place of the meeting and the matters to be considered thereat, and in convening an Extraordinary General Meeting, shall notify the Shareholders fifteen (15) days prior to the date of the meeting.

At least one-third of the holders of the issued shares of a certain class must attend the class meetings (but exclusive of any adjournments) of such class held for the purpose of considering a change of the rights of shares of such class.

Notice of class meetings need only be served on Shareholders entitled to vote thereat.

Meetings of any class of Shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of Shareholders.

The special procedures for voting at a class of Shareholders shall not apply in the following circumstances:

i. where the Company issues Domestic Shares and foreign-invested Shares, upon the approval by a special resolution of its shareholders' general meeting, either separately or concurrently once every twelve (12) months, not exceeding 20% of each of its existing issued;

ii. where the Company's plan to issue Domestic Shares and overseas listed Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the relevant State Council securities regulatory authority;

iii. where upon the approval from the relevant State Council securities regulatory authority, the promoters may transfer the Company's Shares held thereby to overseas investors and such transferred Shares may be transferred or traded on an overseas stock exchange.

## IV. RESOLUTIONS MAJORITY REQUIRED

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than half (1/2) of the voting rights represented by the Shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution in order for it to be passed.

To adopt a special resolution, votes representing more than two-thirds (2/3) of the voting rights represented by the Shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution in order for it to be passed.

The Shareholders (including their proxies) attending the meeting shall clearly show approval or objection to every matter to be voted on. As for the unpolled vote or abstention, the Company will not treat it as the vote with voting right when calculating the voting result of this matter.

## V. VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)

A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of Shares carrying the right to vote and each share shall have one vote. However, Shares of the Company held by the Company shall not enjoy voting rights and shall not be calculated in the total number of Shares with voting rights held by the present shareholders.

Other than any resolution regarding the procedures and administrative matters of the general meeting of Shareholders which may be decided by a show of hands as decided by the chairman, a resolution shall be decided by poll at any general meeting of Shareholders.

On a poll taken at the meeting, a shareholder (including proxy) entitles to two (2) or more votes need not cast all his/her votes in the same way.

A poll demanded on the election of the chairman or on an issue of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other issue shall be taken at such time as the chairman directs, and any business, other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.

## VI. REQUIREMENTS FOR ANNUAL GENERAL MEETING

The Board shall convene shareholders' general meeting once a year and within six (6) months from the end of the preceding financial year.

## VII. ACCOUNTS AND AUDIT

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the competent finance authority of the State Council.

The Board shall place before the Shareholders at every annual general meeting such financial reports as required by any laws, administrative regulations or directives promulgated by the local governments and competent departments to be prepared by the Company. Such reports shall be verified.

The Company's financial reports shall be made available for Shareholders' inspection at the Company twenty (20) days before the date of annual general meeting.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either International Accounting Standards or that of the overseas place where the Company's Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in an appendix to the financial statements. When the Company is to distribute its after-tax profits of the relevant accounting year, it is required to distribute dividends based on the lower of the Company's after-tax profits determined under the two accounting standards.

Any interim results or financial information published or disclosed by the Company must be prepared in accordance with PRC accounting standards and regulations, and also in accordance with either International Accounting Standards or that of the overseas place where the Company's Shares are listed.

The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.

## VIII. NOTICE OF MEETINGS AND AGENDA

The shareholders' general meeting shall be the power organ of the Company. It shall exercise powers and functions according to laws.

Without a prior approval from the shareholders' general meeting, the Company shall not enter into any contract with any person other than a Director, Supervisor, our general manager or other member of senior management whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person. Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meeting shall be convened by the Board.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two (2) months:

i. when the number of Directors is less than the number of Directors required by the Company Law or two-thirds (2/3) of the number of Directors specified in the Articles of Association;

ii. when the unrecovered losses of the Company amount to one-third (1/3) of the total amount of its paid-in share capital;

iii. when shareholder(s) holding 10% or more of the Company's issued and outstanding Shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting;

iv. when deemed necessary by the Board or as requested by the Board of Supervisors;

v. when proposed by more than two (2) independent Directors;

vi. the other circumstance as stipulated by laws, administrative regulations, departmental rules, securities regulations of the locality where the Company's Shares are listed and the Articles of Association.

Shareholders shall be notified no less than 20 days in advance of a general meeting of the time and place of the meeting and the matters to be considered at the meeting. Shareholders shall be notified no less than 15 days in advance of an extraordinary general meeting. For the issuance of bearer shares, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Any shareholder who holds or shareholders who together hold 3% or more of the shares of the Company may put forward an interim proposal and submit to the board of directors for the proposal in writing ten days in advance of a general meeting. The board of directors shall notify other shareholders of the interim proposal within two days as of the receipt thereof and submit the proposal to the general meeting for consideration. Any interim proposal put forward shall fall within the functions and powers of the shareholders' general meeting and shall have clear discussion points and matters to be decided.

An extraordinary general meeting shall not decide on those matters not stated in the notice of meeting.

A notice of meeting of Shareholders shall be required to:

i. be in writing;

ii. specify the place, the date and the time of the meeting;

iii. state the matters to be discussed at the meeting;

iv. provide such information and explanations as are necessary for the Shareholders to exercise a sensible judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase Shares, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

v. contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, our general manager or other member of senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as Shareholders in so far as it is different from the effect on the interests of the Shareholders of the same class;

vi. contain the full text of any special resolution proposed to be voted at the meeting;

vii. contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him/her and that a proxy need not be a shareholder;

viii. specify the time and place for delivering proxy forms for the relevant meeting.

Except as otherwise provided in relevant laws, regulations and the listing rules of the Company's listing venue and the Articles of Association, a notice of General Meeting shall be posted on the Company's website or delivered to Shareholders (regardless of their voting rights at the General Meeting) by hand or by pre-paid mail. The address of each recipient shall be the address registered in the register of shareholders. For the holders of domestic shares, a notice of General Meeting may also be given by way of announcement.

The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority of the State Council within twenty (20) days prior to the date of the General Meeting, and fifteen (15) days prior to the date of the Extraordinary General Meeting. Once the announcement is made, all holders of domestic shares shall be deemed to have received the notice of the relevant General Meeting.

Subject to laws, administrative regulations, departmental rules, normative documents and regulations of relevant regulatory authorities, for the holders of H shares, the Company may also issue a notice of General Meeting by making an announcement on the websites of the Company and the Hong Kong Stock Exchange in lieu of delivery of such notice by hand or by pre-paid mail to the holders of H shares.

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

i. work reports of the Board and the Board of Supervisors;

ii. plans formulated by the Board for the distribution of profits and for making up losses;

iii. election and removal of the members of the Board and members of the Board of Supervisors, their remuneration and method of payment;

iv. annual financial budgets, statement of final accounts, balance sheets and profit and loss statements and other financial statements of the Company;

v. matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

i. the increase or decrease of share capital and the issue of Shares of any class, warrants and other similar securities;

ii. the issue of debentures of the Company;

iii. the division, merger, change of the corporate form, dissolution, liquidation of the Company;

iv. an external guarantee which is subject to the approval of the shareholders' general meeting;

v. purchasing and selling any substantial assets of the Company where the anticipated value of the assets to be purchased and sold exceeds 30% of the value of the Company's latest audited total assets within one year;

vi. equity incentive plan;

vii. amendments to the Articles of Association;

viii. any other matters stipulated by laws, administrative regulations, listing rules of the place where the Company's shares are listed or the Articles of Association, and matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

## IX. TRANSFER OF SHARES

All the fully paid-up H Shares can be freely transferred in accordance with the Articles of Association. However, unless such transfer complies with the following requirements, the Board may refuse to recognize any instrument of transfer without providing any reason:

i. the registration fee of each instrument of transfer which represents the highest amount according to the then requirements of the Listing Rules has been paid to the Company for the purpose of registering the instruments of transfer and other documents relating to or affecting the title to Shares, and the charge of fees in relation thereto shall not exceed the maximum amount as specified by the Hong Kong Stock Exchange from time to time under the Listing Rules;

ii. the instrument of transfer only relates to H Shares;

iii. the stamp duty which is chargeable on the instrument of transfer has already been paid;

iv. the relevant share certificate(s) and any other evidence which the Board may reasonably require to show that the transferor has the right to transfer the Shares have been provided;

v. if the Shares are transferred to joint holders, the number of joint holders shall not exceed four (4); and

vi. the Shares are not subject to any lien.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the register of Shareholders due to the transfer of Shares shall be made within thirty (30) days before the date of a shareholders' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

Upon approval by the securities regulatory organ of the State Council, the Company may issue Shares to domestic investors and overseas investors.

## X. POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

In accordance with the provisions of the Articles of Association, the Company may reduce its registered capital.

The Company may, subject to the laws and administrative regulations and with approval according to the procedures provided in the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its issued Shares under the following circumstances:

i. cancelation of Shares for the reduction of its capital;

ii. merging with another company that holds Shares in the Company;

iii. awarding of share incentives to the Company's staff;

iv. being requested to repurchase the Shares of the Company by the Shareholders who object to the resolution adopted at the shareholders' general meeting concerning merger and division of the Company;

v. other circumstances permitted by laws and administrative regulations.

Where the Company needs to repurchase its Shares for any reasons mentioned in items (i) to (iii) of the preceding paragraph, it shall be subject to a resolution passed at a general meeting. Shares repurchased by the Company under circumstance mentioned in item (i) shall be canceled within ten (10) days after the purchase, while Shares repurchased under circumstance mentioned either in item (ii) or item (iv) shall be transferred or canceled within six (6) months.

Shares repurchased by the Company under circumstance mentioned in item (iii) of the preceding paragraph shall not exceed five percent (5%) of the total Shares issued by the Company. The funds used for the repurchase shall be paid from the after-tax profits of the Company. The Shares repurchased by the Company shall be transferred to the employees within one (1) year.

The Company shall repurchase its issued and outstanding Shares in accordance with the provisions of Article 30 to Article 34.

The Company may, with the approval of the securities regulatory authority of the State Council, repurchase its Shares, conducting the repurchase in one of the following ways:

i. reduction of its registered capital;

ii. merger with another company which holds its shares;

iii. use of its shares for carrying out an employee stock ownership plan or equity incentive plan;

iv. request from shareholders who object to a resolution of a shareholders' general meeting on merger or division of the company to acquire their shares by the company;

v. use of shares for conversion of convertible corporate bonds issued by a listed company; and

vi. the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

Where the Company repurchases its Shares by an off-market agreement, the prior approval of shareholders' general meeting shall be obtained in accordance with the Articles of Association. The Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders' general meeting obtained in the same manner.

A contract to repurchase Shares previously mentioned includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase Shares. The Company shall not assign the contracts to repurchase Shares and its rights under such contracts.

Shares repurchased in accordance with law by the Company shall be canceled within the period prescribed by laws and administrative regulations of the PRC, and the Company shall apply to the original company registration authority for registration of the change of its registered share capital. The amount of the Company's registered share capital shall be reduced by the aggregate par value of those canceled Shares.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

i. where the Company repurchases Shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of new Shares made for that purpose;

ii. where the Company repurchases Shares of the Company at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

(1) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

(2) if the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of the proceed of the new issue shall not exceed the aggregate of premiums received by the Company on the issue of the Shares repurchased nor the current amount of the Company's share premium account (including the premiums on the fresh issue);

iii. payment by the Company in consideration of the following shall be made out of the Company's distributable profits:

(1) acquisition of rights to repurchase Shares of the Company;

(2) variation of any contract to repurchase Shares of the Company;

(3) release of any of the Company's obligations under any contract to repurchase Shares of the Company; and

iv. after the Company's registered share capital has been reduced by the total par value of the canceled Shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the Shares repurchased shall be transferred to the Company's capital reserve fund account.

Any law, regulation or relevant provision relating to financial treatment of the aforesaid stock repurchase by the regulatory authorities in the place where the Company is listed shall prevail over the proceeding articles.

## XI. POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY

There are no provisions in the Articles of Association preventing ownership of Shares in the Company by a subsidiary.

## XII. DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Company may distribute dividends in the following form:

i. Cash;

ii. Stock;

iii. Combination of cash and stock;

Before making up the losses and contributing to the statutory surplus reserve, the Company shall not make profit distribution.

Dividends or other payments declared by the Company to be payable to holders of Domestic Shares shall be declared and paid in RMB. Those payable to holders of overseas listed Shares shall be declared and calculated in RMB, and paid in Hong Kong dollars. As for the foreign currency needed by the Company for payment of cash dividends and other funds which are payable to holders of overseas listed Shares, it shall be handled in accordance with any related national regulations on foreign exchange control.

The Company shall appoint receiving agents on behalf of holders of overseas listed Shares to receive on behalf of such Shareholders dividends declared and all other monies payable by the Company in respect of their overseas listed Shares. The receiving agents appointed by the Company shall be in compliance with the requirements of the laws or the rules of the stock exchange of the place where it is The receiving agents appointed on behalf of holders of the overseas listed Shares in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

## XIII. PROXIES

Any shareholder entitled to attend and vote at a meeting of Shareholders shall be entitled to appoint one or more other persons (whether a shareholder or not) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

i. have the same right as the shareholder to speak at the meeting;

ii. have authority to demand or join in demanding a poll;

iii. have the right to vote by show of hands or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

Shareholders shall appoint proxy in writing. The proxy form shall be signed by the appointer or its authorized representative who has been authorized in writing. If the appointer is a legal person, the document shall be affixed with the legal person's seal or signed by its director or duly authorized representative. Such proxy form must clearly indicate the number of Shares which are represented by the proxy in the content and format specified in this Article. Where a shareholder appoints more than one proxy, he/she shall specify the number of Shares represented by each proxy in the proxy form.

The proxy form for voting shall be placed at the domicile of the Company, or at other place designated in the notice of meeting, at least twenty-four (24) hours prior to convening of the meeting which the relevant matters will be voted on, or twenty-four (24) hours prior to the designated voting time. If the proxy form is signed by a person authorized by the appointer, the power of attorney or other authorization document shall be notarized. The notarized power of attorney or other authorization document shall be placed together with the proxy form authorizing the proxy to vote at the domicile of the Company or other place designated in the notice of meeting.

If the appointer is a legal entity, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend at any meeting of Shareholders of the Company as a representative of the appointer.

Any form issued to a Shareholder by the Board for use by him/her for appointing a proxy to attend and vote at a meeting of the Company shall be such as to enable the Shareholder according to his/her intention, to instruct the proxy to vote in favor of or against each resolution dealing with matters to be voted at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which proxy is used.

## XIV. CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to the making of calls on Shares or for the forfeiture of Shares.

Under precondition of compliance with PRC laws and regulations, the power of forfeiting unclaimed dividends (or retaining dividends for any purpose of the Company) shall not be exercised by the Company unless the relevant validity period has lapsed.

As for the dividend warrants sent by mail to Shareholders, the Company is entitled to cease sending such dividend warrants by mail only after two (2) consecutive failures of cashing after the posting of such dividend warrants. However, if the first dividend warrant fails to reach the shareholder and is returned undelivered, the Company is entitled to exercise such right.

The Company's right to sell the Shares of untraceable Shareholders shall not be exercised unless:

i. at least three (3) dividends in respect of the Shares have been distributed in the past twelve (12) years and no such dividends have been claimed during such period; and

ii. the Company has published an advertisement on newspapers (as defined in the Listing Rules) upon expiry of the period of twelve (12) years, stating its intention to sell the Shares, and has notified the same to the Hong Kong Stock Exchange

**XV. REGISTER OF SHAREHOLDERS AND RIGHTS OF SHAREHOLDERS**

The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authorities of the State Council and overseas securities regulatory organizations, maintain the register of Shareholders for holders of overseas listed Shares overseas and appoint overseas agent(s) to manage such register of Shareholders. The original register of Shareholders for holders of H Shares in Hong Kong shall be maintained in Hong Kong.

A duplicate register of Shareholders for holders of overseas listed Shares shall be maintained at the domicile of the Company. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of Shareholders at all times.

If there is any inconsistency between the original and the duplicate register of Shareholders for holders of overseas listed Shares, the original register of Shareholders shall prevail.

The Company shall maintain a complete register of Shareholders.

The register of Shareholders shall comprise the following parts:

i. register of Shareholders other than those provided in paragraphs (ii) and (iii) below kept at the domicile of the Company;

ii. the register of Shareholders in respect of the holders of overseas listed Shares of the Company which is maintained in the same place where the overseas stock exchange on which the Shares are listed is located; and

iii. the register of Shareholders which is maintained in such other place as the Board may consider necessary for the purposes of the listing of the Company's Shares.

Different parts of the register of Shareholders shall not overlap. No transfer of any Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

Any amendments or corrections to the different parts of the register of Shareholders shall be carried out according to the governing laws of the place where the register of Shareholders are kept.

No change may be made in the register of Shareholders as a result of a transfer of Shares within thirty (30) days prior to the date of a general meeting or within five (5) days before the determination date for the Company's distribution of dividends.

When the Company needs to convene a general meeting, distribute dividends, conduct liquidation or perform other acts as required for the purpose of determining shareholdings, the Board shall determine a record date for the determination of shareholdings. The Shareholders of the Company shall be such persons who appear in the register of Shareholders at the close of such record date.

Any person who disputes the register of Shareholders and asks for inclusion of his/her/its name (title) in or removal of his/her/its name (title) from the register of Shareholders may apply to a court of competent jurisdiction for rectification of the register of members.

## XVI. RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or, in the exercise of his rights as a shareholder, required by the listing rules of stock exchange on which Shares of the Company are listed, a controlling shareholder shall not exercise his voting rights in a manner prejudicial to the interests of the Shareholders generally or of some part of the Shareholders of the Company:

i. to relieve a Director or Supervisor of his/her duty to act honestly in the best interests of the Company;

ii. to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any guise, of the Company's property, including (without limitation) opportunities beneficial to the Company;

iii. to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights or interests of other Shareholders, including (without limitation) rights to distributions and voting rights save pursuant to a restructuring submitted to Shareholders for approval and adopted by the shareholders' general meeting in accordance with the Articles of Association.

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

i. he alone, or acting in concert with others, has the power to elect more than half of the Board of Directors;

ii. he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;

iii. he alone, or acting in concert with others, holds 30% or more of the issued and outstanding Shares of the Company;

iv. he alone, or acting in concert with others, in any other manner has de facto control of the Company.

## XVII. PROCEDURES ON LIQUIDATION

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

i. expiry of valid term of business;

ii. a resolution for dissolution is passed by shareholders' general meeting;

iii. dissolution is necessary due to a merger or division of the Company;

iv. the Company is legally declared bankrupt due to its failure to repay debts due;

v. the Company has its business licence being revoked, or is ordered to close down or be dissolved in accordance with law; or

vi. a court order of dissolution of the Company by the people's court in accordance with Article 183 of the Company Law.

In the case of dissolution of the Company under items (i), (ii), (v) and (vi) of the preceding article, a liquidation committee shall be formed within fifteen (15) days thereafter and the members of the liquidation committee shall be determined by general meeting through ordinary resolution. Where a liquidation committee is not established according to schedule, the creditors may apply to the people's court to organize the relevant personnel to establish a liquidation committee to proceed with the liquidation.

In the case of dissolution of the Company under item (iv) of the preceding article, the people's court shall, according to relevant legal provisions, organize the Shareholders, relevant departments and professionals to form a liquidation committee to carry out liquidation.

Where the Board decides to liquidate the Company due to causes other than the declaration of insolvency, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay off its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once a year to the shareholders' general meeting on the committee's income and expenditure, the business of the Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on completion of the liquidation.

## XVIII. OTHER PROVISIONS MATERIAL TO THE COMPANY AND OUR SHAREHOLDERS GENERAL PROVISIONS

The Company is a limited company by Shares of foreign investment in perpetual existence.

Being approved by the shareholders' general meeting by way of a special resolution, the Articles of Association is the code of conduct of the Company and will become effective on the date when the H Shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and supersede the articles of association originally filed with the company registration authority.

The Articles of Association shall be the legally binding document regulating the structure and behavior of the Company and the rights and obligations between the Company and its Shareholders and among Shareholders, from the date when it becomes effective.

The Company may invest in other limited liability companies, joint stock limited companies and other entities and shall assume responsibilities to an invested company with limitation to its capital contribution.

The Company shall not become a shareholder with unlimited liability of profit-making bodies.

Except as otherwise provided by laws, the Company shall not become a capital contributor that shall be jointly and severally liable for the debts of its investee enterprises.

**Shares and Transfer**

The Company may, based on its operating and development needs, authorize the increase of its capital pursuant to relevant provisions of the Articles of Association.

i. by offering new Shares for subscription by unspecified investors;

ii. by offering new Shares for subscription by specified investors;

iii. by placing new Shares to its existing Shareholders;

iv. by allotting new Shares to its existing Shareholders;

v. by converting capital reserves;

vi. by any other means which is permitted by the laws and administrative regulations.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles of Association and the listing rules of the place where it is listed, and the issuance shall be made in accordance with the procedures set out in the relevant laws and administrative regulations of the State and the listing rules of the place where it is listed.

Unless otherwise required by the laws and administrative regulations of the PRC and securities regulatory authorities of the place where the Company's securities are listed, paid-up Shares of the Company shall be freely transferable and are not subject to any lien.

The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital in accordance with the Company Law, other relevant regulations and procedures provided for in the Articles of Association. The Company shall notify its creditors within ten (10) days of adopting the resolution to reduce its registered capital and shall publish at least three announcements in newspaper within thirty (30) days. A creditor shall have the right within thirty (30) days from the receipt of a written notice or, for those who have not received a written notice, within forty five (45) days from the date of the first public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt. The Company's registered capital shall not, after the reduction in capital, be less than the minimum amount as prescribed by law.

**Shareholder**

A shareholder of the Company is a person who lawfully holds Shares of the Company and whose name (title) is entered in the register of Shareholders.

A shareholder shall enjoy rights and assume obligations according to the class and amount of Shares held by him/her; Shareholders who hold Shares of the same class shall enjoy the same rights and assume the same obligations.

The Shareholders of ordinary Shares of the Company shall enjoy the following rights:

i. the right to receive dividends and other distributions in respect of paid-up Shares held by them;

ii. the right to attend or appoint a proxy to attend general meetings and the right to exercise the voting rights;

iii. the right to supervise the Company's business operations, the right to present proposals or to raise queries;

iv. the right to transfer Shares in accordance with laws, administrative regulations as well as the Articles of Association;

v. the right to obtain relevant information in accordance with the Articles of Association, in which information includes:

(1) the right to obtain the Articles of Association, subject to payment of costs;

(2) the right to inspect and copy, subject to payment of a reasonable fee as follows:

(i) all parts of the register of Shareholders;

(ii) personal particulars of each of the Directors, Supervisors, general managers and other senior management members of the Company, including:

(a) present and former name and alias;

(b) principal address (place of residence);

(c) nationality;

(d) primary and all other part-time occupations and duties;

(e) identification documents and the numbers thereof.

(3) status of share capital of the Company;

(4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by the Company since the last accounting year and the aggregate amount paid by the Company for this purpose;

(5) minutes of general meetings, and resolutions of meetings of the Board and the Board of Supervisors;

(6) counterfoils of corporate bond certificates;

(7) financial reports previously published or disclosed.

vi. in the event of the termination and liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held;

vii. the right to request the Company to purchase back its/his/her Shares, in the event that the shareholder votes against the relevant resolution of any combination or division of the Company approved by the shareholders' general meeting;

viii. the right to put forward an interim proposal and submit it to the Board in written form ten (10) days in advance of a general meeting, if any Shareholder holds or Shareholders together hold more than 3% (three percent) of the Shares of the Company;

ix. other rights conferred by laws, administrative regulations as well as the Articles of Association.

The Shareholders of ordinary Shares of the Company shall assume the following obligations:

i. to comply with laws, administrative regulations and the Articles of Association;

ii. to pay subscription money according to the Shares subscribed and the method of subscription; to be liable to the Company to the extent of the Shares it/he/she has subscribed for;

iii. to be liable to the Company to the extent of the Shares it/he/she has subscribed for;

iv. not to withdraw any share capital upon approval for registration by the Company, unless otherwise provided for in any law and regulation; and

v. other obligations imposed by laws, administrative regulations as well as the Articles of Association.

To the extent of the conditions prescribed in the subscriptions, the Shareholder shall not be liable for any further contribution to the share capital of the Company.

***Board***

The Board is responsible to the shareholders' general meeting and exercises the following powers:

i. to be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting;

ii. to implement the resolutions of the shareholders' general meetings;

iii. to decide on the Company's business plans and investment plans;

iv. to formulate the Company's annual financial budget and final accounts;

v. to formulate the Company's profit distribution plan and loss recovery plan;

vi. to formulate debt policy, financial policy, and proposals for the increases or decrease of the Company's registered capital and the issue of corporate debentures;

vii. to formulate proposals for the material acquisition or disposal of the Company and the plans for merger, division and dissolution of the Company;

viii. to decide on the establishment of the Company's internal management structure;

ix. to appoint or remove the Company's general manager, based on the recommendations of the general manager, to appoint or remove deputy general manager and chief financial officer, to appoint or remove the secretary of the Board and, to decide on their remuneration matters;

x. to formulate proposals for any amendment to the Articles of Association;

xi. to approve the guaranties which are not subject to the approval of the shareholders' general meeting;

xii. to approve the purchase and sell of substantial assets of the company which are not subject to the approval of the shareholders' general meeting;

xiii. to formulate the Company's basic management system;

xiv. to determine other major affairs and administrative matters, and sign other important contracts, except the issues to be determined by the shareholders' general meeting according to the Company Law and Articles of Association;

xv. to exercise other function or power conferred on the Board by the shareholders' general meeting and Articles of Association;

xvi. to approve the Company to appoint or change the Directors and shareholder representative Supervisors of the wholly owned subsidiaries, and to appoint, change or recommend the shareholder's representative, candidates of Directors and candidates of shareholder representative Supervisors of the subsidiaries and the associated enterprises;

xvii. to suggest to the shareholders' general meeting any proposed appointment or dismissal of an accounting firm as the Company's auditor;

xviii. to administrate the information disclosure affairs of the Company;

xix. to decide and supervise the Company's risk management system, including risk assessment, financial control, internal audit and legal risk control.

Except for the Board's resolutions in respect of the matters specified in the above paragraphs (vi), (vii) and (x), which shall be passed by more than two-thirds (2/3) of the Directors, the Board resolutions in respect of all other matters may be passed by more than half of the Directors.

Meetings of the Board shall be held at least four (4) times a year and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors and Supervisors fourteen (14) days before the date of the regular Board meeting. A regular Board meeting shall not be convened by way of circulation of written resolutions to obtain approval from the Board. In case of emergency, an extraordinary Board meeting may be held upon requisition by either the chairman, or more than one third (1/3) of the Directors, the Board of Supervisors or Shareholders representing more than one tenth (1/10) of voting rights or the general manager. In such case, an extraordinary Board meeting is not restricted by notice of meeting in Article 104 of the Article of Association. All reasonable expenses incurred by the Directors for attending the Board meeting shall be borne by the Company.

Board meetings shall be held only if more than half (1/2) of all the Directors (including any alternate Director appointed by written authorization in accordance with Article 107) are present. Each Director shall have one vote. The voting method used in Board meetings must be in a manner of ballot or show of hands. The Board of Directors' resolutions must be voted for by more than half of all the Directors. In the case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

A Director shall abstain from voting on adoption of any resolution proposed at a Board meeting any contract, transaction or arrangement in which he himself or any of its/his/her close associates is interested. Such Director shall not be counted in the quorum of the relevant meeting.

**Independent Non-Executive Directors**

The Company shall have a Board which shall consist of nine (9) Directors. The member of external Directors shall be no less than one-half (1/2) of the Board and more than four (4) of whom shall be independent non-executive Directors.

**Board of Supervisors**

The Company shall have a Board of Supervisors, which exercises the daily supervisory function. The Directors, general manager, vice general manager, chief financial officer and other members of senior management shall not act concurrently as Supervisors.

The Board of Supervisors shall be composed of three (3) Supervisors. The Board of Supervisors shall include shareholders representative Supervisor and an appropriate proportion of employee representative Supervisors who shall be no less than one third (1/3). The Board of Supervisors shall have one (1) chairman. The term of office of Supervisors shall be three (3) years, renewable upon re-election and reappointment. The appointment and removal of the chairman of the Board of Supervisors shall be determined by more than two-thirds (2/3) of the members of the Board of Supervisors by resolution.

The Board of Supervisors shall comprise one (1) shareholder representative Supervisor and two (2) employee representative Supervisors of the Company. The shareholder representative Supervisor shall be elected and removed by shareholders' general meetings; and the employee representative Supervisors shall be elected and removed by the employees of the Company democratically.

The Board of Supervisors shall be accountable to the shareholders' general meeting and exercise the following duties and powers in accordance with laws:

i. to examine the Company's financial position;

ii. to supervise the performance of duties by the Directors, general manager and other members of senior management in violation of the laws, administrative regulations or the Articles of Association;

iii. to demand rectification from a Director, general manager and other members of senior management when the acts of such persons are harmful to the Company's interest;

iv. to verify the financial information such as the financial reports, business reports and plans for distribution of profits to be submitted by the Board to the shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, certified accountants and auditors for a review on the aforesaid information;

v. to propose to convene an extraordinary general meeting;

vi. to represent the Company in communication with Directors or institute proceedings against Directors;

vii. to exercise other duties and powers specified in laws, administrative regulations, normative documents and the Articles of Association.

The Board of Supervisors may give advice on the Company's engagement of accounting firms. When necessary, the Board of Supervisors may otherwise authorize, in the Company's name, accounting firms to review the Company's financial position independently and may report the situation directly to the securities regulatory organ of the State Council and other relevant departments.

Supervisors may sit in meetings of the Board.

**Chairman of the Board**

The chairman of the Board shall exercise the following duties and powers:

i. to preside over the shareholders' general meeting, convene and preside over the meetings of the Board;

ii. to inspect the implementation of the resolutions of the Board;

iii. to sign the securities issued by the Company;

iv. to exercise other duties and powers authorized by the Board.

If the chairman of the Board is unable to perform his/her duties, a (1) Director jointly nominated by a majority of the Directors shall perform the duties.

**General Manager of the Company**

The Company shall have one (1) general manager, who shall be appointed and dismissed by the Board.

Our general manager shall be accountable to the Board and exercise the following duties and powers:

i. to be in charge of the Company's operation and management and to organize the implementation of the resolutions of the Board;

ii. to organize the implementation of the Company's annual business plan and investment plan;

iii. to draft plans for the establishment of the internal organizational structure of the Company;

iv. to draft plans for the establishment of the Company's branches;

v. to draft the Company's basic management system;

vi. to formulate basic rules and regulations for the Company;

vii. to propose the appointment or dismissal of our deputy general manager and chief financial officer;

viii. to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

ix. to exercise other duties and powers conferred by the Articles of Association and the Board.

Our general manager may sit in meetings of the Board and has the right to receive notices of meeting and relevant documents. However, the general manager shall have no voting rights at the meetings unless he is also a Director.

In performing their functions and powers, the general manager, vice general manager and chief financial officer shall act honestly and diligently in accordance with laws, administrative regulations and the Articles of Association.

**Surplus Reserve**

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory surplus reserve. When the cumulated amount of the statutory surplus reserve of the Company has reached more than 50% of its registered capital, no further allocation is required.

Where the statutory surplus reserve of the Company is insufficient to make up for the losses of the Company incurred during the previous year, before making allocation to the statutory surplus reserve in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory surplus reserve of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a shareholders' general meeting, also allocate funds from the after-tax profits to the discretionary surplus reserve.

After making up for the losses and making contributions to the surplus reserve, any remaining profits shall be distributed to the Shareholders in proportion to their respective shareholdings.

The profits shall not be distributed until the Company has made up for its losses and made allocations to the statutory surplus reserve.

**Secretary of the Board**

The secretary of the Board shall be a natural person(s) who has the requisite professional knowledge and experience, and shall be appointed by the Board. The primary responsibilities include:

i. to ensure that the Company's documents and records are complete;

ii. to ensure the lawful preparation and submission by the Company of reports and documents as required by the relevant authorities;

iii. to ensure that the register of Shareholders is properly maintained, and to ensure that persons who are entitled to obtain the Company's records and documents can timely obtain the relevant records and documents.

**Accounts and Audit**

***Appointment of auditors***

The Company shall appoint independent accounting firms which are qualified under the relevant regulations of the PRC to audit the Company's annual financial statements and review the Company's other financial reports. The first accounting firm of the Company may be appointed by the founders' meeting before the first annual general meeting. The term of office of the accounting firm shall terminate at the end of the first annual general meeting. If the founders' meeting does not exercise its functions and powers according to the aforesaid provisions, then the Board shall exercise such functions and powers.

Before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the accounting firm, provided that if there is another accounting firm in office for the Company during the period of such vacancy, such accounting firm may act.

The shareholders' general meeting may, by ordinary resolution, remove an accounting firm before the expiration of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

***Change and removal of accounting firm***

The Company's appointment, removal or non-reappointment of an accounting firm shall be resolved by its shareholders' general meeting.

Where any resolution is to be proposed at a shareholders' general meeting for the purpose of appointment of an accounting firm, which is not an incumbent firm to fill a casual vacancy in the office of the accounting firm, or re-appointment of a retiring accounting firm which was appointed by the Board to fill a casual vacancy, or removal of the accounting firm before the expiration of its term of office, the following provisions shall apply:

i. A copy of the proposal in connection with appointment or removal shall be sent to the accounting firm, which is proposed to be appointed, or intends to leave or has left in the relevant financial year its post, before the notice is delivered. Leaving includes leaving by removal, resignation and retirement.

ii. If the accounting firm leaving its post makes representations in writing and requests the Company to notify the Shareholders of such representations, the Company shall (unless the representations are received too late):

    (1) in any issued notice of the resolution, state the fact of the representations having been made by the accounting firm leaving its post;

    (2) deliver a copy of the representations as attached to the notice to the Shareholders in the manner stipulated in the Articles of Association.

iii. If the Company fails to send out the accounting firm's representations in accordance with paragraph ii above, the relevant accounting firm may require that the representations be read out at the shareholders' general meeting and may make a further appeal.

iv. An accounting firm which is leaving its post shall be entitled to attend:

    (1) the shareholders' general meeting at which its term of office would otherwise have expired;

    (2) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal;

    (3) any shareholders' general meeting convened on its resignation;

and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former accounting firm of the Company.

***Resignation of accounting firm***

Where the accounting firm resigns its office, it shall make clear to the shareholders' general meeting of the Company whether there has been any impropriety. The accounting firm may resign its office by depositing at the Company's residence a resignation notice in writing which shall become effective on the date of the deposit or on such later date as otherwise stipulated in the notice. Such notice shall include the following:

i. a representation to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or

ii. a statement of any such circumstances.

Where a written notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant competent authority. If the notice contains the statement under the preceding paragraph (ii), a copy of such statement shall be placed at the Company's residence for the inspection of its Shareholders. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed Shares at the address registered in its register of members.

Where the notice of resignation of the accounting firm contains a statement of any circumstance which should be brought to other's notice, the accounting firm may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

**Dispute Resolution**

The Company shall settle disputes in accordance with the following principles:

i. Any dispute or claim of rights relating to the affairs of the Company and arising between holders of overseas listed Shares and the Company, or between holders of overseas listed Shares and Directors, Supervisors, general managers or other senior management members of the Company, or between holders of overseas listed Shares and holders of Domestic Shares, as a result of the rights and obligations provided for in the Articles of Association, the Company Law and other applicable laws, administrative regulations, shall be referred to arbitration by parties involved.

   Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being the Company or Shareholders, Directors, Supervisors, general managers or other senior management members of the Company, shall comply with the arbitration. Disputes in respect of the definition of Shareholders and disputes in relation to the register of members need not be resolved by arbitration.

ii. A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

iii. The resolution of any dispute or claim of rights referred to in paragraph i above by arbitration is subject to the PRC laws, unless otherwise required by laws and administrative regulations.

iv. The award of an arbitration body shall be final and conclusive and binding on all parties.

## FURTHER INFORMATION ABOUT OUR GROUP

### 1. Incorporation of our Company

The predecessor of the Company was incorporated as a limited liability company in the PRC on 10 November 2004 under the corporate name Sichuan Tianson Husbandry Technology Company Limited (四川省天生畜牧科技有限公司). On 20 June 2016, our Company was converted to a joint stock company with limited liability and renamed as Sichuan Tianzow Breeding Technology Co., Ltd (四川天兆豬業股份有限公司). We have established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 6 March 2020. We have appointed Ms. Tan and Ms. Szeto Kar Yee Cynthia, as the Authorized Representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of relevant provisions of our Articles of Association is set out in Appendix V to this prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV to this prospectus.

### 2. Changes in the share capital of our Company

At the time of our establishment on 10 November 2004, our registered capital was RMB5,000,000, which was held as to 60% by Tianson Real Estate and as to 40% by Tianzow Food.

Save as disclosed below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

On 10 October 2018, our Shareholders resolved to distribute stock dividend at a rate of 10 Shares per 10 Shares of shareholding, by way of share issue to all Shareholders. As a result of such share issue, our registered capital was increased from RMB57,938,600 to RMB115,877,200.

Assuming the Over-allotment Option is not exercised, upon the completion of the Global Offering, our issued share capital of our Company will be increased to RMB154,503,200, made up of 115,877,200 Domestic Shares and 38,626,000 H Shares fully paid up or credited as fully paid up, representing approximately 75% and 25% of our registered share capital, respectively.

Save as disclosed in this prospectus, there has been no alteration in our share capital since our establishment.

**3. Restriction of share repurchase**

For details of the restrictions on the share repurchase by our Company, please refer to "Summary of the Articles of Association" in Appendix V to this prospectus.

**4. Resolutions passed at our Company's extraordinary general meeting held on 24 December 2019**

At the extraordinary general meeting of our Company held on 24 December 2019, among other things, the following resolutions were passed by the Shareholders:

(a) the issue by the Company of the H Shares with a nominal value of RMB1.00 each and such H Shares to be listed on the Main Board of the Stock Exchange;

(b) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(c) authorizing the Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the Listing.

**5. Changes in share capital of our principal subsidiaries**

Our principal subsidiaries are referred to in the Accountants' Report set out in Appendix I to this prospectus.

The following alterations in the share capital of our principal subsidiaries have taken place within two years immediately preceding the date of this prospectus:

***Heilongjiang Tianzow***

On 19 November 2019, Heilongjiang Tianzow increased its registered share capital from RMB20,000,000 to RMB66,000,000.

***Gansu Tianzow***

On 6 June 2018, Gansu Tianzow increased its registered share capital from RMB10,000,000 to RMB20,000,000.

***Boli Tianzow***

On 19 June 2018, Boli Tianzow increased its registered share capital from RMB20,000,000 to RMB44,000,000.

On 25 December 2019, Boli Tianzow increased its registered share capital from RMB44,000,000 to RMB120,000,000.

Save as disclosed in this prospectus, there has been no alternation in the share capital or registered capital of any of our principal subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

## FURTHER INFORMATION ABOUT OUR BUSINESS

### 6. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus that are or may be material:

(a) the Deed of Indemnity;

(b) the Hong Kong Underwriting Agreement;

(c) a cornerstone investment agreement dated 22 October 2020 entered into by and among our Company, Xinjiang Guoli Minsheng Equity Investment Co., Ltd. (新疆國力民生股權投資有限公司), Fortune Financial Capital Limited (富強金融資本有限公司) and Fortune (HK) Securities Company Limited (富強證券有限公司), pursuant to which Xinjiang Guoli Minsheng Equity Investment Co., Ltd. (新疆國力民生股權投資有限公司) agreed to subscribe for the H Shares in the amount of RMB50 million;

(d) a cornerstone investment agreement dated 22 October 2020 entered into by and among our Company, Fuhui Capital Investment Limited, Fortune Financial Capital Limited and Fortune (HK) Securities Company Limited, pursuant to which Fuhui Capital Investment Limited agreed to subscribe for the H Shares in the amount of RMB30 million; and

(e) a cornerstone investment agreement dated 22 October 2020 entered into by and among our Company, Mr. Zhong Zhaomin, Fortune Financial Capital Limited and Fortune (HK) Securities Company Limited, pursuant to which Mr. Zhong Zhaomin agreed to subscribe for the H Shares in the amount of HK$50 million.

## 7. Intellectual property rights of our Group

### *(a) Trademarks*

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following registered trademarks in the PRC which, in the opinion of our Directors, are material to our business:

| No. | Trademark | Class | Registration Number | Expiry Date | Registered Owner |
|---|---|---|---|---|---|
| 1. | | 44 | 22841546 | 27-10-2029 | the Company |
| 2. | | 31 | 22841909 | 13-11-2029 | the Company |
| 3. | | 38 | 22842034 | 20-02-2028 | the Company |
| 4. | | 42 | 22841892 | 27-07-2028 | the Company |
| 5. | | 9 | 22841707 | 20-02-2028 | the Company |
| 6. | | 9 | 22841285 | 13-05-2028 | the Company |
| 7. | | 35 | 22841231 | 20-04-2028 | the Company |
| 8. | | 31 | 22841211 | 20-08-2028 | the Company |
| 9. | 天兆猪业 TIANZOW BREEDING | 38 | 22841015 | 20-02-2028 | the Company |
| 10. | | 9 | 22841011 | 20-04-2028 | the Company |
| 11. | 天兆猪业 TIANZOW BREEDING | 12 | 22840861 | 20-02-2028 | the Company |
| 12. | 天兆猪业 TIANZOW BREEDING | 9 | 22840555 | 13-02-2029 | the Company |
| 13. | | 31 | 22840321 | 13-05-2028 | the Company |
| 14. | | 21 | 12938913 | 27-01-2025 | the Company |

| No. | Trademark | Class | Registration Number | Expiry Date | Registered Owner |
|---|---|---|---|---|---|
| 15. | | 45 | 12938633 | 20-01-2025 | the Company |
| 16. | | 37 | 12935371 | 06-01-2025 | the Company |
| 17. | | 25 | 12934818 | 06-04-2025 | the Company |
| 18. | | 20 | 12934422 | 06-01-2025 | the Company |
| 19. | | 19 | 12934266 | 13-04-2025 | the Company |
| 20. | | 18 | 12934111 | 20-08-2025 | the Company |
| 21. | | 17 | 12933395 | 13-12-2024 | the Company |
| 22. | | 16 | 12933284 | 13-12-2024 | the Company |
| 23. | | 11 | 12933177 | 27-03-2025 | the Company |
| 24. | | 10 | 12933131 | 13-12-2024 | the Company |
| 25. | | 8 | 12933086 | 13-12-2024 | the Company |

| No. | Trademark | Class | Registration Number | Expiry Date | Registered Owner |
|---|---|---|---|---|---|
| 26. | | 6 | 12933043 | 13-12-2024 | the Company |
| 27. | 天兆猪业 TIANZOW BREEDING | 44 | 9856581 | 20-10-2022 | the Company |
| 28. | 天兆猪业 TIANZOW BREEDING | 42 | 9856542 | 20-01-2023 | the Company |
| 29. | 天兆猪业 TIANZOW BREEDING | 31 | 9853908 | 13-10-2022 | the Company |
| 30. | | 44 | 6207177 | 27-03-2020 | the Company |
| 31. | | 31 | 6206952 | 20-09-2029 | the Company |
| 32. | 天兆猪业 TIANZOW BREEDING | 5 | 22840461 | 06-05-2030 | the Company |
| 33. | 天兆猪业 TIANZOW BREEDING | 3 | 22840540 | 07-06-2030 | the Company |

As at the Latest Practicable Date, we have registered the following trademark in Hong Kong which is material to our business:

| No. | Trademark | Class | Trade Mark Number | Expiry Date | Registered Owner |
|---|---|---|---|---|---|
| 1. | A 天兆猪业 TIANZOW BREEDING<br>B 天兆猪业 TIANZOW BREEDING<br>C 天兆猪业 TIANZOW BREEDING<br>D 天兆猪业 TIANZOW BREEDING | 1, 5, 9, 29, 31, 35, 36, 37, 39, 42, 44 | 305107266 | 06-11-2029 | the Company |

*(b) Patents*

As at the Latest Practicable Date, our Group had not applied for the registration of patents in the PRC.

*(c) Copyrights*

As at the Latest Practicable Date, our Group had registered the following computer software copyrights in the PRC which, in the opinion of our Directors, are material to our business:

| No. | Copyright | Registration Number | Version | First Publication Date | Valid period | Registered Owner |
|---|---|---|---|---|---|---|
| 1. | 天兆豬業豬場管理軟件 (簡稱: Tianzowpms) | 2012SR004924 | 1.0 | 28-08-2011 | 50 years | the Company |
| 2. | 天兆雲智能養豬管理系統 | 2014SR077073 | 2.0 | 20-03-2014 | 50 years | the Company |
| 3. | 天兆雲智能養豬管理系統 | 2017SR729392 | 3.0 | 01-04-2017 | 50 years | the Company |

As at the Latest Practicable Date, we had registered the following product-related copyrights which we consider to be or may be material to our business:

| No. | Copyright | Registration Number | Category | First Publication Date | Registered Owner |
|---|---|---|---|---|---|
| 1. | 天兆豬業LOGO | 渝作登字-2017-F-00210386 | Arts | 01-01-2013 | the Company |
| 2. | 天兆豬業勇攀豬峰LOGO | 渝作登字-2017-F-00210385 | Arts | 01-01-2013 | the Company |
| 3. | 猪小天 | 渝作登字-2019-F-00436864 | Arts | Not published | the Company |

### *(d) Domain name*

As at the Latest Practicable Date, our Group owned the following domain names in the PRC which, in the opinion of our Directors, are material to our business:

| No. | Domain Name | Expiry Date | Registered Owner |
|---|---|---|---|
| nw1303291541258 | tianzow.com.cn | 08-04-2024 | the Company |
| nw1303291541258 | fastgenetics.com.cn | 08-04-2024 | the Company |
| nw1303291541258 | fastgenetics.cn | 08-04-2024 | the Company |
| – | tianzow.com | 20-06-2025 | the Company |

## FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

### 8. Directors

***Disclosure of interests – Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company***

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (b) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the H Shares are listed will be as follows:

*(i) Interest in our Company*

| Name of Director | Nature of Interest[1] | Class of Shares held after the Global Offering | Number of Shares held immediately after the Global Offering | Approximate percentage of shareholding in the relevant class of Shares immediately after the Global Offering[2] | Approximate percentage of shareholding in the total share capital of our Company immediately after the Global Offering[3] |
|---|---|---|---|---|---|
| Mr. Yu[4] | Interest of a controlled corporation (L)<br>Interest of Spouse (L) | Domestic Shares | 101,090,756 | 87.24% | 65.43% |
| Ms. Tan[4] | Beneficial Owner (L)<br>Interest of Spouse (L) | Domestic Shares | 101,090,756 | 87.24% | 65.43% |

| Name of Director | Nature of Interest[1] | Class of Shares held after the Global Offering | Number of Shares held immediately after the Global Offering | Approximate percentage of shareholding in the relevant class of Shares immediately after the Global Offering[2] | Approximate percentage of shareholding in the total share capital of our Company immediately after the Global Offering[3] |
|---|---|---|---|---|---|
| Mr. Yu Zhengbo[5] | Interest of a controlled corporation (L) | Domestic Shares | 10,248,000 | 8.84% | 6.63% |

*Notes:*

(1) The letter "L" denotes the person's long position in our Shares.

(2) The calculation is based on the percentage of shareholding in Domestic Shares after the Global Offering.

(3) The calculation is based on the total number of 154,503,200 Shares in issue after the Global Offering.

(4) Tianzow Food is 65.01% held by Tianson Real Estate which is held as to 80% by Mr. Yu and 20% by Ms. Tan. Therefore, Mr. Yu is deemed to be interested in the Shares which Tianzow Food and Tianson Real Estate are interested in under the SFO. Ms. Tan directly held 28,827,756 Shares upon Listing. Ms. Tan is the spouse of Mr. Yu and therefore Ms. Tan is deemed to be interested in the Shares directly held by Tianzow Food. Mr. Yu is deemed to be interested in the Shares directly held by Ms. Tan by virtue of being the spouse of Ms. Tan.

(5) Mr. Yu Zhengbo, the son of Mr. Yu and Ms. Tan, is interested in 63.24% in Tianpan Technology and is deemed to be interested in the Shares held by Tianpan Technology under the SFO.

## 9. Substantial shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, please see the section headed "Substantial Shareholders" in this prospectus.

## 10. Further information about our Directors and Supervisors

### *(a) Particulars of service contracts and letters of appointment*

Each of our Directors and Supervisors has entered into a service contract or letter of appointment with our Company. The principal particulars of these service contracts and the letters of appointment are (i) for an initial fixed term of three years commencing from the date of appointment; and (ii) subject to termination in accordance with their respective terms. The service contracts and letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of our Directors or Supervisors has entered, or is proposed to enter a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

***(b) Others***

(i) None of the Directors, Supervisors, or any past Directors of any members of our Group has been paid any sum of money for FY2017, FY2018, FY2019 and 4M2020 as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(ii) There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for FY2017, FY2018, FY2019 and 4M2020.

(iii) None of the Directors or Supervisors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him/her to become, or to qualify him/her as, a Director or a Supervisor, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

***(c) Directors' and Supervisors' remuneration***

(i) For FY2017, FY2018, FY2019 and 4M2020, the aggregate remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, pension cost, and retirement scheme contributions) paid by our Group to our Directors and Supervisors were approximately RMB2,355,000, RMB3,052,000, RMB3,558,000 and RMB702,000 respectively.

(ii) Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any member of the Group to any of the Directors or Supervisors.

**11. Disclaimers**

Save as disclosed in this prospectus:

a. taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the issued voting shares of any member of our Group;

b. none of our Directors, Supervisors or members of senior management of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed on the Stock Exchange;

c. none of our Directors, Supervisors or the experts named in "– Other Information – 19. Consents of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group;

d. none of our Directors, Supervisors or the experts named in "– Other Information – 19. Consents of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

e. none of our Directors or Supervisors has an existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

f. none of the experts listed in "Other Information – 19. Consents of Experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group;

g. save for the Underwriting Agreements, none of the parties listed in "– Other Information – 19. Consents of Experts" in this Appendix:

   (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or

   (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;

h. so far as is known to our Directors and save as disclosed in this prospectus, as at the Latest Practicable Date, none of our Directors, their respective close associates or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and

i. none of the Directors or Supervisors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business.

## OTHER INFORMATION

### 12. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

### 13. Indemnity

Mr. Yu and Ms. Tan have entered into the Deed of Indemnity with our Company (for itself and as trustee for each of our Company's subsidiaries) (being the contract referred to in paragraph (a) of "Further Information about our Business – 6. Summary of our material contracts" above) to provide full indemnities in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any costs, expenses, penalties and damages due to historical non-compliance incidents (as mentioned in the section headed "Business" in this prospectus) to which we may be subject and payable on or before the date when the Global Offering becomes unconditional.

### 14. Litigation

As at the Latest Practicable Date, we were not aware of any litigation, arbitration or claim of material importance pending or threatened by or against our Company or any of its subsidiaries or any of our Directors that could have a material adverse effect on the results of operations or financial condition of our Group.

**15. Sole Sponsor**

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

**16. Preliminary expenses**

We have not incurred any material preliminary expense.

**17. Promoter**

Our promoters are Tianzow Food, Tianson Real Estate and Tianpan Technology. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

**18. Qualification of Experts**

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

| Name | Qualification |
|---|---|
| Fortune Financial Capital Limited | A corporation licensed to conduct type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| KPMG | Certified Public Accountants<br>Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance |
| CIC | Industry Consultant |
| Grandall Law Firm (Shanghai) | PRC Legal Adviser |
| JLL | Biological Asset Valuer |

**19. Consents of Experts**

Each of the experts listed in "Other Information – 18. Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consents to the issue of this prospectus within the inclusion of its reports and/or letters and/or opinions and/or the references to its name included herein the form and context in which it is respectively included.

None of the consents named in paragraph 18 above has any shareholding interests in the Group or any right or option (whether legally enforceable or not) to subscribe for, or nominate persons to subscribe for, securities in any member of the Group.

**20. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**21. Taxation of holders of H Shares**

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

**22. Miscellaneous**

(i) Save as otherwise disclosed in this prospectus, within two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(cc) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions of any Share in our Company or any of our subsidiaries;

(dd) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(ee) no amount, securities or benefit has been paid, allotted or given within the two years preceding the date of this prospectus to the promoter nor is any such amount, securities or benefit intended to be paid, allotted or give. None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with our business.

(ii) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2020 (being the date which the latest audited consolidated financial statements of our Group were made up).

(iii) There is no arrangement under which future dividends are waived or agreed to be waived.

(iv) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(v) The principal register of members of our Company will be maintained by our H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of H Shares must be lodged for registration with and registered by our H Share Registrar and may not be lodged in the PRC.

(vi) All necessary arrangements have been made to enable the H Shares to be admitted to CCASS for clearing and settlement.

(vii) Save as otherwise disclosed in this prospectus, there are no founder, management or deferred shares in our Company or any of its subsidiaries.

(viii) Save as otherwise disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

(ix) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(x) We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

**23. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the section headed "Statutory and General Information – Other Information – 19. Consents of experts" in Appendix VI to this prospectus; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – Further information about our Business – 6. Summary of material contracts" in Appendix VI to this prospectus.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Wong Heung Sum & Lawyers at Rooms 911-912, 9/F, Wing On Centre, 111 Connaught Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for FY2017, FY2018, FY2019 and 4M2020;

(e) the material contracts referred to in the section headed "Statutory and General Information – Further information about our Business – 6. Summary of material contracts" in Appendix VI to this prospectus;

(f) the service contracts referred to in the section headed "Statutory and General Information – Further Information about our Directors, Supervisors and Substantial Shareholders – 10. Further Information about our Directors and Supervisors – (a) Particulars of service contracts and letters of appointment" in Appendix VI to this prospectus;

(g) the written consents referred to in the section headed "Statutory and General Information – Other Information – 19. Consents of experts" in Appendix VI to this prospectus;

(h) the legal opinions issued by Grandall Law Firm (Shanghai), our PRC Legal Adviser, in respect of certain aspects of our Group and the property interests of our Group;

(i) the valuation report considering the fair values of biological assets belonging to our Group as at 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 30 April 2020 prepared by JLL;

(j) the industry report issued by CIC; and

(k) copies of the following PRC laws, together with the unofficial English translations thereof:

   (i) the PRC Company Law;

   (ii) the PRC Securities Law;

   (iii) the Mandatory Provisions; and

   (iv) the Special Regulations.

天兆猪业
TIANZOW
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四川天兆豬業股份有限公司
Sichuan Tianzow Breeding Technology Co., Ltd