

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

See “*Business – Strategies*” for a detailed description of our future plans and comprehensive strategies.

### USE OF PROCEEDS

The net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) to be received by the Company, after deducting the underwriting commissions, discretionary incentive fee (assuming full payment of the discretionary incentive fee) and estimated expenses in connection with the Global Offering, will be:

- approximately HK\$[REDACTED] million, assuming that the Offer Price is HK\$[REDACTED] (being the Minimum Offer Price);
- approximately HK\$[REDACTED] million, assuming that the Offer Price is HK\$[REDACTED] (being the mid-point of the Offer Price Range); or
- approximately HK\$[REDACTED] million, assuming that the Offer Price is HK\$[REDACTED] (being the Maximum Offer Price).

The Company intends to use the net proceeds of HK\$[REDACTED] million (being the mid-point of the Offer Price Range) from the Global Offering as follows:

- Approximately HK\$[REDACTED] million, or [REDACTED]% of our net proceeds, will be used in connection with the expansion of our portfolio of dairy farms, as further described below:
  - o approximately HK\$[REDACTED] million, or [REDACTED]% of our net proceeds, will be used in building farm facilities and purchasing equipment for Pure Source Farm 3 (Farm 11), where construction has commenced in April 2022 and full milking capacity is expected to be reached by December 2023. The main facilities and equipment will include (i) two milking equipment, (ii) 37 vehicle equipment for cow raising and feeding, (iii) cooling equipment and other breeding ancillary equipment and facilities, (iv) cow manure treatment facilities, (v) testing and inspection equipment, (vi) power generating equipment, and (vii) logistic support equipment and facilities. This farm is located in Shandong and is expected to have total capacity for 17,000 dairy cows and milking capacity for 7,000 dairy cows. Once full milking capacity is reached, this farm is expected to produce raw milk of approximately 100,000 tons/year, which will increase the Group’s total raw milk production volume by 15%; and
  - o approximately HK\$[REDACTED] million, or [REDACTED]% of our net proceeds, will be used in building farm facilities and purchasing equipment for Pure Source Farm 4 (Farm 12), where construction is expected to commence in April 2023 and full milking capacity is expected to be reached by November 2024. The main facilities and equipment will include (i) two milking equipment, (ii) 37 vehicle equipment for cow raising and feeding, (iii) cooling equipment and other breeding ancillary equipment and facilities, (iv) cow manure treatment facilities, (v) testing and inspection equipment, (vi) power generating equipment, and (vii) logistic support equipment and facilities. This farm is located in Shandong and is expected to have total capacity for 12,500 dairy cows and milking capacity for 5,700 dairy cows. Once full milking capacity is reached, this farm is expected to produce raw milk of approximately 80,000 tons/year, which will increase the Group’s total raw milk production volume by 13%.

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The following table sets forth certain details of our proposal for the construction of the Pure Source dairy farms:

Farm	Location	Commencement of construction	Expected commencement of commercial production	Planned holding capacity	Planned full milking capacity <sup>(1)</sup>	Expected production volume <sup>(2)</sup>	Rotary milking parlour	Expected size	Estimated total investment costs	Estimated investment in facilities and equipment	Estimated investment in cattle
											acquisition and breeding <sup>(3)</sup>
Pure Source Farm 3 (“Farm 11”)	Shandong	April 2022	January 2023	17,000	7,000	100,000	100 x 2	2,400	904.7	479.9	382.9
Pure Source Farm 4 (“Farm 12”)	Shandong	April 2023	December 2023	12,500	5,700	80,000	80 x 2	1,400	669.7	338.0	296.0

*Notes:*

- (1) Full milking capacity is estimated based on the number of milking stalls, rotation speed and our milking routine. Based on our typical rotation speed, the maximum number of milking cows we can accommodate per hour is within the range of 550 to 600. And our milking routine is six hour per shift (4x per day).
- (2) Expected production volume when the full milking capacity is reached.
- (3) We plan to acquire a total number of 10,878 heads of cattle for Pure Source Farm 3, of which 5,000 heads of cattle are to be acquired from third-party suppliers in Australia and 5,878 heads are to be acquired internally from the Group’s other dairy farms. We plan to acquire a total number of 8,667 heads of cattle for Pure Source Farm 4, of which 2,200 heads of cattle are to be acquired from third-party suppliers in Australia and 6,467 heads are to be acquired internally from the Group’s other dairy farms. The expected price per head of cattle to be acquired from third party suppliers in Australia is approximately RMB28,500, while the expected price per head of cattle to be acquired internally from the Group’s other dairy farms is approximately RMB27,800. In addition to the acquisition costs, the estimated investment amounts also include the estimated breeding costs for the cattle acquired.

We also intend to use other financing, which we expect will principally be in the form of bank loans, in connection with the expansion plans for Pure Source Farms 3 and 4 to satisfy our capital needs. For more details, see “*Business – Raw Milk Business – Our Dairy Farms*”.

- Approximately HK\$[REDACTED] million, or [REDACTED]% of our net proceeds, is intended to be used for general corporate purposes and funding working capital needs.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price Range.

## FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, after deducting the relevant underwriting commissions, the additional net proceeds which the Company will receive from such exercise of the Over-allotment Option will be:

- approximately HK\$[REDACTED] million, assuming an Offer Price of HK\$[REDACTED] (being the Minimum Offer Price);
- approximately HK\$[REDACTED] million, assuming an Offer Price of HK\$[REDACTED] (being the midpoint of the Offer Price Range); or
- approximately HK\$[REDACTED] million, assuming an Offer Price of HK\$[REDACTED] (being the Maximum Offer Price).

Any additional proceeds received from the exercise of the Over-allotment Option will be allocated to the above purposes on a pro rata basis.

Pending the deployment of the net proceeds from the Global Offering as described above, the Company intends to deposit such net proceeds into short-term interest-bearing deposits with licenced commercial banks and/or other authorised financial institutions only (as defined in the SFO).