

# Valuation Report Considering Fair Value of the Biological Assets Belonging to Dekon Food and Agriculture Group and its Subsidiaries

Client : Dekon Food and Agriculture Group  
Report Date : 27 June 2021  
Valuation Date(s) : 31 December 2020  
Reference Number : CON100468154 BV-1



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27 June 2021

The Board of Directors

**Dekon Food and Agriculture Group**

Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Center

32 Lingang Road, Shuangliu District

Chengdu, PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of piglets, nursery pigs, finishers, gilts, studs, sows, and boars (the “Biological Assets” or the “Pigs”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 December 2020 (the “Valuation Date(s)”). The report which follows is dated 27 June 2021 (the “Report Date”).

This valuation will be used for accounting reference purpose only.

Our valuation was carried out on a fair value basis. Fair value is defined as *“the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date”*.



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We have conducted our valuation in accordance with International Financial Reporting Standards 13 (“IFRS 13”) & International Accounting Standards 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. We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Our opinion on the fair value of the Biological Assets was developed through the adoption of cost approach and market approach given the existence of an active market for the Biological Assets and the stage of the Biological Assets in rearing cycle. Under market approach, the values depend on two major parameters, unit price and quantity. The availability of quoted prices and measurable quantity of the Biological Assets form the basis of our choice for this approach.

In conducting our valuation of the Biological Assets, we have conducted interviews and discussions with the management and conducted research using various public sources and publications.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Biological Assets.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date(s) is reasonably stated as follow:



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Valuation Dates	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Finishers 育肥豬	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<i>Fair Value of the Biological Assets Belonging to the Subsidiaries (RMB)</i>							
31 December 2020	104,574,229	119,850,365	2,708,073,958	1,175,289,100	7,470,800	1,231,029,233	22,632,581

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the limiting conditions contained therein.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Simon M.K. Chan**

Executive Director



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## INTRODUCTION

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of piglets, nursery pigs, finishers, gilts, studs, sows, and boars (the “Biological Assets” or the “Pigs”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 December 2020 (the “Valuation Date(s)"). The report which follows is dated 27 June 2021 (the “Report Date”).

## PURPOSE OF VALUATION

This valuation will be used for accounting reference purpose only.

## BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

## BASIS OF OPINION

We understand that the objective of this valuation exercise is to assist the Company’s auditor in recognizing the value of the Company’s Biological Assets in accordance with the International Accounting Standard 41 (“IAS 41”), issued by International Accounting Standards Board. IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activities refer to the management of the biological transformation of biological assets, defined as living animals or plants, into agricultural produce, defined as harvested produce.

IAS 41 presumes that fair value can be reliably measured for most biological assets. The following guidance is provided on the measurement of fair value.

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets can be used; IAS 41 B27
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used; IAS 41 B27
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; IAS 41.24 and
- the fair value of a biological asset is based on current quoted market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date. IAS 41.16

IFRS 13 also provides guidance on the measurement of the fair value as follows.

- takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability; IFRS 13.11
- assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability; IFRS 13.24
- uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs; IFRS 13.61 & IFRS 13.67; and
- IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. IFRS 13.72

With reference to IFRS 13 and IAS 41, we have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed have included the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we considered essential to the proper understanding of the valuation would be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Analytical review of the subject asset.

We had planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidences to express our opinion on the subject asset.





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## BACKGROUND

Dekon Food and Agriculture Group, (四川德康农牧食品集团股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was registered in Shuangliu District, Chengdu City, Sichuan Province and was previously known as 四川德康农牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019. The Company and its subsidiaries (the “Subsidiaries”) are now principally engaged in three segments, i.e., pig, poultry, and ancillary products. The Subsidiaries that are mainly engaged in the production and sale of pigs as at the Valuation Date(s) are listed as follows.

No.	Name	Date of establishment	Relationship
1	四川德康农牧食品集团股份有限公司	11-Apr-14	Company
2	松原德康农牧有限公司	25-Sep-14	Subsidiary
3	包头德康农牧有限公司	10-Sep-15	Subsidiary
4	金寨德康农牧有限公司	1-Nov-16	Subsidiary

No.	Name	Date of establishment	Relationship
5	科尔沁右翼前旗德康农牧有限公司	13-Dec-16	Subsidiary
6	岳池银城德康畜牧有限公司	21-Jan-08	Subsidiary
7	南充德康农牧技术有限公司	19-May-06	Subsidiary
8	蓬安德康种猪繁育有限公司	5-Mar-08	Subsidiary
9	自贡德康畜牧有限公司	15-Apr-11	Subsidiary
10	江安德康生猪养殖有限公司	27-Apr-12	Subsidiary
11	渠县德康生猪养殖有限公司	17-May-12	Subsidiary
12	绵竹德康生猪养殖有限公司	13-Jun-12	Subsidiary
13	广安德康生猪养殖有限公司	18-Jan-13	Subsidiary
14	岳池德康生猪养殖有限公司	22-May-13	Subsidiary
15	富顺德康生猪养殖有限公司	20-May-15	Subsidiary
16	蒲江德康生猪养殖有限公司	11-Aug-16	Subsidiary
17	宜宾县德康生猪养殖有限公司	20-Dec-16	Subsidiary
18	内江德康农牧有限公司	21-Feb-17	Subsidiary
19	罗江德康农牧有限公司	28-Jul-17	Subsidiary
20	宜宾市南溪区德康农牧有限公司	5-Sep-17	Subsidiary
21	高县德康农牧有限公司	4-Mar-16	Subsidiary
22	乐至县德康农牧有限公司	24-Jan-19	Subsidiary
23	资中德康食品有限公司	17-Jun-19	Subsidiary
24	弋阳县德康种猪繁育有限公司	17-Jul-15	Subsidiary
25	正安德康生猪养殖有限公司	8-Nov-16	Subsidiary



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No.	Name	Date of establishment	Relationship
26	紫云德康生猪养殖有限公司	14-Nov-16	Subsidiary
27	册亨德康农牧有限公司	19-Sep-16	Subsidiary
28	贵阳德康农牧有限公司	21-Jun-11	Subsidiary
29	安顺德康农牧有限公司	9-May-11	Subsidiary
30	松桃德康农牧有限公司	1-Mar-12	Subsidiary
31	习水德康农牧有限公司	4-Jul-12	Subsidiary
32	惠水德康农牧有限公司	28-Sep-16	Subsidiary
33	重庆市合川区德康生猪养殖有限公司	28-Oct-15	Subsidiary
34	镇宁德康农牧有限公司	23-Dec-16	Subsidiary
35	台江德康农牧有限公司	31-May-17	Subsidiary
36	忠县德康农牧有限公司	26-Jul-17	Subsidiary
37	重庆市巴南区德康尚品生猪养殖有限公司	14-Jul-20	Subsidiary
38	贵港德康生猪养殖有限公司	21-Sep-16	Subsidiary
39	那坡德康农牧有限公司	7-Aug-17	Subsidiary
40	平南县德康农牧有限公司	7-Aug-18	Subsidiary
41	宣威德康生猪养殖有限公司	18-Oct-12	Subsidiary
42	峨山德康农牧有限公司	15-Aug-16	Subsidiary
43	新平德康农牧有限公司	1-Mar-17	Subsidiary
44	威远德康农业有限公司	9-Oct-19	Subsidiary
45	荣县德康食品有限公司	11-Oct-19	Subsidiary
46	达州市德康农牧食品有限公司	29-Oct-19	Subsidiary

No.	Name	Date of establishment	Relationship
47	自贡德康农牧科技有限公司	31-Oct-19	Subsidiary
48	泸州德康农牧科技有限公司	25-Nov-19	Subsidiary
49	宜宾市翠屏区德康农牧科技有限公司	23-Apr-20	Subsidiary
50	重庆万州德康农牧科技有限公司	3-Dec-18	Subsidiary
51	务川德康农牧有限公司	26-Apr-18	Subsidiary
52	遵义德康畜牧有限公司	11-Nov-19	Subsidiary
53	习水润康畜牧养殖有限公司	12-Nov-19	Subsidiary
54	仁寿德康农牧有限公司	4-Dec-18	Subsidiary
55	眉山德康农牧有限公司	1-Feb-19	Subsidiary
56	丹棱县德康农牧有限公司	6-Mar-19	Subsidiary
57	青神德康农牧有限公司	26-Mar-19	Subsidiary
58	泗洪德康农牧科技有限公司	18-Apr-18	Subsidiary
59	常熟德康农牧有限公司	23-Apr-20	Subsidiary
60	漯河德康农牧有限公司	27-Nov-19	Subsidiary
61	泗阳德康农牧有限公司	21-May-20	Subsidiary
62	宿迁德康农牧有限公司	8-Jun-20	Subsidiary
63	太仓德康农牧有限公司	24-Jun-20	Subsidiary

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## VALUATION METHODOLOGY

### *Discussion on Biological Assets vs. Non-Biological Fixed Assets*

Through controlled processes, both biological and non-biological fixed assets can produce tangible results and contribute to the value of an existing economic operation. However, biological assets are different from fixed assets in nature and form.

Biological assets are living animals or plants while fixed assets are usually associated with non-living tangible forms like real estate and plant and machinery. Biological assets require management of its biological transformation in order to grow, mature and produce harvestable products. Their physical aspects change constantly through time while that of fixed assets are relatively stable. Although changes also occur to fixed assets due to physical wear and tear, economic obsolescence, and/or renewal and expansion, these changes can often be objectively traced by means of a simple audit of related costs and capital expenses spent on the fixed assets. However, in the case of biological assets, apart from purchases or sales of the assets, the only major cause of the changes in biological assets is the natural growth cycle that can be varied and difficult to trace. The actual growth of the

biological assets may be affected by factors such as weather, natural effect of growth, livability, disease, management of the assets, environmental conditions, etc.

As such, valuation of biological assets warrants a thorough understanding of the attributes mentioned above in order to arrive at a credible and acceptable result.

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### *Discussion on Methodologies*

In arriving at our assessed values, we have considered three generally accepted approaches, namely the market approach, the cost approach and the 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.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*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.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*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.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

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### *Selection of Valuation Approach and Methodology*

#### Piglets

The cost approach was adopted for valuing piglets. As they are only around three-week old and there is insignificant biological transformation that takes place since the initial cost incurrence, the recent costs incurred approximates the replacement costs, including depreciation due to use of breeding pigs and other associated costs.

#### Nursery Pigs, Finishers, Gilts, and Studs

The market approach was adopted for valuing Nursery Pigs, Finishers, Gilts and Studs. Nursery Pigs and Finishers were assumed to be sold live or slaughtered when they reach the stage of finisher as the Market Hogs (商品肉猪, pigs primarily for production of pork products). The fair value of Nursery Pigs and Finishers were derived by obtaining the market prices of the Market Hogs, multiplying the unit price by the corresponding quantities, less the expected costs to complete.

The fair value of the Gilts and Studs were derived by multiplying the market prices of the Gilts and Studs for different species by their corresponding quantities.

#### 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 pigs at specific ages, the market prices for new breeding pigs (mature biological physical condition) were 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*

We have appointed an expert consultant, Professor Tan Zhankun, (the “Expert Consultant”), from Tibet Agriculture and Animal Husbandry University, to join our team and assist in the exercise. Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the Biological Assets. The primary role of the Expert Consultant is to provide assistance and advice on the biological aspects of the Biological Assets in order for us to have a better understanding of the nature of the subject asset. We have 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 Biological Assets in the preparation of this valuation report.

### SOURCE OF INFORMATION

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents and information received includes but were not limited to,

- Background information;
- Legal documents related to the Company;
- The Company’s inventory records;
- The Company’s sales records;
- Operating and market information of the Company;
- The historical financial information of the Company;

We have also conducted interviews and held discussions with the management of the Company. We have relied to a considerable extent on information provided in arriving at our opinion of value. We believe that the information provided by the Company is reasonable and reliable. We have also conducted research using various sources including the Internet and other publications, which include 中国养猪网 (<https://www.zhuwang.cc/>), 猪易网 (<https://www.zhue.com.cn/>), 养猪人必看 (<http://www.zhujia120.com/>), “猪情通报”数据平台, and etc.

## ASSUMPTIONS AND PARAMETERS

Assumptions and parameters considered to have significant effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions and parameters in determining the fair value of the Biological Assets have been applied.

### *Classification*

In this exercise, the Biological Assets have been classified into seven categories as below, based on the age, weight and purpose.

Biological Assets	Description
Piglets 哺乳仔猪	young pigs between birth and weaning (0-21 days of age)
Nursery Pigs 保育仔猪	young pigs of around 22-73 days old that have been weaned off sow and consuming feed
Finishers 育肥猪	pigs that age around 74 to 183 days
Gilts 后备母猪	female pig(s) that are kept for breeding and not yet farrowed

Biological Assets	Description
Studs 后备公猪	male pigs(s) that are kept for breeding and not yet mature
Sows 种母猪	female pig(s) which have been mated naturally or inseminated artificially
Boars 种公猪	male pig(s) for mating purpose

### *Quantity*

This valuation have relied on the figures and information provided by the Company for the Biological Assets as at the Valuation Date(s) and we did not conduct stocktaking to check the accuracy.

Valuation Dates	Piglets 哺乳仔猪	Nursery Pigs 保育仔猪	Finishers 育肥猪
<b><i>Quantity of the Biological Assets Belonging to the Subsidiaries (head)</i></b>			
31 December 2020	269,279	130,549	1,126,065

Valuation Dates	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<b><i>Quantity of the Biological Assets Belonging to the Subsidiaries (head)</i></b>				
31 December 2020	198,250	1,040	211,289	3,166

### *Market Prices*

The market price is based on the transacted prices of Nursery Pigs, Finishers, Gilts and Studs observed at or near the Valuation Date in the respective market. The Company operates the 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 feed cost), transportation cost and consumption habits. Therefore, these factors might result in different market prices of pigs that the Company produced and sold in different locations on the same date.

Market prices for Market Hogs, different species of Gilts and Studs, and different species new breeding pigs (mature biological physical condition) in different provinces have been provided by the Expert Consultant and the details are set out in Appendix I and Appendix II.

*In valuing the fair value of Nursery Pigs and Finishers, the following key assumptions and parameters 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(s) until complete and sold has been taken into consideration. In this exercise, the mortality rate from weaning to the stage of finisher was with reference to the historical actual mortality rate, which was calculated as the number of pigs dead divided by the number of pigs weaned off.

Valuation Dates	Mortality Rate
31 December 2020	8.23%





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#### *Average Age for sale*

With reference to the historical sales records and to the best estimation of the management, Nursery Pigs and Finishers are assumed to be sold as the Market Hogs when they reach the certain age, which were shown as below.

Valuation Dates	Age for sale (days)
31 December 2020	192

#### *Body Weight*

The average body weight of the Market Hogs when they are sold was determined based on the Company's operating and farming experience and was shown as below.

Valuation Dates	Body weight for sale (kg)
31 December 2020	127.41

#### *Cost to Complete*

The costs required to feed Nursery Pigs and Finishers since the Valuation Date until they were sold were incorporated and were estimated based on the historical average costs provided by the Company. The costs include feeding cost, medication and vaccination, labour, production overheads, etc.

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*In valuing the fair value of Sows and Boars, the following key assumptions and parameters 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 pigs (mature biological physical condition).

***Service Lives***

To the best estimation of the management, Boars normally used for mating for 2.5 years at most and would be culled and sold at residual value. The value of Boars is depreciated on straight-line basis over the 2.5-year service lives based on the price of price of new breeding pigs (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 RMB800 per head in this exercise.

***Other Assumptions***

In this valuation exercise, we assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. We 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 the business of the Company.



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## VALUATION COMMENTS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

### *Commentary on the Impact of Novel Coronavirus COVID-19 on Valuation*

We are instructed to provide our opinion of value as per the valuation date(s) only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date(s) and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the

world. This disruption has increased the risk towards the achievability of the financial projections/ assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date(s) in this Report.

## RISK FACTORS

### - *Fluctuation of Prices*

While the Biological Assets are not subjected to any government pricing control, production quota or restrictions, there is no assurance that the market prices will not experience significant fluctuations which will materially affect the values of the Biological Assets.

### - *Subject to Changes in Political, Economic and Regulatory Environment in China*

The Company is subject to various laws and regulations governing the operations of the pig farms in China. Future political and economic changes in these regions might have either favorable or unfavorable impacts on the valuation of the Biological Assets.

### - *Natural Disasters and Diseases*

The operation of the pig farms are, by nature, subjected to a high degree of exposure to risks of diseases, natural disasters and adverse weather conditions such as droughts, earthquakes, windstorms, pests and epidemics. A major outbreak of any illness or disease in pigs in the PRC could lead to a serious loss of consumer confidence in, and

demand for, related products. A major outbreak of African Swine Fever or other serious disease in the regions could lead to significant shortfalls in the supply of market hogs.

### ➤ *Illegal Product Tampering and Quality Control*

In common with other consumer product manufacturers, the Company may be subject to product liability claims if products are found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to contamination of ingredients, whether accidental or not, and illegal tampering. The occurrence of such problems may result in product recalls and serious damage to the Company's reputation and brand, as well as product liability claims in excess of current insurance coverage and a loss of revenues.

## OPINION OF VALUES

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date(s) is reasonably stated as follow:

Valuation Dates	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Finishers 育肥豬
<b><i>Fair Value of the Biological Assets Belonging to the Subsidiaries (RMB)</i></b>			
31 December 2020	104,574,229	119,850,365	2,708,073,958

Valuation Dates	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<b><i>Fair Value of the Biological Assets Belonging to the Subsidiaries (RMB)</i></b>				
31 December 2020	1,175,289,100	7,470,800	1,231,029,233	22,632,581

## LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director

---

## EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

- 
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
  10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
  11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
  12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
  13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
  14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or

potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the

circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.





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## EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION

- The following valuers certify, to the best of their knowledge and belief, that:
- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**

Executive Director

**Hunter Z.W. He**

Senior Director

**Jessie J.Q. Zhou**

Senior Manager

**Carol X.T. Huang**

Assistant Manager



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## APPENDIX I – MARKET PRICES FOR BREEDING PIGS

Unit: RMB per head (except specially mentioned)

### Market Prices for Breeding Pigs as of 31 December 2020

Province 省份	Categories 种类	Species 品种			
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace×Yorkshire 二元
四川	Gilts 后备母猪	7,400	7,400	6,900	5,400
	Sows 种母猪	8,200	8,200	7,700	6,200
	Studs 后备公猪	8,400	8,400	8,900	
	Boars 种公猪	9,200	9,200	9,700	
重庆	Gilts 后备母猪	7,900	7,900	7,400	5,400
	Sows 种母猪	8,700	8,700	8,200	6,200
	Studs 后备公猪	8,900	8,900	9,900	
	Boars 种公猪	9,700	9,700	10,700	
贵州	Gilts 后备母猪	6,900	6,900	6,400	5,900
	Sows 种母猪	7,700	7,700	7,200	6,700
	Studs 后备公猪	7,900	7,900	8,900	
	Boars 种公猪	8,700	8,700	9,700	
云南	Gilts 后备母猪	6,900	6,900	6,400	5,900
	Sows 种母猪	7,700	7,700	7,200	6,700
	Studs 后备公猪	7,900	7,900	8,900	
	Boars 种公猪	8,700	8,700	9,700	
内蒙古	Gilts 后备母猪	7,400	7,400	6,900	5,000
	Sows 种母猪	8,200	8,200	7,700	5,800
	Studs 后备公猪	8,900	8,900	9,900	
	Boars 种公猪	9,700	9,700	10,700	
江苏	Gilts 后备母猪	7,900	7,900	7,400	5,900
	Sows 种母猪	8,700	8,700	8,200	6,700
	Studs 后备公猪	9,900	9,900	11,900	
	Boars 种公猪	10,700	10,700	12,700	



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Province 省份	Categories 种类	Species 品种			
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace×Yorkshire 二元
河南	Gilts 后备母猪	6,900	6,900	6,400	5,700
	Sows 种母猪	7,700	7,700	7,200	6,500
	Studs 后备公猪	9,900	9,900	11,900	
	Boars 种公猪	10,700	10,700	12,700	
安徽	Gilts 后备母猪	7,900	7,900	7,400	5,900
	Sows 种母猪	8,700	8,700	8,200	6,700
	Studs 后备公猪	9,900	9,900	11,900	
	Boars 种公猪	10,700	10,700	12,700	
江西	Gilts 后备母猪	7,400	7,400	6,900	4,600
	Sows 种母猪	8,200	8,200	7,700	5,400
	Studs 后备公猪	9,400	9,400	9,900	
	Boars 种公猪	10,200	10,200	10,700	
吉林	Gilts 后备母猪	7,400	7,400	6,900	5,900
	Sows 种母猪	8,200	8,200	7,700	6,700
	Studs 后备公猪	8,400	8,400	9,900	
	Boars 种公猪	9,200	9,200	10,700	
广西	Gilts 后备母猪	6,900	6,900	6,400	5,900
	Sows 种母猪	7,700	7,700	7,200	6,700
	Studs 后备公猪	7,900	7,900	8,900	
	Boars 种公猪	8,700	8,700	9,700	



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## APPENDIX II – MARKET PRICES FOR MARKET HOGS

Unit: RMB/kg (except specially mentioned)

### *Market Prices for Market Hogs as of 31 December 2020*

Province 省份	Market Hogs 商品肉猪	Province 省份	Market Hogs 商品肉猪
四川	36.67	江苏	34.81
重庆	36.56	内蒙古	34.02
贵州	36.00	吉林	33.99
云南	35.20	河南	34.35
广西	35.83	安徽	34.85
江西	35.66		



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# Valuation Report Considering Fair Value of the Biological Assets Belonging to Dekon Food and Agriculture Group and its Subsidiaries

Client : Dekon Food and Agriculture Group

Report Date : 27 June 2021

Valuation Date(s) : 31 December 2020

Reference Number : CON100468154 BV-2



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公司牌照號碼: C-030171

27 June 2021

The Board of Directors

**Dekon Food and Agriculture Group**

Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Center

32 Lingang Road, Shuangliu District

Chengdu, PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of fertile eggs, commodity chicks, broilers, and immature/ mature breeders (the “Biological Assets” or the “Poultry”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 December 2020 (the “Valuation Date(s)”). The report which follows is dated 27 June 2021 (the “Report Date”).

This valuation will be used for accounting reference purpose only.

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.



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We have conducted our valuation in accordance with International Financial Reporting Standards 13 (“IFRS 13”) & International Accounting Standards 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. We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Our opinion on the fair value of the Biological Assets was developed through the adoption of cost approach and market approach given the existence of an active market for the Biological Assets and the stage of the Biological Assets in rearing cycle. Under market approach, the values depend on two major parameters, unit price and quantity. The availability of quoted prices and measurable quantity of the Biological Assets form the basis of our choice for this approach.

In conducting our valuation of the Biological Assets, we have conducted interviews and discussions with the management and conducted research using various public sources and publications.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Biological Assets.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date(s) is reasonably stated as follow:





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Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<i>Fair Value of the Biological Assets (RMB)</i>					
31 December 2020	8,023,854	224,184	226,597,362	29,311,974	47,873,150

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the limiting conditions contained therein.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Simon M.K. Chan**

Executive Director



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## INTRODUCTION

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of fertile eggs, commodity chicks, broilers, and immature/ mature breeders (the “Biological Assets” or the “Poultry”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 December 2020 (the “Valuation Date(s)"). The report which follows is dated 27 June 2021 (the “Report Date”).

## PURPOSE OF VALUATION

This valuation will be used for accounting reference purpose only.

## BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

## BASIS OF OPINION

We understand that the objective of this valuation exercise is to assist the Company’s auditor in recognizing the value of the Company’s Biological Assets in accordance with the International Accounting Standard 41 (“IAS 41”), issued by International Accounting Standards Board. IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activities refer to the management of the biological transformation of biological assets, defined as living animals or plants, into agricultural produce, defined as harvested produce.

IAS 41 presumes that fair value can be reliably measured for most biological assets. The following guidance is provided on the measurement of fair value.

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets can be used; IAS 41 B27
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used; IAS 41 B27
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; IAS 41.24 and
- the fair value of a biological asset is based on current quoted market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date. IAS 41.16

IFRS 13 also provides guidance on the measurement of the fair value as follows.

- takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability; IFRS 13.11
- assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability; IFRS 13.24
- uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs; IFRS 13.61 & IFRS 13.67; and
- IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. IFRS 13.72

With reference to IFRS 13 and IAS 41, we have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed have included the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we considered essential to the proper understanding of the valuation would be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Analytical review of the subject asset.

We had planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidences to express our opinion on the subject asset.



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## BACKGROUND

Dekon Food and Agriculture Group, (四川德康农牧食品集团股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was registered in Shuangliu District, Chengdu City, Sichuan Province and was previously known as 四川德康农牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019. The Company and its subsidiaries (the “Subsidiaries”) are now principally engaged in three segments, i.e., pig, poultry, and ancillary products. The Subsidiaries that are mainly engaged in the production and sale of poultry as at the Valuation Date(s) are listed as follows.

No.	Name	Date of establishment	Relationship
1	四川德康农牧食品集团股份有限公司	11-Apr-14	Company
2	重庆市璧山区德康家禽养殖有限公司	27-Apr-07	Subsidiary
3	重庆市长寿区德康家禽养殖有限公司	3-Jun-08	Subsidiary
4	重庆市梁平区柚乡德康家禽养殖有限公司	18-May-10	Subsidiary

No.	Name	Date of establishment	Relationship
5	岳池德康家禽养殖有限公司	13-Jan-09	Subsidiary
6	德阳德康家禽养殖有限公司	24-Sep-09	Subsidiary
7	长宁县德康竹海养殖有限公司	24-Nov-10	Subsidiary
8	玉林德康家禽养殖有限公司	21-May-18	Subsidiary
9	贵州贵安新区德康家禽养殖有限公司	20-May-11	Subsidiary
10	息烽德康家禽养殖有限公司	16-Dec-08	Subsidiary
11	紫云德康家禽养殖有限公司	10-Nov-16	Subsidiary
12	广东智威农业科技股份有限公司	10-Jul-03	Subsidiary
13	广东智成食品有限公司	23-Aug-07	Subsidiary
14	清远市清新区华威农业科技有限公司	20-Jun-05	Subsidiary
15	开平金鸡王禽业有限公司	11-Nov-02	Subsidiary
16	广东智威农业科技股份有限公司英德分公司	18-Oct-17	Subsidiary
17	郁南德康家禽养殖有限公司	22-Feb-19	Subsidiary
18	广东智威优质鸡畜牧有限公司	11-Aug-20	Subsidiary
19	昆明德康家禽养殖有限公司	30-Sep-09	Subsidiary
20	石林德康家禽养殖有限公司	28-Jan-11	Subsidiary
21	成都天添农牧有限公司	4-Jan-12	Subsidiary
22	贵阳德康食品有限公司	7-Feb-18	Subsidiary
23	成都德康好鲜生供应链管理有限公司	7-Dec-20	Subsidiary

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## VALUATION METHODOLOGY

### *Discussion on Biological Assets vs. Non-Biological Fixed Assets*

Through controlled processes, both biological and non-biological fixed assets can produce tangible results and contribute to the value of an existing economic operation. However, biological assets are different from fixed assets in nature and form.

Biological assets are living animals or plants while fixed assets are usually associated with non-living tangible forms like real estate and plant and machinery. Biological assets require management of its biological transformation in order to grow, mature and produce harvestable products. Their physical aspects change constantly through time while that of fixed assets are relatively stable. Although changes also occur to fixed assets due to physical wear and tear, economic obsolescence, and/or renewal and expansion, these changes can often be objectively traced by means of a simple audit of related costs and capital expenses spent on the fixed assets. However, in the case of biological assets, apart from purchases or sales of the assets, the only major cause of the changes in biological assets is the natural growth cycle that can be varied and difficult to trace. The actual growth of the

biological assets may be affected by factors such as weather, natural effect of growth, livability, disease, management of the assets, environmental conditions, etc.

As such, valuation of biological assets warrants a thorough understanding of the attributes mentioned above in order to arrive at a credible and acceptable result.

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*Discussion on Methodologies*

In arriving at our assessed values, we have considered three generally accepted approaches, namely the market approach, the cost approach and the 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.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*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.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*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.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.



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### *Selection of Valuation Approach and Methodology*

#### Fertile Eggs, and Commodity Chicks

The fair value of the Fertile Eggs, and Commodity Chicks were derived through the market approach, by multiplying the market prices for different species/categories by their corresponding quantities, less the expected expenses (if any) to complete.

#### Broilers

The market approach was adopted for valuing Broilers. Broilers were assumed to be sold live or slaughtered when they reach certain age (for production of chicken products). The fair value of Broilers were derived by assuming the market prices of the broilers for sale as the estimated price receivable upon completion, multiplying the unit price by the corresponding quantities, less the expected costs to complete.

#### Immature Breeders and Mature Breeders

The replacement cost approach under cost approach was adopted for valuing Immature/ Mature Breeders. As there were no actively trading markets for Immature/ Mature Breeders at specific ages during the production cycles, the market prices for the Parent Stock DOCs (“种鸡苗”, the day-old chicks that are bred for the purpose of laying fertile eggs) and the Culled Breeders (“淘汰鸡”) were obtained. The feeding costs for rearing the broiler breeders were also taken into consideration to assess the fair value of Immature Breeders. The value of Mature Breeders was adjusted based on the egg production (number of eggs laying) for breeding hens and service lives (number of years mating) for breeding cocks.

### *Appointment of Expert*

We have appointed an expert consultant, Professor Tan Zhankun, (the “Expert Consultant”), from Tibet Agriculture and Animal Husbandry University, to join our team and assist in the exercise. Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the Biological Assets. The primary role of the Expert Consultant is to provide assistance and advice on the biological aspects of the Biological Assets in order for us to have a better understanding of the nature of the subject asset. We have 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 Biological Assets in the preparation of this valuation report.

### **SOURCE OF INFORMATION**

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents and information received includes but were not limited to,

- Background information;
- Legal documents related to the Company;
- The Company’s inventory records;
- The Company’s sales records;
- Operating and market information of the Company;
- The historical financial information of the Company;

We have also conducted interviews and held discussions with the managements of the Company. We have relied to a considerable extent on information provided in arriving at our opinion of value. We believe that the information provided by the Company is reasonable and reliable.

## ASSUMPTIONS AND PARAMETERS

Assumptions and parameters considered to have significant effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions and parameters in determining the fair value of the Biological Assets have been applied.

### Classification

In this exercise, the Biological Assets have been classified into certain categories as below, based on the age, weight and purpose.

Biological Assets	Description
Fertile Eggs 种蛋	the fertilised eggs laid by breeders, which are incubated for approximately 21 days and hatched into chicken breeds
Commodity Chicks 商品鸡苗	The day-old chicks hatched from fertile eggs, which will then be delivered to broiler farms for breeding into broilers
Broilers 商品鸡	the chicken bred for the production of chicken meat products
Immature Breeders 后备鸡	the chickens of less than 24 weeks old which are grown from Parent Stock DOCs for the purpose of laying fertile eggs

Biological Assets	Description
Mature Breeders 成熟种鸡	the mature chickens of 24 weeks old which are grown from Parent Stock DOCs and used for laying fertile eggs

The Group feeds the Broilers in six provinces and sells Broilers by three categories (Category I, Category II, and Category III) based on their ages and species.

### Quantity

This valuation has relied on the figures and information provided by the Company for the Biological Assets as at the Valuation Date(s), and we did not conduct stocktaking to check the accuracy.

Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗
<b>Quantity of the Biological Assets (head)</b>		
31 December 2020	10,029,818	53,072

Valuation Dates	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<b>Quantity of the Biological Assets (head)</b>			
31 December 2020	16,435,672	844,106	827,316

### *Market Prices*

The market price is based on the transacted prices of Fertile Eggs, Commodity Chicks, Broilers, Parent Stock DOCs and Culled Breeders observed at or near the Valuation Date in the respective market and company sales recordings. The Company operates the business across different provinces/ areas, and each province/ area has its own specific supply and demand dynamics because of differences in factors such as rearing cost (in particular feed cost), transportation cost and consumption habits. Therefore, these factors might result in different market prices of boilers that the Company produced and sold in different locations on the same date.

Market prices for Fertile Eggs, Commodity Chicks, Broilers, Parent Stock DOCs and Culled Breeders in different provinces/ areas have been analysed based on the information provided by the management and the details are set out in Appendix I.

*In valuing the fair value of Commodity Chicks, the following key assumptions and parameters were considered.*

### *Cost to Complete*

The sale of the Commodity Chicks normally requires shipments to the customers. Therefore, the cost to complete has been estimated based on the historical transportation expenses in valuing the value of Commodity Chicks.

Valuation Dates	Cost to Complete (RMB/head)
31 December 2020	0.15

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*In valuing the fair value of Broilers, the following key assumptions and parameters were considered.*

***Mortality Rate***

As there is the probability that Broilers might be dead due to diseases, epidemics, accidents or natural forces during rearing cycle (from being hatched to being sold), the mortality since the Valuation Date(s) until complete and sold has been taken into consideration. In this exercise, the mortality rate for three categories of Broilers in six provinces from birth to sale was with reference to the historical actual mortality rate, which was calculated as the number of broilers dead divided by the number of broilers born. The details are set out in Appendix II.

***Average Age for Sale***

With reference to the historical sales records and to the best estimation of the management, Broilers are assumed to be sold when they reach the certain age, which are set out in Appendix II.

***Body Weight***

The average body weight of the Broilers when they are sold was determined based on the Company's operating and rearing experience and the details are set out in Appendix II.

***Cost to Complete***

The costs required to feed Broilers since the Valuation Date(s) until they were sold were incorporated and were estimated based on the historical average costs provided by the Company. The costs include feeding cost, medication and vaccination, labour, production overheads, etc.



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*In valuing the fair value of Immature/ Mature Breeders, the following key assumptions and parameters were considered.*

***Service Lives***

To the best estimation of the management, Mature Breeders normally used for mating until they are culled and sold as Culled Breeders at residual value. The value of male Mature Breeders is depreciated on straight-line basis over the service lives, while the value of female Mature Breeders is depreciated on units-of-production basis over the service lives.

***Other Assumptions***

In this valuation exercise, we assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. We 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 the business of the Company.

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## VALUATION COMMENTS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

### *Commentary on the Impact of Novel Coronavirus COVID-19 on Valuation*

We are instructed to provide our opinion of value as per the valuation date(s) only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date(s) and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the

world. This disruption has increased the risk towards the achievability of the financial projections/ assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date(s) in this Report.

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## RISK FACTORS

### - *Fluctuation of Prices*

While the Biological Assets are not subjected to any government pricing control, production quota or restrictions, there is no assurance that the market prices will not experience significant fluctuations which will materially affect the values of the Biological Assets.

### - *Subject to Changes in Political, Economic and Regulatory Environment in China*

The Company is subject to various laws and regulations governing the operations of the chicken farms in China. Future political and economic changes in these regions might have either favorable or unfavorable impacts on the valuation of the Biological Assets.

### - *Natural Disasters and Outbreaks of Diseases*

The operation of the chicken farms are, by nature, subjected to a high degree of exposure to risks of diseases, natural disasters and adverse weather conditions such as droughts, earthquakes, windstorms, pests and epidemics. A major outbreak of any illness or disease in chickens in the PRC could lead to a serious loss of consumer confidence in, and

demand for, related products. A major outbreak of Avian Influenza (“AI”) or other serious disease in the regions could lead to significant shortfalls in the supply of broilers.

### ➤ *Illegal Product Tampering and Quality Control*

In common with other consumer product manufacturers, the Company may be subject to product liability claims if products are found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to contamination of ingredients, whether accidental or not, and illegal tampering. The occurrence of such problems may result in product recalls and serious damage to the Company’s reputation and brand, as well as product liability claims in excess of current insurance coverage and a loss of revenues.



## OPINION OF VALUES

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the fair value of the Biological Assets as at the Valuation Dates is reasonably stated as follow:

Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗
<i>Fair Value of the Biological Assets (RMB)</i>		
31 December 2020	8,023,854	224,184

Valuation Dates	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<i>Fair Value of the Biological Assets (RMB)</i>			
31 December 2020	226,597,362	29,311,974	47,873,150

## LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director

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## EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

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9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or

potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the

circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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**EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION**

- The following valuers certify, to the best of their knowledge and belief, that:
  - Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
  - The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
  - The reported analyses, opinions, and conclusions are independent and objective.
  - The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**

Executive Director

**Hunter Z.W. He**

Senior Director

**Jessie J.Q. Zhou**

Senior Manager

**Carol X.T. Huang**

Assistant Manager



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## APPENDIX I – MARKET PRICES

### *Market Prices for Fertile Eggs*

Unit: RMB per egg (except specially mentioned)

Valuation Dates	Market Prices for Fertile Eggs
31 December 2020	0.80

### *Market Prices for Broilers as of 31 December 2020*

Unit: RMB per kg (except specially mentioned)

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	15.35	N/A	12.90	12.32	12.48	N/A
重庆	N/A	N/A	12.68	11.46	11.86	10.87
贵州	15.97	N/A	13.43	N/A	N/A	N/A
云南	19.00	13.98	N/A	N/A	N/A	N/A
广西	N/A	15.11	N/A	14.07	N/A	N/A
广东	N/A	18.60	N/A	N/A	N/A	N/A

### *Market Prices for Parent Stock DOCs*

Unit: RMB per head (except specially mentioned)

Valuation Dates	Southwest Region 西南地区		South China 华南地区	
	Male 公	Female 母	Male 公	Female 母
31 December 2020	17.59	16.72	15.84	13.68

### *Market Prices for Culled Breeders*

Unit: RMB per head (except specially mentioned)

Valuation Dates	Southwest Region 西南地区		South China 华南地区	
	Male 公	Female 母	Male 公	Female 母
31 December 2020	11.74	14.07	8.98	14.84



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## APPENDIX II – ASSUMPTIONS FOR BROILERS VALUATION

### *Mortality Rate*

Province 省份	Category I	Category II	Category III
四川	10.71%	5.55%	5.98%
重庆	10.71%	6.09%	5.40%
贵州	13.90%	8.40%	7.30%
云南	6.83%	14.70%	10.00%
广西	8.00%	4.40%	6.00%
广东	5.00%	4.40%	6.00%

### *Age for Sale*

Unit: Day

Province 省份	Category I	Category II	Category III
四川	120	84	70
重庆	120	88	74
贵州	113	91	77
云南	117	95	81
广西	112	105	70
广东	130	105	70

### *Body Weight*

Unit: Kg

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	4.03	3.22	2.92	2.34	2.39	1.91
重庆	4.03	3.22	3.03	2.40	2.56	1.93
贵州	3.50	2.75	3.05	2.37	3.05	2.60
云南	2.20	1.78	3.42	2.82	3.30	2.70
广西	1.75	1.75	N/A	1.61	1.80	1.80
广东	N/A	1.65	N/A	1.61	1.80	1.80



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# Valuation Report Considering Fair Value of the Biological Assets Belonging to Dekon Food and Agriculture Group and its Subsidiaries

Client : Dekon Food and Agriculture Group

Report Date : 14 January 2023

Valuation Date(s) : 30 September 2021, 31 December 2021  
30 September 2022

Reference Number : CON100468154 BV-3



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14 January 2023

The Board of Directors

**Dekon Food and Agriculture Group**

Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Center

32 Lingang Road, Shuangliu District

Chengdu, PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of piglets, nursery pigs, growers, gilts, studs, sows, and boars (the “Biological Assets” or the “Pigs”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2021, 31 December 2021 and 30 September 2022 (the “Valuation Date(s)"). The report which follows is dated 14 January 2023 (the “Report Date”).

This valuation will be used for accounting reference purpose only.

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7/F, One Taikoo Place, 979 King's Road, Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Company Licence No.: C-030171

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公司牌照号码: C-030171



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We have conducted our valuation in accordance with International Financial Reporting Standards 13 (“IFRS 13”) & International Accounting Standards 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. We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Our opinion on the fair value of the Biological Assets was developed through the adoption of cost approach and market approach given the existence of an active market for the Biological Assets and the stage of the Biological Assets in rearing cycle. Under market approach, the values depend on two major parameters, unit price and quantity. The availability of quoted prices and measurable quantity of the Biological Assets form the basis of our choice for this approach.

In conducting our valuation of the Biological Assets, we have conducted interviews and discussions with the management and conducted research using various public sources and publications.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Biological Assets.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date(s) is reasonably stated as follow:



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Valuation Dates	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬	Gilts 后备母猪	Studs 后备公豬	Sows 种母猪	Boars 种公豬
<i>Fair Value of the Biological Assets (RMB)</i>							
30 September 2021	189,778,879	49,897,263	1,340,964,928	70,821,450	2,481,200	900,798,842	19,877,851
31 December 2021	167,343,677	67,392,023	2,494,771,869	98,326,970	3,719,600	797,018,340	18,989,042
30 September 2022	171,362,810	110,262,370	4,163,011,769	154,083,150	4,781,200	730,837,958	20,221,658

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the limiting conditions contained therein.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Simon M.K. Chan**

Executive Director

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## INTRODUCTION

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of piglets, nursery pigs, growers, gilts, studs, sows, and boars (the “Biological Assets” or the “Pigs”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2021, 31 December 2021 and 30 September 2022 (the “Valuation Date(s)”). The report which follows is dated 14 January 2023 (the “Report Date”).

## PURPOSE OF VALUATION

This valuation will be used for accounting reference purpose only.

## BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

## BASIS OF OPINION

We understand that the objective of this valuation exercise is to assist the Company’s auditor in recognizing the value of the Company’s Biological Assets in accordance with the International Accounting Standard 41 (“IAS 41”), issued by International Accounting Standards Board. IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activities refer to the management of the biological transformation of biological assets, defined as living animals or plants, into agricultural produce, defined as harvested produce.

IAS 41 presumes that fair value can be reliably measured for most biological assets. The following guidance is provided on the measurement of fair value.

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets can be used; IAS 41 B27
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used; IAS 41 B27
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; IAS 41.24 and
- the fair value of a biological asset is based on current quoted market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date. IAS 41.16

IFRS 13 also provides guidance on the measurement of the fair value as follows.

- takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability; IFRS 13.11
- assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability; IFRS 13.24
- uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs; IFRS 13.61 & IFRS 13.67; and
- IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. IFRS 13.72

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With reference to IFRS 13 and IAS 41, we have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed have included the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we considered essential to the proper understanding of the valuation would be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Analytical review of the subject asset.

We had planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidences to express our opinion on the subject asset.





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## BACKGROUND

Dekon Food and Agriculture Group, (四川德康农牧食品集团股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was registered in Shuangliu District, Chengdu City, Sichuan Province and was previously known as 四川德康农牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019. The Company and its subsidiaries (the “Subsidiaries”) are now principally engaged in three segments, i.e., pig, poultry, and ancillary products. The Subsidiaries that are mainly engaged in the production and sale of pigs as at the Valuation Date(s) are listed as follows.

No.	Name	Date of establishment	Relationship
1	四川德康农牧食品集团股份有限公司	11-Apr-14	Company
2	松原德康农牧有限公司	25-Sep-14	Subsidiary
3	包头德康农牧有限公司	10-Sep-15	Subsidiary
4	金寨德康农牧有限公司	1-Nov-16	Subsidiary

No.	Name	Date of establishment	Relationship
5	科尔沁右翼前旗德康农牧有限公司	13-Dec-16	Subsidiary
6	岳池银城德康畜牧有限公司	21-Jan-08	Subsidiary
7	南充德康农牧技术有限公司	19-May-06	Subsidiary
8	蓬安德康种猪繁育有限公司	5-Mar-08	Subsidiary
9	自贡德康畜牧有限公司	15-Apr-11	Subsidiary
10	江安德康生猪养殖有限公司	27-Apr-12	Subsidiary
11	渠县德康生猪养殖有限公司	17-May-12	Subsidiary
12	绵竹德康生猪养殖有限公司	13-Jun-12	Subsidiary
13	广安德康生猪养殖有限公司	18-Jan-13	Subsidiary
14	岳池德康生猪养殖有限公司	22-May-13	Subsidiary
15	富顺德康生猪养殖有限公司	20-May-15	Subsidiary
16	蒲江德康生猪养殖有限公司	11-Aug-16	Subsidiary
17	宜宾市德康生猪养殖有限公司	20-Dec-16	Subsidiary
18	内江德康农牧有限公司	21-Feb-17	Subsidiary
19	罗江德康农牧有限公司	28-Jul-17	Subsidiary
20	宜宾市南溪区德康农牧有限公司	5-Sep-17	Subsidiary
21	高县德康农牧有限公司	4-Mar-16	Subsidiary
22	乐至县德康农牧有限公司	24-Jan-19	Subsidiary
23	资中德康食品有限公司	17-Jun-19	Subsidiary
24	弋阳县德康种猪繁育有限公司	17-Jul-15	Subsidiary
25	正安德康生猪养殖有限公司	8-Nov-16	Subsidiary



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No.	Name	Date of establishment	Relationship
26	紫云德康生猪养殖有限公司	14-Nov-16	Subsidiary
27	册亨德康农牧有限公司	19-Sep-16	Subsidiary
28	贵阳德康农牧有限公司	21-Jun-11	Subsidiary
29	安顺德康农牧有限公司	9-May-11	Subsidiary
30	松桃德康农牧有限公司	1-Mar-12	Subsidiary
31	习水德康农牧有限公司	4-Jul-12	Subsidiary
32	惠水德康农牧有限公司	28-Sep-16	Subsidiary
33	重庆市合川区德康生猪养殖有限公司	28-Oct-15	Subsidiary
34	镇宁德康农牧有限公司	23-Dec-16	Subsidiary
35	台江德康农牧有限公司	31-May-17	Subsidiary
36	忠县德康农牧有限公司	26-Jul-17	Subsidiary
37	重庆市巴南区德康尚品生猪养殖有限公司	14-Jul-20	Subsidiary
38	贵港德康生猪养殖有限公司	21-Sep-16	Subsidiary
39	那坡德康农牧有限公司	7-Aug-17	Subsidiary
40	平南县德康农牧有限公司	7-Aug-18	Subsidiary
41	宣威德康生猪养殖有限公司	18-Oct-12	Subsidiary
42	峨山德康农牧有限公司	15-Aug-16	Subsidiary
43	新平德康农牧有限公司	1-Mar-17	Subsidiary
44	威远德康农业有限公司	9-Oct-19	Subsidiary
45	荣县德康食品有限公司	11-Oct-19	Subsidiary
46	达州市德康农牧食品有限公司	29-Oct-19	Subsidiary

No.	Name	Date of establishment	Relationship
47	自贡德康农牧科技有限公司	31-Oct-19	Subsidiary
48	泸州德康农牧科技有限公司	25-Nov-19	Subsidiary
49	宜宾市翠屏区德康农牧科技有限公司	23-Apr-20	Subsidiary
50	重庆万州德康农牧科技有限公司	3-Dec-18	Subsidiary
51	务川德康农牧有限公司	26-Apr-18	Subsidiary
52	遵义德康畜牧有限公司	11-Nov-19	Subsidiary
53	习水润康畜牧养殖有限公司	12-Nov-19	Subsidiary
54	仁寿德康农牧有限公司	4-Dec-18	Subsidiary
55	眉山德康农牧有限公司	1-Feb-19	Subsidiary
56	丹棱县德康农牧有限公司	6-Mar-19	Subsidiary
57	青神德康农牧有限公司	26-Mar-19	Subsidiary
58	泗洪德康农牧科技有限公司	18-Apr-18	Subsidiary
59	常熟德康农牧有限公司	23-Apr-20	Subsidiary
60	漯河德康农牧有限公司	27-Nov-19	Subsidiary
61	泗阳德康农牧有限公司	21-May-20	Subsidiary
62	宿迁德康农牧有限公司	8-Jun-20	Subsidiary
63	太仓德康农牧有限公司	24-Jun-20	Subsidiary

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## VALUATION METHODOLOGY

### *Discussion on Biological Assets vs. Non-Biological Fixed Assets*

Through controlled processes, both biological and non-biological fixed assets can produce tangible results and contribute to the value of an existing economic operation. However, biological assets are different from fixed assets in nature and form.

Biological assets are living animals or plants while fixed assets are usually associated with non-living tangible forms like real estate and plant and machinery. Biological assets require management of its biological transformation in order to grow, mature and produce harvestable products. Their physical aspects change constantly through time while that of fixed assets are relatively stable. Although changes also occur to fixed assets due to physical wear and tear, economic obsolescence, and/or renewal and expansion, these changes can often be objectively traced by means of a simple audit of related costs and capital expenses spent on the fixed assets. However, in the case of biological assets, apart from purchases or sales of the assets, the only major cause of the changes in biological assets is the natural growth cycle that can be varied and difficult to trace. The actual growth of the

biological assets may be affected by factors such as weather, natural effect of growth, livability, disease, management of the assets, environmental conditions, etc.

As such, valuation of biological assets warrants a thorough understanding of the attributes mentioned above in order to arrive at a credible and acceptable result.

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### *Discussion on Methodologies*

In arriving at our assessed values, we have considered three generally accepted approaches, namely the market approach, the cost approach and the 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.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*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.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*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.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

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### *Selection of Valuation Approach and Methodology*

#### Piglets

The cost approach was adopted for valuing piglets. As they are only around three-week old and there is insignificant biological transformation that takes place since the initial cost incurrence, the recent costs incurred approximates the replacement costs, including depreciation due to use of breeding pigs 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 or slaughtered when they reach the stage of grower or at once as the Market Hogs (商品肉猪, pigs primarily for production of pork products). The fair value of Nursery Pigs and Growers were derived by obtaining the market prices of the Market Hogs, multiplying the unit price by the corresponding quantities, less the expected costs to complete.

The fair value of the Gilts and Studs were derived by multiplying the market prices of the Gilts and Studs for different species by their corresponding quantities.

#### 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 pigs at specific ages, the market prices for new breeding pigs (mature biological physical condition) were 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*

We have appointed an expert consultant, Professor Tan Zhankun, (the “Expert Consultant”), from Tibet Agriculture and Animal Husbandry University, to join our team and assist in the exercise. Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the Biological Assets. The primary role of the Expert Consultant is to provide assistance and advice on the biological aspects of the Biological Assets in order for us to have a better understanding of the nature of the subject asset. We have 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 Biological Assets in the preparation of this valuation report.

**SOURCE OF INFORMATION**

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents and information received includes but were not limited to,

- Background information;
- Legal documents related to the Company;
- The Company’s inventory records;
- The Company’s sales records;
- Operating and market information of the Company;
- The historical financial information of the Company;

We have also conducted interviews and held discussions with the management of the Company. We have relied to a considerable extent on information provided in arriving at our opinion of value. We believe that the information provided by the Company is reasonable and reliable. We have also conducted research using various sources including the Internet and other publications, which include 中国养猪网 (<https://www.zhuwang.cc/>), 猪易网 (<https://www.zhue.com.cn/>), 养猪人必看 (<http://www.zhujia120.com/>), “猪情通报”数据平台, and etc.

## ASSUMPTIONS AND PARAMETERS

Assumptions and parameters considered to have significant effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions and parameters in determining the fair value of the Biological Assets have been applied.

### *Classification*

In this exercise, the Biological Assets have been classified into seven categories as below, based on the age, weight and purpose.

Biological Assets	Description
Piglets 哺乳仔豬	young pigs between birth and weaning (0-21 days of age)
Nursery Pigs 保育仔豬	young pigs of around 22-73 days old that have been weaned off sow and consuming feed
Growers 育肥豬	pigs that age around 74 to 183 days
Gilts 后备母猪	female pig(s) that are kept for breeding and not yet farrowed

Biological Assets	Description
Studs 后备公猪	male pigs(s) that are kept for breeding and not yet mature
Sows 种母猪	female pig(s) which have been mated naturally or inseminated artificially
Boars 种公猪	male pig(s) for mating purpose

**Quantity**

This valuation have relied on the figures and information provided by the Company for the Biological Assets as at the Valuation Date(s).

Near the Valuation Dates of 30 September 2022, we, together with the Company’s auditors, sponsors, and lawyers, conducted stocktaking on the Biological Assets. We first collected the operating statistics from the Company including pig farms allocations and the number, type and size of the Biological Assets in each of the pig farm. Based on the information, a statistically significant number of pig farms were selected and a physical count was conducted to verify the quantity of the Biological Assets.

We have supervised the stocktaking of all the selected pig farms and verified the type and size of the Biological Assets provided by the Company. There was no significant difference between our stocktaking results and the Company’s inventory records.

For the rest of the Valuation Dates, we did not conduct stocktaking to check the accuracy.

Valuation Dates	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬
<b>Quantity of the Biological Assets (head)</b>			
30 September 2021	510,933	279,980	1,953,108
31 December 2021	440,253	220,688	2,283,389
30 September 2022	488,375	161,168	2,612,579

Valuation Dates	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<b>Quantity of the Biological Assets (head)</b>				
30 September 2021	28,806	757	303,296	3,749
31 December 2021	42,852	886	266,645	3,548
30 September 2022	71,517	848	292,135	3,980



**Market Prices**

The market price is based on the transacted prices of Nursery Pigs, Growers, Gilts and Studs observed at or near the Valuation Date in the respective market. The Company operates the 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 feed cost), transportation cost and consumption habits. Therefore, these factors might result in different market prices of pigs that the Company produced and sold in different locations on the same date.

Market prices for Market Hogs, different species of Gilts and Studs, and different species new breeding pigs (mature biological physical condition) in different provinces have been provided by the Expert Consultant and the details are set out in Appendix I and Appendix II.

In valuing the fair value of Nursery Pigs and Growers, the following key assumptions and parameters 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(s) until complete and sold has been taken into consideration. In this exercise, the mortality rate from weaning to the stage of grower was with reference to the historical actual mortality rate, which was calculated as the number of pigs dead divided by the number of pigs weaned off.

Valuation Dates	Mortality Rate
30 September 2021	10.71%
31 December 2021	11.33%
30 September 2022	8.32%

*Average Age for sale*

With reference to the historical sales records and to the best estimation of the management, Nursery Pigs and Growers are assumed to be sold as the Market Hogs when they reach the certain age, which were shown as below.

Valuation Dates	Age for sale (days)
30 September 2021	185
31 December 2021	184
30 September 2022	195

*Body Weight*

The average body weight of the Market Hogs when they are sold was determined based on the Company's operating and farming experience and was shown as below.

Valuation Dates	Body weight for sale (kg)
30 September 2021	123.91
31 December 2021	123.48
30 September 2022	123.44

*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 provided by the Company. The costs include feeding cost, medication and vaccination, labour, production overheads, etc.



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*In valuing the fair value of Sows and Boars, the following key assumptions and parameters 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 pigs (mature biological physical condition).

***Service Lives***

To the best estimation of the management, Boars normally used for mating for 2.5 years at most and would be culled and sold at residual value. The value of Boars is depreciated on straight-line basis over the 2.5-year service lives based on the price of price of new breeding pigs (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 RMB800 per head in this exercise.

***Other Assumptions***

In this valuation exercise, we assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. We 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 the business of the Company.

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## VALUATION COMMENTS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

### *Commentary on the Impact of Novel Coronavirus COVID-19 on Valuation*

We are instructed to provide our opinion of value as per the valuation date(s) only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date(s) and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the

world. This disruption has increased the risk towards the achievability of the financial projections/ assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date(s) in this Report.

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## RISK FACTORS

### - *Fluctuation of Prices*

While the Biological Assets are not subjected to any government pricing control, production quota or restrictions, there is no assurance that the market prices will not experience significant fluctuations which will materially affect the values of the Biological Assets.

### - *Subject to Changes in Political, Economic and Regulatory Environment in China*

The Company is subject to various laws and regulations governing the operations of the pig farms in China. Future political and economic changes in these regions might have either favorable or unfavorable impacts on the valuation of the Biological Assets.

### - *Natural Disasters and Diseases*

The operation of the pig farms are, by nature, subjected to a high degree of exposure to risks of diseases, natural disasters and adverse weather conditions such as droughts, earthquakes, windstorms, pests and epidemics. A major outbreak of any illness or disease in pigs in the PRC could lead to a serious loss of consumer confidence in, and

demand for, related products. A major outbreak of African Swine Fever or other serious disease in the regions could lead to significant shortfalls in the supply of market hogs.

### - *Illegal Product Tampering and Quality Control*

In common with other consumer product manufacturers, the Company may be subject to product liability claims if products are found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to contamination of ingredients, whether accidental or not, and illegal tampering. The occurrence of such problems may result in product recalls and serious damage to the Company's reputation and brand, as well as product liability claims in excess of current insurance coverage and a loss of revenues.

## OPINION OF VALUES

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the fair value of the Biological Assets as at the Valuation Dates is reasonably stated as follow:

Valuation Dates	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬
<b>Fair Value of the Biological Assets (RMB)</b>			
30 September 2021	189,778,879	49,897,263	1,340,964,928
31 December 2021	167,343,677	67,392,023	2,494,771,869
30 September 2022	171,362,810	110,262,370	4,163,011,769

Valuation Dates	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<b>Fair Value of the Biological Assets (RMB)</b>				
30 September 2021	70,821,450	2,481,200	900,798,842	19,877,851
31 December 2021	98,326,970	3,719,600	797,018,340	18,989,042
30 September 2022	154,083,150	4,781,200	730,837,958	20,221,658

## LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director



仲量聯行

## EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

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9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or



potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the

circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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**EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION**

- The following valuers certify, to the best of their knowledge and belief, that:
- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**  
Executive Director

**Hunter Z.W. He**  
Senior Director

**Jessie J.Q. Zhou**  
Director

**Carol X.T. Huang**  
Assistant Manager

**APPENDIX I – MARKET PRICES FOR BREEDING PIGS**

Unit: RMB per head (except specially mentioned)

**Market Prices for Breeding Pigs as of 30 September 2021**

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace× Yorkshire 二元	Neijiang 内江黑猪
四川	Gilts 后备母猪	3,150	3,300	2,700	1,800	1,800
	Sows 种母猪	4,600	4,750	4,150	3,250	3,250
	Studs 后备公猪	5,600	5,600	6,000		
	Boars 种公猪	7,390	7,390	7,790		
重庆	Gilts 后备母猪	3,150	3,300	2,700	1,800	1,800
	Sows 种母猪	4,600	4,750	4,150	3,250	3,250
	Studs 后备公猪	5,600	5,600	6,000		
	Boars 种公猪	7,390	7,390	7,790		
贵州	Gilts 后备母猪	3,150	3,300	2,700	1,800	
	Sows 种母猪	4,600	4,750	4,150	3,250	
	Studs 后备公猪	5,600	5,600	6,000		
	Boars 种公猪	7,390	7,390	7,790		
云南	Gilts 后备母猪	3,150	3,300	2,700	1,800	
	Sows 种母猪	4,600	4,750	4,150	3,250	
	Studs 后备公猪	5,600	5,600	6,000		
	Boars 种公猪	7,390	7,390	7,790		
内蒙古	Gilts 后备母猪	3,150	3,000	3,000	2,100	
	Sows 种母猪	4,600	4,450	4,450	3,550	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
江苏	Gilts 后备母猪	3,000	3,000	2,850	1,800	
	Sows 种母猪	4,450	4,450	4,300	3,250	
	Studs 后备公猪	6,000	6,000	6,000		

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace× Yorkshire 二元	Neijiang 内江黑猪
	Boars 种公猪	7,790	7,790	7,790		
河南	Gilts 后备母猪	3,000	3,000	3,000	2,100	
	Sows 种母猪	4,450	4,450	4,450	3,550	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
安徽	Gilts 后备母猪	3,000	3,000	3,000	1,800	
	Sows 种母猪	4,450	4,450	4,450	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
江西	Gilts 后备母猪	3,000	3,000	2,850	1,800	
	Sows 种母猪	4,450	4,450	4,300	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
吉林	Gilts 后备母猪	3,150	3,000	3,000	2,100	
	Sows 种母猪	4,600	4,450	4,450	3,550	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
广西	Gilts 后备母猪	3,000	3,000	2,850	1,800	
	Sows 种母猪	4,450	4,450	4,300	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
广东	Gilts 后备母猪	3,000	3,000	2,850	1,800	
	Sows 种母猪	4,450	4,450	4,300	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		

**Market Prices for Breeding Pigs as of 31 December 2021**

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace ×Yorkshire 二元	Neijiang 内江黑猪
四川	Gilts 后备母猪	2,580	2,580	3,060	1,820	1,820
	Sows 种母猪	4,030	4,030	4,510	3,270	3,270
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
重庆	Gilts 后备母猪	2,580	2,580	3,060	1,820	1,820
	Sows 种母猪	4,030	4,030	4,510	3,270	3,270
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
贵州	Gilts 后备母猪	2,580	2,580	3,060	1,820	
	Sows 种母猪	4,030	4,030	4,510	3,270	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
云南	Gilts 后备母猪	2,580	2,580	3,060	1,820	
	Sows 种母猪	4,030	4,030	4,510	3,270	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
内蒙古	Gilts 后备母猪	2,550	2,550	2,550	1,320	
	Sows 种母猪	4,000	4,000	4,000	2,770	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
江苏	Gilts 后备母猪	2,550	2,550	3,740	1,860	
	Sows 种母猪	4,000	4,000	5,190	3,310	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace ×Yorkshire 二元	Neijiang 内江黑猪
河南	Gilts 后备母猪	2,550	2,550	2,550	1,800	
	Sows 种母猪	4,000	4,000	4,000	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
安徽	Gilts 后备母猪	2,180	2,180	2,550	1,800	
	Sows 种母猪	3,630	3,630	4,000	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
江西	Gilts 后备母猪	2,550	2,550	3,060	1,800	
	Sows 种母猪	4,000	4,000	4,510	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
吉林	Gilts 后备母猪	2,550	2,550	2,550	2,160	
	Sows 种母猪	4,000	4,000	4,000	3,610	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
广西	Gilts 后备母猪	4,140	4,140	4,140	1,800	
	Sows 种母猪	5,590	5,590	5,590	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
广东	Gilts 后备母猪	2,550	2,550	3,060	1,800	
	Sows 种母猪	4,000	4,000	4,510	3,250	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		

**Market Prices for Breeding Pigs as of 30 September 2022**

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace ×Yorkshire 二元	Neijiang 内江黑猪
四川	Gilts 后备母猪	3,400	3,600	3,600	1,250	1,250
	Sows 种母猪	4,850	5,050	5,050	2,700	2,700
	Studs 后备公猪	5,600	5,800	6,000		
	Boars 种公猪	7,390	7,590	7,790		
重庆	Gilts 后备母猪	3,400	3,600	3,600	1,200	1,200
	Sows 种母猪	4,850	5,050	5,050	2,650	2,650
	Studs 后备公猪	5,600	5,800	6,000		
	Boars 种公猪	7,390	7,590	7,790		
贵州	Gilts 后备母猪	3,400	3,600	3,600	1,200	
	Sows 种母猪	4,850	5,050	5,050	2,650	
	Studs 后备公猪	5,600	5,800	6,000		
	Boars 种公猪	7,390	7,590	7,790		
云南	Gilts 后备母猪	3,400	3,600	3,600	1,300	
	Sows 种母猪	4,850	5,050	5,050	2,750	
	Studs 后备公猪	5,600	5,800	6,000		
	Boars 种公猪	7,390	7,590	7,790		
内蒙古	Gilts 后备母猪	2,300	2,300	2,300	1,985	
	Sows 种母猪	3,750	3,750	3,750	3,435	
	Studs 后备公猪	6,500	6,500	6,500		
	Boars 种公猪	8,290	8,290	8,290		
江苏	Gilts 后备母猪	2,300	2,300	2,300	2,000	
	Sows 种母猪	3,750	3,750	3,750	3,450	
	Studs 后备公猪	7,500	7,500	6,000		
	Boars 种公猪	9,290	9,290	7,790		

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace ×Yorkshire 二元	Neijiang 内江黑猪
河南	Gilts 后备母猪	2,300	2,300	2,300	1,960	
	Sows 种母猪	3,750	3,750	3,750	3,410	
	Studs 后备公猪	7,500	7,500	6,000		
	Boars 种公猪	9,290	9,290	7,790		
安徽	Gilts 后备母猪	2,300	2,300	2,300	1,850	
	Sows 种母猪	3,750	3,750	3,750	3,300	
	Studs 后备公猪	7,500	7,500	6,000		
	Boars 种公猪	9,290	9,290	7,790		
江西	Gilts 后备母猪	3,600	3,400	3,600	1,650	
	Sows 种母猪	5,050	4,850	5,050	3,100	
	Studs 后备公猪	7,000	7,000	8,000		
	Boars 种公猪	8,790	8,790	9,790		
吉林	Gilts 后备母猪	3,600	3,800	3,500	2,000	
	Sows 种母猪	5,050	5,250	4,950	3,450	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
广西	Gilts 后备母猪	3,400	3,600	3,600	1,500	
	Sows 种母猪	4,850	5,050	5,050	2,950	
	Studs 后备公猪	5,600	5,800	6,000		
	Boars 种公猪	7,390	7,590	7,790		
广东	Gilts 后备母猪	3,600	3,400	3,600	1,650	
	Sows 种母猪	5,050	4,850	5,050	3,100	
	Studs 后备公猪	7,000	7,000	8,000		
	Boars 种公猪	8,790	8,790	9,790		



## APPENDIX II – MARKET PRICES FOR MARKET HOGS

Unit: RMB/kg (except specially mentioned)

### *Market Prices for Market Hogs as of 30 September 2021*

Province 省份	Market Hogs 商品肉猪	Province 省份	Market Hogs 商品肉猪
四川	13.05	江苏	12.92
重庆	12.82	内蒙古	11.98
贵州	12.36	吉林	12.10
云南	11.65	河南	12.53
广西	13.57	安徽	12.66
江西	12.87		

### *Market Prices for Market Hogs as of 31 December 2021*

Province 省份	Market Hogs 商品肉猪	Province 省份	Market Hogs 商品肉猪
四川	17.36	江西	16.94
重庆	17.07	江苏	17.32
贵州	16.82	内蒙古	15.75
云南	15.90	吉林	15.75
广西	17.61	河南	16.58
广东	17.93	安徽	16.84

### *Market Prices for Market Hogs as of 30 September 2022*

Province 省份	Market Hogs 商品肉猪	Province 省份	Market Hogs 商品肉猪
四川	24.50	江西	24.14
重庆	24.13	江苏	23.88
贵州	24.04	内蒙古	22.92
云南	23.13	吉林	23.33
广西	24.12	河南	23.59
广东	24.84	安徽	23.71

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# Valuation Report Considering Fair Value of the Biological Assets Belonging to Dekon Food and Agriculture Group and its Subsidiaries

Client : Dekon Food and Agriculture Group

Report Date : 14 January 2023

Valuation Date(s) : 30 September 2021, 31 December 2021  
30 September 2022

Reference Number : CON100468154 BV-4



Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
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14 January 2023

The Board of Directors

**Dekon Food and Agriculture Group**

Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Center

32 Lingang Road, Shuangliu District

Chengdu, PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of fertile eggs, commodity chicks, broilers, and immature/ mature breeders (the "Biological Assets" or the "Poultry") belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, "Dekon" or the "Company") and its subsidiaries (collectively, the "Group") as at 30 September 2021, 31 December 2021 and 30 September 2022 (the "Valuation Date(s)"). The report which follows is dated 14 January 2023 (the "Report Date").

This valuation will be used for accounting reference purpose only.

Our valuation was carried out on a fair value basis. Fair value is defined as "*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*".



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We have conducted our valuation in accordance with International Financial Reporting Standards 13 (“IFRS 13”) & International Accounting Standards 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. We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Our opinion on the fair value of the Biological Assets was developed through the adoption of cost approach and market approach given the existence of an active market for the Biological Assets and the stage of the Biological Assets in rearing cycle. Under market approach, the values depend on two major parameters, unit price and quantity. The availability of quoted prices and measurable quantity of the Biological Assets form the basis of our choice for this approach.

In conducting our valuation of the Biological Assets, we have conducted interviews and discussions with the management and conducted research using various public sources and publications.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Biological Assets.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date(s) is reasonably stated as follow:

Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<i>Fair Value of the Biological Assets (RMB)</i>					
30 September 2021	14,882,331	24,112	357,628,625	18,917,807	66,158,321
31 December 2021	13,585,716	-	344,585,973	20,604,018	57,757,920
30 September 2022	14,217,007	10,231	464,699,335	20,819,021	63,952,627

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the limiting conditions contained therein.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director



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## INTRODUCTION

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of fertile eggs, commodity chicks, broilers, and immature/ mature breeders (the “Biological Assets” or the “Poultry”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2021, 31 December 2021 and 30 September 2022 (the “Valuation Date(s)"). The report which follows is dated 14 January 2023 (the “Report Date”).

## PURPOSE OF VALUATION

This valuation will be used for accounting reference purpose only.

## BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date”.

## BASIS OF OPINION

We understand that the objective of this valuation exercise is to assist the Company’s auditor in recognizing the value of the Company’s Biological Assets in accordance with the International Accounting Standard 41 (“IAS 41”), issued by International Accounting Standards Board. IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activities refer to the management of the biological transformation of biological assets, defined as living animals or plants, into agricultural produce, defined as harvested produce.



IAS 41 presumes that fair value can be reliably measured for most biological assets. The following guidance is provided on the measurement of fair value.

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets can be used; IAS 41 B27
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used; IAS 41 B27
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; IAS 41.24 and
- the fair value of a biological asset is based on current quoted market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date. IAS 41.16

IFRS 13 also provides guidance on the measurement of the fair value as follows.

- takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability; IFRS 13.11
- assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability; IFRS 13.24
- uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs; IFRS 13.61 & IFRS 13.67; and
- IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. IFRS 13.72

With reference to IFRS 13 and IAS 41, we have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed have included the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we considered essential to the proper understanding of the valuation would be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Analytical review of the subject asset.

We had planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidences to express our opinion on the subject asset.

## BACKGROUND

Dekon Food and Agriculture Group, (四川德康农牧食品集团股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was registered in Shuangliu District, Chengdu City, Sichuan Province and was previously known as 四川德康农牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019. The Company and its subsidiaries (the “Subsidiaries”) are now principally engaged in three segments, i.e., pig, poultry, and ancillary products. The Subsidiaries that are mainly engaged in the production and sale of poultry as at the Valuation Date(s) are listed as follows.

No.	Name	Date of establishment	Relationship
1	四川德康农牧食品集团股份有限公司	11-Apr-14	Company
2	重庆市璧山区德康家禽养殖有限公司	27-Apr-07	Subsidiary
3	重庆市长寿区德康家禽养殖有限公司	3-Jun-08	Subsidiary
4	重庆市梁平区柚乡德康家禽养殖有限公司	18-May-10	Subsidiary

No.	Name	Date of establishment	Relationship
5	岳池德康家禽养殖有限公司	13-Jan-09	Subsidiary
6	德阳德康家禽养殖有限公司	24-Sep-09	Subsidiary
7	长宁县德康竹海养殖有限公司	24-Nov-10	Subsidiary
8	玉林德康家禽养殖有限公司	21-May-18	Subsidiary
9	贵州贵安新区德康家禽养殖有限公司	20-May-11	Subsidiary
10	息烽德康家禽养殖有限公司	16-Dec-08	Subsidiary
11	紫云德康家禽养殖有限公司	10-Nov-16	Subsidiary
12	广东智威农业科技股份有限公司	10-Jul-03	Subsidiary
13	广东智成食品有限公司	23-Aug-07	Subsidiary
14	清远市清新区华威农业科技有限公司	20-Jun-05	Subsidiary
15	开平金鸡王禽业有限公司	11-Nov-02	Subsidiary
16	广东智威农业科技股份有限公司英德分公司	18-Oct-17	Subsidiary
17	郁南德康家禽养殖有限公司	22-Feb-19	Subsidiary
18	广东智威优质鸡畜牧有限公司	11-Aug-20	Subsidiary
19	昆明德康家禽养殖有限公司	30-Sep-09	Subsidiary
20	石林德康家禽养殖有限公司	28-Jan-11	Subsidiary
21	成都天添农牧有限公司	4-Jan-12	Subsidiary
22	贵阳德康食品有限公司	7-Feb-18	Subsidiary
23	成都德康好鲜生供应链管理有限公司	7-Dec-20	Subsidiary

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## VALUATION METHODOLOGY

### *Discussion on Biological Assets vs. Non-Biological Fixed Assets*

Through controlled processes, both biological and non-biological fixed assets can produce tangible results and contribute to the value of an existing economic operation. However, biological assets are different from fixed assets in nature and form.

Biological assets are living animals or plants while fixed assets are usually associated with non-living tangible forms like real estate and plant and machinery. Biological assets require management of its biological transformation in order to grow, mature and produce harvestable products. Their physical aspects change constantly through time while that of fixed assets are relatively stable. Although changes also occur to fixed assets due to physical wear and tear, economic obsolescence, and/or renewal and expansion, these changes can often be objectively traced by means of a simple audit of related costs and capital expenses spent on the fixed assets. However, in the case of biological assets, apart from purchases or sales of the assets, the only major cause of the changes in biological assets is the natural growth cycle that can be varied and difficult to trace. The actual growth of the

biological assets may be affected by factors such as weather, natural effect of growth, livability, disease, management of the assets, environmental conditions, etc.

As such, valuation of biological assets warrants a thorough understanding of the attributes mentioned above in order to arrive at a credible and acceptable result.

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*Discussion on Methodologies*

In arriving at our assessed values, we have considered three generally accepted approaches, namely the market approach, the cost approach and the 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.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*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.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*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.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

### *Selection of Valuation Approach and Methodology*

#### *Fertile Eggs and Commodity Chicks*

The fair value of the Fertile Eggs and Commodity Chicks were derived through the market approach, by multiplying the market prices for different species/categories by their corresponding quantities, less the expected expenses (if any) to complete.

#### *Broilers*

The market approach was adopted for valuing Broilers. Broilers were assumed to be sold live or slaughtered when they reach certain age (for production of poultry products). The fair value of Broilers were derived by assuming the market prices of the broilers for sale as the estimated price receivable upon completion, multiplying the unit price by the corresponding quantities, less the expected costs to complete.

#### *Immature Breeders and Mature Breeders*

The replacement cost approach under cost approach was adopted for valuing Immature/ Mature Breeders. As there were no actively trading markets for Immature/ Mature Breeders at specific ages during the production cycles, the market prices for the Parent Stock DOCs (“种鸡苗”, the day-old chicks that are bred for the purpose of laying fertile eggs) and the Culled Breeders (“淘汰鸡”) were obtained. The feeding costs for rearing the broiler breeders were also taken into consideration to assess the fair value of Immature Breeders. The value of Mature Breeders was adjusted based on the egg production (number of eggs laying) for breeding hens and service lives (number of years mating) for breeding cocks.

### *Appointment of Expert*

We have appointed an expert consultant, Professor Tan Zhankun, (the “Expert Consultant”), from Tibet Agriculture and Animal Husbandry University, to join our team and assist in the exercise. Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the Biological Assets. The primary role of the Expert Consultant is to provide assistance and advice on the biological aspects of the Biological Assets in order for us to have a better understanding of the nature of the subject asset. We have 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 Biological Assets in the preparation of this valuation report.

### **SOURCE OF INFORMATION**

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents and information received includes but were not limited to,

- Background information;
- Legal documents related to the Company;
- The Company’s inventory records;
- The Company’s sales records;
- Operating and market information of the Company;
- The historical financial information of the Company;

We have also conducted interviews and held discussions with the managements of the Company. We have relied to a considerable extent on information provided in arriving at our opinion of value. We believe that the information provided by the Company is reasonable and reliable.

## ASSUMPTIONS AND PARAMETERS

Assumptions and parameters considered to have significant effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions and parameters in determining the fair value of the Biological Assets have been applied.

### *Classification*

In this exercise, the Biological Assets have been classified into certain categories as below, based on the age, weight and purpose.

Biological Assets	Description
Fertile Eggs 种蛋	the fertilised eggs laid by breeders, which are incubated for approximately 21 days and hatched into poultry breeds
Commodity Chicks 商品鸡苗	The day-old chicks hatched from fertile eggs, which will then be delivered to broiler farms for breeding into broilers
Broilers 商品鸡	the poultry bred for the production of poultry meat products

Biological Assets	Description
Immature Breeders 后备鸡	the poultry of less than 24 weeks old which are grown from Parent Stock DOCs for the purpose of laying fertile eggs
Mature Breeders 成熟种鸡	the mature poultry of 24 weeks old which are grown from Parent Stock DOCs and used for laying fertile eggs

The Group feeds the Broilers in six provinces and sells Broilers by three categories (Category I, Category II, and Category III) based on their ages and species.



### Quantity

This valuation has relied on the figures and information provided by the Company for the Biological Assets as at the Valuation Date(s).

Near the Valuation Date of 30 September 2022, we, together with the Company's auditors, sponsors, and lawyers, conducted stocktaking on the Biological Assets. We first collected the operating statistics from the Company including poultry farms allocations and the number, type and size of the Biological Assets in each of the poultry farm. Based on the information, a statistically significant number of poultry farms were selected and a physical count was conducted to verify the quantity of the Biological Assets.

We have supervised the stocktaking of all the selected farms and verified the type and size of the Biological Assets provided by the Company. There was no significant difference between our stocktaking results and the Company's inventory records.

For the rest of the Valuation Dates, we did not conduct stocktaking to check the accuracy.

Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗
<b>Quantity of the Biological Assets (head)</b>		
30 September 2021	12,517,337	19,380
31 December 2021	11,297,319	-
30 September 2022	11,882,648	8,568

Valuation Dates	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<b>Quantity of the Biological Assets (head)</b>			
30 September 2021	24,102,141	734,206	1,004,735
31 December 2021	20,728,458	786,370	924,418
30 September 2022	24,757,514	753,050	973,933

### *Market Prices*

The market price is based on the transacted prices of Fertile Eggs, Commodity Chicks, Broilers, Parent Stock DOCs and Culled Breeders observed at or near the Valuation Date in the respective market and company sales recordings. The Company operates the business across different provinces/ areas, and each province/ area has its own specific supply and demand dynamics because of differences in factors such as rearing cost (in particular feed cost), transportation cost and consumption habits. Therefore, these factors might result in different market prices of boilers that the Company produced and sold in different locations on the same date.

Market prices for Fertile Eggs, Commodity Chicks, Broilers, Parent Stock DOCs and Culled Breeders in different provinces/ areas have been analysed based on the information provided by the management and the details are set out in Appendix I.

*In valuing the fair value of Commodity Chicks, the following key assumptions and parameters were considered*

### *Cost to Complete*

The sale of the Commodity Chicks normally requires shipments to the customers. Therefore, the cost to complete has been estimated based on the historical transportation expenses in valuing the value of Commodity Chicks.

Valuation Dates	Cost to Complete (RMB/head)
30 September 2021	0.10
31 December 2021	0.10
30 September 2022	0.13

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*In valuing the fair value of Broilers, the following key assumptions and parameters were considered.*

***Mortality Rate***

As there is the probability that Broilers might be dead due to diseases, epidemics, accidents or natural forces during rearing cycle (from being hatched to being sold), the mortality since the Valuation Date(s) until complete and sold has been taken into consideration. In this exercise, the mortality rate for three categories of Broilers in six provinces from birth to sale was with reference to the historical actual mortality rate, which was calculated as the number of broilers dead divided by the number of broilers born. The details are set out in Appendix II.

***Average Age for Sale***

With reference to the historical sales records and to the best estimation of the management, Broilers are assumed to be sold when they reach the certain age, which are set out in Appendix II.

***Body Weight***

The average body weight of the Broilers when they are sold was determined based on the Company's operating and rearing experience and the details are set out in Appendix II.

***Cost to Complete***

The costs required to feed Broilers since the Valuation Date(s) until they were sold were incorporated and were estimated based on the historical average costs provided by the Company. The costs include feeding cost, medication and vaccination, labour, production overheads, etc.

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*In valuing the fair value of Immature/ Mature Breeders, the following key assumptions and parameters were considered.*

***Service Lives***

To the best estimation of the management, Mature Breeders normally used for mating until they are culled and sold as Culled Breeders at residual value. The value of male Mature Breeders is depreciated on straight-line basis over the service lives, while the value of female Mature Breeders is depreciated on units-of-production basis over the service lives.

***Other Assumptions***

In this valuation exercise, we assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. We 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 the business of the Company.

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## VALUATION COMMENTS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

### *Commentary on the Impact of Novel Coronavirus COVID-19 on Valuation*

We are instructed to provide our opinion of value as per the valuation date(s) only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date(s) and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the

world. This disruption has increased the risk towards the achievability of the financial projections/ assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date(s) in this Report.

## RISK FACTORS

### - *Fluctuation of Prices*

While the Biological Assets are not subjected to any government pricing control, production quota or restrictions, there is no assurance that the market prices will not experience significant fluctuations which will materially affect the values of the Biological Assets.

### - *Subject to Changes in Political, Economic and Regulatory Environment in China*

The Company is subject to various laws and regulations governing the operations of the poultry farms in China. Future political and economic changes in these regions might have either favorable or unfavorable impacts on the valuation of the Biological Assets.

### - *Natural Disasters and Outbreaks of Diseases*

The operation of the poultry farms are, by nature, subjected to a high degree of exposure to risks of diseases, natural disasters and adverse weather conditions such as droughts, earthquakes, windstorms, pests and epidemics. A major outbreak of any illness or disease in poultry in the PRC could lead to a serious loss of consumer confidence in, and

demand for, related products. A major outbreak of Avian Influenza (“AI”) or other serious disease in the regions could lead to significant shortfalls in the supply of broilers.

### - *Illegal Product Tampering and Quality Control*

In common with other consumer product manufacturers, the Company may be subject to product liability claims if products are found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to contamination of ingredients, whether accidental or not, and illegal tampering. The occurrence of such problems may result in product recalls and serious damage to the Company’s reputation and brand, as well as product liability claims in excess of current insurance coverage and a loss of revenues.

## OPINION OF VALUES

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the fair value of the Biological Assets as at the Valuation Dates is reasonably stated as follow:

Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗
<b><i>Fair Value of the Biological Assets (RMB)</i></b>		
30 September 2021	14,882,331	24,112
31 December 2021	13,585,716	-
30 September 2022	14,217,007	10,231

Valuation Dates	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<b><i>Fair Value of the Biological Assets (RMB)</i></b>			
30 September 2021	357,628,625	18,917,807	66,158,321
31 December 2021	344,585,973	20,604,018	57,757,920
30 September 2022	464,699,335	20,819,021	63,952,627

## LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director

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## EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.



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9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or

potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the

circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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**EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION**

- The following valuers certify, to the best of their knowledge and belief, that:
  - Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
  - The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
  - The reported analyses, opinions, and conclusions are independent and objective.
  - The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**  
Executive Director

**Hunter Z.W. He**  
Senior Director

**Jessie J.Q. Zhou**  
Director

**Carol X.T. Huang**  
Assistant Manager

## APPENDIX I – MARKET PRICES

### *Market Prices for Fertile Eggs*

Unit: RMB per egg (except specially mentioned)

Valuation Dates	Market Prices for Fertile Eggs
30 September 2021	1.19
31 December 2021	1.20
30 September 2022	1.20

### *Market Prices for Parent Stock DOCs*

Unit: RMB per head (except specially mentioned)

Valuation Dates	Southwest Region 西南地区		South China 华南地区	
	Male 公	Female 母	Male 公	Female 母
30 September 2021	5.44	6.30	3.36	3.18
31 December 2021	4.65	9.13	3.27	3.14
30 September 2022	4.20	4.80	1.58	3.16

### *Market Prices for Culled Breeders*

Unit: RMB per head (except specially mentioned)

Valuation Dates	Southwest Region 西南地区		South China 华南地区	
	Male 公	Female 母	Male 公	Female 母
30 September 2021	11.76	13.60	6.75	16.86
31 December 2021	11.68	15.24	6.91	18.45
30 September 2022	17.66	17.10	14.41	21.66

**Market Prices for Broilers as of 30 September 2021**

Unit: RMB per kg (except specially mentioned)

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	14.02	N/A	12.31	13.26	11.85	N/A
重庆	18.89	N/A	12.02	12.15	12.31	12.23
贵州	15.21	N/A	12.69	N/A	N/A	N/A
云南	20.49	N/A	12.60	13.55	11.83	11.88
广西	N/A	15.68	N/A	13.35	N/A	N/A
广东	N/A	18.56	N/A	14.94	10.19	11.30

**Market Prices for Broilers as of 31 December 2021**

Unit: RMB per kg (except specially mentioned)

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	15.94	15.23	14.06	13.62	12.99	N/A
重庆	20.20	17.58	13.59	13.09	13.31	12.83
贵州	17.03	N/A	14.77	N/A	16.91	N/A
云南	21.73	20.23	14.65	14.85	14.22	14.09
广西	N/A	17.42	N/A	14.76	N/A	N/A
广东	N/A	20.43	N/A	17.16	N/A	12.39

**Market Prices for Broilers as of 30 September 2022**

Unit: RMB per kg (except specially mentioned)

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	18.68	N/A	17.67	16.60	14.87	N/A
重庆	20.32	18.69	17.59	16.52	N/A	15.45
贵州	20.24	N/A	18.16	N/A	20.09	N/A
云南	22.54	22.49	18.33	18.38	16.87	16.77
广西	24.12	20.68	20.50	17.58	N/A	21.54
广东	18.15	23.12	17.91	19.98	N/A	16.05

## APPENDIX II – ASSUMPTIONS FOR BROILERS VALUATION

### *Mortality Rate*

Province 省份	Category I	Category II	Category III
四川	12.90%	6.50%	5.80%
重庆	7.00%	6.00%	6.00%
贵州	9.50%	8.00%	7.50%
云南	12.00%	8.00%	7.00%
广西	8.00%	7.00%	6.00%
广东	4.50%	4.50%	5.50%

### *Age for Sale*

Unit: Day

Province 省份	Category I	Category II	Category III
四川	125	82	72
重庆	105	82	75
贵州	105	86	75
云南	135	90	81
广西	113	94	65
广东	130	105	75

### *Body Weight*

Unit: Kg

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	3.30	2.90	2.80	2.35	2.57	2.57
重庆	2.50	2.05	2.65	2.15	2.55	2.10
贵州	3.73	3.05	3.08	2.58	2.85	2.85
云南	2.90	2.90	3.20	3.20	3.13	2.58
广西	1.98	1.98	1.88	1.88	1.85	1.85
广东	1.68	1.68	1.63	1.63	1.38	1.38

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# Valuation Report Considering Fair Value of the Biological Assets Belonging to Dekon Food and Agriculture Group and its Subsidiaries

**Client** : Dekon Food and Agriculture Group

**Report Date** : 29 March 2023

**Valuation Date(s)** : 31 December 2022

**Reference Number** : CON100468154 BV-5





仲量聯行

29 March 2023

The Board of Directors

**Dekon Food and Agriculture Group**

Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Center

32 Lingang Road, Shuangliu District

Chengdu, PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of piglets, nursery pigs, growers, gilts, studs, sows, and boars (the “Biological Assets” or the “Pigs”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 December 2022 (the “Valuation Date”). The report which follows is dated 29 March 2023 (the “Report Date”).

This valuation will be used for accounting reference purpose only.

Our valuation was carried out on a fair value basis. Fair value is defined as *“the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date”*.

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公司牌照号码: C-030171



仲量聯行

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We have conducted our valuation in accordance with International Financial Reporting Standards 13 (“IFRS 13”) & International Accounting Standards 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. We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Our opinion on the fair value of the Biological Assets was developed through the adoption of cost approach and market approach given the existence of an active market for the Biological Assets and the stage of the Biological Assets in rearing cycle. Under market approach, the values depend on two major parameters, unit price and quantity. The availability of quoted prices and measurable quantity of the Biological Assets form the basis of our choice for this approach.

In conducting our valuation of the Biological Assets, we have conducted interviews and discussions with the management and conducted research using various public sources and publications.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Biological Assets.



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Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date is reasonably stated as follow:

Valuation Date	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬	Gilts 后备母猪	Studs 后备公豬	Sows 种母猪	Boars 种公豬
31 December 2022	166,569,368	102,659,966	3,637,544,394	147,112,250	6,343,800	773,206,267	19,698,495

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the limiting conditions contained therein.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Simon M.K. Chan**

Executive Director



仲量聯行

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## INTRODUCTION

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of piglets, nursery pigs, growers, gilts, studs, sows, and boars (the “Biological Assets” or the “Pigs”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 December 2022 (the “Valuation Date”). The report which follows is dated 29 March 2023 (the “Report Date”).

## PURPOSE OF VALUATION

This valuation will be used for accounting reference purpose only.

## BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

## BASIS OF OPINION

We understand that the objective of this valuation exercise is to assist the Company’s auditor in recognizing the value of the Company’s Biological Assets in accordance with the International Accounting Standard 41 (“IAS 41”), issued by International Accounting Standards Board. IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activities refer to the management of the biological transformation of biological assets, defined as living animals or plants, into agricultural produce, defined as harvested produce.

IAS 41 presumes that fair value can be reliably measured for most biological assets. The following guidance is provided on the measurement of fair value.

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets can be used; IAS 41 B27
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used; IAS 41 B27
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; IAS 41.24 and
- the fair value of a biological asset is based on current quoted market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date. IAS 41.16

IFRS 13 also provides guidance on the measurement of the fair value as follows.

- takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability; IFRS 13.11
- assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability; IFRS 13.24
- uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs; IFRS 13.61 & IFRS 13.67; and
- IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. IFRS 13.72

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With reference to IFRS 13 and IAS 41, we have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed have included the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we considered essential to the proper understanding of the valuation would be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Analytical review of the subject asset.

We had planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidences to express our opinion on the subject asset.



仲量聯行

## BACKGROUND

Dekon Food and Agriculture Group, (四川德康农牧食品集团股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was registered in Shuangliu District, Chengdu City, Sichuan Province and was previously known as 四川德康农牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019. The Company and its subsidiaries (the “Subsidiaries”) are now principally engaged in three segments, i.e., pig, poultry, and ancillary products. The Subsidiaries that are mainly engaged in the production and sale of pigs as at the Valuation Date are listed as follows.

No.	Name	Date of establishment	Relationship
1	四川德康农牧食品集团股份有限公司	11-Apr-14	Company
2	松原德康农牧有限公司	25-Sep-14	Subsidiary
3	包头德康农牧有限公司	10-Sep-15	Subsidiary
4	金寨德康农牧有限公司	1-Nov-16	Subsidiary

No.	Name	Date of establishment	Relationship
5	科尔沁右翼前旗德康农牧有限公司	13-Dec-16	Subsidiary
6	岳池银城德康畜牧有限公司	21-Jan-08	Subsidiary
7	南充德康农牧技术有限公司	19-May-06	Subsidiary
8	蓬安德康种猪繁育有限公司	5-Mar-08	Subsidiary
9	自贡德康畜牧有限公司	15-Apr-11	Subsidiary
10	江安德康生猪养殖有限公司	27-Apr-12	Subsidiary
11	渠县德康生猪养殖有限公司	17-May-12	Subsidiary
12	绵竹德康生猪养殖有限公司	13-Jun-12	Subsidiary
13	广安德康生猪养殖有限公司	18-Jan-13	Subsidiary
14	岳池德康生猪养殖有限公司	22-May-13	Subsidiary
15	富顺德康生猪养殖有限公司	20-May-15	Subsidiary
16	蒲江德康生猪养殖有限公司	11-Aug-16	Subsidiary
17	宜宾市德康生猪养殖有限公司	20-Dec-16	Subsidiary
18	内江德康农牧有限公司	21-Feb-17	Subsidiary
19	罗江德康农牧有限公司	28-Jul-17	Subsidiary
20	宜宾市南溪区德康农牧有限公司	5-Sep-17	Subsidiary
21	高县德康农牧有限公司	4-Mar-16	Subsidiary
22	乐至县德康农牧有限公司	24-Jan-19	Subsidiary
23	资中德康食品有限公司	17-Jun-19	Subsidiary
24	弋阳县德康种猪繁育有限公司	17-Jul-15	Subsidiary
25	正安德康生猪养殖有限公司	8-Nov-16	Subsidiary



No.	Name	Date of establishment	Relationship
26	紫云德康生猪养殖有限公司	14-Nov-16	Subsidiary
27	册亨德康农牧有限公司	19-Sep-16	Subsidiary
28	贵阳德康农牧有限公司	21-Jun-11	Subsidiary
29	安顺德康农牧有限公司	9-May-11	Subsidiary
30	松桃德康农牧有限公司	1-Mar-12	Subsidiary
31	习水德康农牧有限公司	4-Jul-12	Subsidiary
32	惠水德康农牧有限公司	28-Sep-16	Subsidiary
33	重庆市合川区德康生猪养殖有限公司	28-Oct-15	Subsidiary
34	镇宁德康农牧有限公司	23-Dec-16	Subsidiary
35	台江德康农牧有限公司	31-May-17	Subsidiary
36	忠县德康农牧有限公司	26-Jul-17	Subsidiary
37	重庆市巴南区德康尚品生猪养殖有限公司	14-Jul-20	Subsidiary
38	贵港德康生猪养殖有限公司	21-Sep-16	Subsidiary
39	那坡德康农牧有限公司	7-Aug-17	Subsidiary
40	平南县德康农牧有限公司	7-Aug-18	Subsidiary
41	宣威德康生猪养殖有限公司	18-Oct-12	Subsidiary
42	峨山德康农牧有限公司	15-Aug-16	Subsidiary
43	新平德康农牧有限公司	1-Mar-17	Subsidiary
44	威远德康农业有限公司	9-Oct-19	Subsidiary
45	荣县德康食品有限公司	11-Oct-19	Subsidiary
46	达州市德康农牧食品有限公司	29-Oct-19	Subsidiary

No.	Name	Date of establishment	Relationship
47	自贡德康农牧科技有限公司	31-Oct-19	Subsidiary
48	泸州德康农牧科技有限公司	25-Nov-19	Subsidiary
49	宜宾市翠屏区德康农牧科技有限公司	23-Apr-20	Subsidiary
50	重庆万州德康农牧科技有限公司	3-Dec-18	Subsidiary
51	务川德康农牧有限公司	26-Apr-18	Subsidiary
52	遵义德康畜牧有限公司	11-Nov-19	Subsidiary
53	习水润康畜牧养殖有限公司	12-Nov-19	Subsidiary
54	仁寿德康农牧有限公司	4-Dec-18	Subsidiary
55	眉山德康农牧有限公司	1-Feb-19	Subsidiary
56	丹棱县德康农牧有限公司	6-Mar-19	Subsidiary
57	青神德康农牧有限公司	26-Mar-19	Subsidiary
58	泗洪德康农牧科技有限公司	18-Apr-18	Subsidiary
59	常熟德康农牧有限公司	23-Apr-20	Subsidiary
60	溧河德康农牧有限公司	27-Nov-19	Subsidiary
61	泗阳德康农牧有限公司	21-May-20	Subsidiary
62	宿迁德康农牧有限公司	8-Jun-20	Subsidiary
63	太仓德康农牧有限公司	24-Jun-20	Subsidiary

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## VALUATION METHODOLOGY

### *Discussion on Biological Assets vs. Non-Biological Fixed Assets*

Through controlled processes, both biological and non-biological fixed assets can produce tangible results and contribute to the value of an existing economic operation. However, biological assets are different from fixed assets in nature and form.

Biological assets are living animals or plants while fixed assets are usually associated with non-living tangible forms like real estate and plant and machinery. Biological assets require management of its biological transformation in order to grow, mature and produce harvestable products. Their physical aspects change constantly through time while that of fixed assets are relatively stable. Although changes also occur to fixed assets due to physical wear and tear, economic obsolescence, and/or renewal and expansion, these changes can often be objectively traced by means of a simple audit of related costs and capital expenses spent on the fixed assets. However, in the case of biological assets, apart from purchases or sales of the assets, the only major cause of the changes in biological assets is the natural growth cycle that can be varied and difficult to trace. The actual growth of the

biological assets may be affected by factors such as weather, natural effect of growth, livability, disease, management of the assets, environmental conditions, etc.

As such, valuation of biological assets warrants a thorough understanding of the attributes mentioned above in order to arrive at a credible and acceptable result.

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### *Discussion on Methodologies*

In arriving at our assessed values, we have considered three generally accepted approaches, namely the market approach, the cost approach and the 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.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*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.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*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.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

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### *Selection of Valuation Approach and Methodology*

#### Piglets

The cost approach was adopted for valuing piglets. As they are only around three-week old and there is insignificant biological transformation that takes place since the initial cost incurrence, the recent costs incurred approximates the replacement costs, including depreciation due to use of breeding pigs 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 or slaughtered when they reach the stage of grower or at once as the Market Hogs (商品肉猪, pigs primarily for production of pork products). The fair value of Nursery Pigs and Growers were derived by obtaining the market prices of the Market Hogs, multiplying the unit price by the corresponding quantities, less the expected costs to complete.

The fair value of the Gilts and Studs were derived by multiplying the market prices of the Gilts and Studs for different species by their corresponding quantities.

#### 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 pigs at specific ages, the market prices for new breeding pigs (mature biological physical condition) were 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*

We have appointed an expert consultant, Professor Tan Zhankun, (the “Expert Consultant”), from Tibet Agriculture and Animal Husbandry University, to join our team and assist in the exercise. Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the Biological Assets. The primary role of the Expert Consultant is to provide assistance and advice on the biological aspects of the Biological Assets in order for us to have a better understanding of the nature of the subject asset. We have 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 Biological Assets in the preparation of this valuation report.

### SOURCE OF INFORMATION

This report was compiled after consideration of all relevant information obtained from the Company and other public sources.

Documents and information received includes but were not limited to,

- Background information;
- Legal documents related to the Company;
- The Company’s inventory records;
- The Company’s sales records;
- Operating and market information of the Company;
- The historical financial information of the Company;

We have also conducted interviews and held discussions with the management of the Company. We have relied to a considerable extent on information provided in arriving at our opinion of value. We believe that the information provided by the Company is reasonable and reliable. We have also conducted research using various sources including the Internet and other publications, which include 中国养猪网 (<https://www.zhuwang.cc/>), 猪易网 (<https://www.zhue.com.cn/>), 涌益资讯 (<https://data.yongyizixun888.com/>), “猪情通报”数据平台, and etc.

## ASSUMPTIONS AND PARAMETERS

Assumptions and parameters considered to have significant effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions and parameters in determining the fair value of the Biological Assets have been applied.

### *Classification*

In this exercise, the Biological Assets have been classified into seven categories as below, based on the age, weight and purpose.

Biological Assets	Description
Piglets 哺乳仔豬	young pigs between birth and weaning (0-21 days of age)
Nursery Pigs 保育仔豬	young pigs of around 22-73 days old that have been weaned off sow and consuming feed
Growers 育肥豬	pigs that age around 74 to 183 days
Gilts 后备母豬	female pig(s) that are kept for breeding and not yet farrowed

Biological Assets	Description
Studs 后备公豬	male pigs(s) that are kept for breeding and not yet mature
Sows 种母猪	female pig(s) which have been mated naturally or inseminated artificially
Boars 种公豬	male pig(s) for mating purpose

### Quantity

This valuation have relied on the figures and information provided by the Company for the Biological Assets as at the Valuation Date.

Near the Valuation Date of 31 December 2022, we, together with the Company's auditors, sponsors, and lawyers, conducted stocktaking on the Biological Assets. We first collected the operating statistics from the Company including pig farms allocations and the number, type and size of the Biological Assets in each of the pig farm. Based on the information, a statistically significant number of pig farms were selected and a physical count was conducted to verify the quantity of the Biological Assets.

We have supervised the stocktaking of all the selected pig farms and verified the type and size of the Biological Assets provided by the Company. There was no significant difference between our stocktaking results and the Company's inventory records.

Valuation Date	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬
<b>Quantity of the Biological Assets (head)</b>			
31 December 2022	484,102	181,600	2,750,451

Valuation Date	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<b>Quantity of the Biological Assets (head)</b>				
31 December 2022	74,460	1,089	303,491	4,031

***Market Prices***

The market price is based on the transacted prices of Nursery Pigs, Growers, Gilts and Studs observed at or near the Valuation Date in the respective market. The Company operates the 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 feed cost), transportation cost and consumption habits. Therefore, these factors might result in different market prices of pigs that the Company produced and sold in different locations on the same date.

Market prices for Market Hogs, different species of Gilts and Studs, and different species new breeding pigs (mature biological physical condition) in different provinces have been provided by the Expert Consultant and the details are set out in Appendix I and Appendix II.

*In valuing the fair value of Nursery Pigs and Growers, the following key assumptions and parameters 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(s) until complete and sold has been taken into consideration. In this exercise, the mortality rate from weaning to the stage of grower was with reference to the historical actual mortality rate, which was calculated as the number of pigs dead divided by the number of pigs weaned off.

Valuation Date	Mortality Rate
31 December 2022	8.29%



***Average Age for sale***

With reference to the historical sales records and to the best estimation of the management, Nursery Pigs and Growers are assumed to be sold as the Market Hogs when they reach the certain age, which were shown as below.

Valuation Date	Age for sale (days)
31 December 2022	197

***Body Weight***

The average body weight of the Market Hogs when they are sold was determined based on the Company's operating and farming experience and was shown as below.

Valuation Date	Body weight for sale (kg)
31 December 2022	126.40

***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 provided by the Company. The costs include feeding cost, medication and vaccination, labour, production overheads, etc.

*In valuing the fair value of Sows and Boars, the following key assumptions and parameters 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 pigs (mature biological physical condition).

### *Service Lives*

To the best estimation of the management, Boars normally used for mating for 2.5 years at most and would be culled and sold at residual value. The value of Boars is depreciated on straight-line basis over the 2.5-year service lives based on the price of new breeding pigs (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 RMB800 per head in this exercise.

### *Other Assumptions*

In this valuation exercise, we assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. We 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 the business of the Company.

### **VALUATION COMMENTS**

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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## RISK FACTORS

### - *Fluctuation of Prices*

While the Biological Assets are not subjected to any government pricing control, production quota or restrictions, there is no assurance that the market prices will not experience significant fluctuations which will materially affect the values of the Biological Assets.

### - *Subject to Changes in Political, Economic and Regulatory Environment in China*

The Company is subject to various laws and regulations governing the operations of the pig farms in China. Future political and economic changes in these regions might have either favorable or unfavorable impacts on the valuation of the Biological Assets.

### - *Natural Disasters and Diseases*

The operation of the pig farms are, by nature, subjected to a high degree of exposure to risks of diseases, natural disasters and adverse weather conditions such as droughts, earthquakes, windstorms, pests and epidemics. A major outbreak of any illness or disease in pigs in the PRC could lead to a serious loss of consumer confidence in, and

demand for, related products. A major outbreak of African Swine Fever or other serious disease in the regions could lead to significant shortfalls in the supply of market hogs.

### - *Illegal Product Tampering and Quality Control*

In common with other consumer product manufacturers, the Company may be subject to product liability claims if products are found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to contamination of ingredients, whether accidental or not, and illegal tampering. The occurrence of such problems may result in product recalls and serious damage to the Company's reputation and brand, as well as product liability claims in excess of current insurance coverage and a loss of revenues.

## OPINION OF VALUES

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date is reasonably stated as follow:

Valuation Date	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬
<i>Fair Value of the Biological Assets (RMB)</i>			
31 December 2022	166,569,368	102,659,966	3,637,544,394

Valuation Date	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<i>Fair Value of the Biological Assets (RMB)</i>				
31 December 2022	147,112,250	6,343,800	773,206,267	19,698,495

## LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director

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## EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

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9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or

potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the

circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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## EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION

- The following valuers certify, to the best of their knowledge and belief, that:
- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**

Executive Director

**Hunter Z.W. He**

Senior Director

**Jessie J.Q. Zhou**

Director

**Carol X.T. Huang**

Assistant Manager



**APPENDIX I – MARKET PRICES FOR BREEDING PIGS**

Unit: RMB per head (except specially mentioned)

**Market Prices for Breeding Pigs as of 31 December 2022**

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace ×Yorkshire 二元	Neijiang 内江黑猪
四川	Gilts 后备母猪	3,300	3,600	3,600	1,200	1,200
	Sows 种母猪	4,750	5,050	5,050	2,650	2,650
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
重庆	Gilts 后备母猪	3,400	3,600	3,600	1,300	1,200
	Sows 种母猪	4,850	5,050	5,050	2,750	2,650
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
贵州	Gilts 后备母猪	3,400	3,600	3,600	1,900	
	Sows 种母猪	4,850	5,050	5,050	3,350	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
云南	Gilts 后备母猪	3,400	3,600	3,600	1,900	
	Sows 种母猪	4,850	5,050	5,050	3,350	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
内蒙古	Gilts 后备母猪	3,600	3,700	3,500	1,800	
	Sows 种母猪	5,050	5,150	4,950	3,250	
	Studs 后备公猪	3,200	3,200	8,000		
	Boars 种公猪	4,990	4,990	9,790		
江苏	Gilts 后备母猪	3,400	3,600	3,600	1,700	
	Sows 种母猪	4,850	5,050	5,050	3,150	
	Studs 后备公猪	5,600	5,800	9,700		

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace ×Yorkshire 二元	Neijiang 内江黑猪
	Boars 种公猪	7,390	7,590	11,490		
河南	Gilts 后备母猪	3,400	3,600	3,600	1,600	
	Sows 种母猪	4,850	5,050	5,050	3,050	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
安徽	Gilts 后备母猪	3,400	3,600	3,600	1,500	
	Sows 种母猪	4,850	5,050	5,050	2,950	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
江西	Gilts 后备母猪	3,400	3,600	3,600	1,600	
	Sows 种母猪	4,850	5,050	5,050	3,050	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
吉林	Gilts 后备母猪	3,600	3,700	3,500	1,800	
	Sows 种母猪	5,050	5,150	4,950	3,250	
	Studs 后备公猪	3,200	3,200	8,000		
	Boars 种公猪	4,990	4,990	9,790		
广西	Gilts 后备母猪	3,400	3,600	3,600	1,650	
	Sows 种母猪	4,850	5,050	5,050	3,100	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
广东	Gilts 后备母猪	3,400	3,600	3,600	1,600	
	Sows 种母猪	4,850	5,050	5,050	3,050	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		

**APPENDIX II – MARKET PRICES FOR MARKET HOGS**

Unit: RMB/kg (except specially mentioned)

***Market Prices for Market Hogs as of 31 December 2022***

Province 省份	Market Hogs 商品肉猪	Province 省份	Market Hogs 商品肉猪
四川	20.00	江西	19.90
重庆	20.78	江苏	20.52
贵州	19.79	内蒙古	19.02
云南	19.71	吉林	18.71
广西	20.58	河南	19.51
广东	20.49	安徽	19.98

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# Valuation Report Considering Fair Value of the Biological Assets Belonging to Dekon Food and Agriculture Group and its Subsidiaries

Client : Dekon Food and Agriculture Group

Report Date : 29 March 2023

Valuation Date(s) : 31 December 2022

Reference Number : CON100468154 BV-6



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29 March 2023

The Board of Directors

**Dekon Food and Agriculture Group**

Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Center

32 Lingang Road, Shuangliu District

Chengdu, PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of fertile eggs, commodity chicks, broilers, and immature/ mature breeders (the "Biological Assets" or the "Poultry") belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, "Dekon" or the "Company") and its subsidiaries (collectively, the "Group") as at 31 December 2022 (the "Valuation Date"). The report which follows is dated 29 March 2023 (the "Report Date").

This valuation will be used for accounting reference purpose only.

Our valuation was carried out on a fair value basis. Fair value is defined as *"the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date"*.



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We have conducted our valuation in accordance with International Financial Reporting Standards 13 (“IFRS 13”) & International Accounting Standards 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. We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Our opinion on the fair value of the Biological Assets was developed through the adoption of cost approach and market approach given the existence of an active market for the Biological Assets and the stage of the Biological Assets in rearing cycle. Under market approach, the values depend on two major parameters, unit price and quantity. The availability of quoted prices and measurable quantity of the Biological Assets form the basis of our choice for this approach.

In conducting our valuation of the Biological Assets, we have conducted interviews and discussions with the management and conducted research using various public sources and publications.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Biological Assets.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date is reasonably stated as follow:

Valuation Date	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
31 December 2022	16,250,699	1,434	458,940,703	22,652,374	58,130,126

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the limiting conditions contained therein.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director





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## INTRODUCTION

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of fertile eggs, commodity chicks, broilers, and immature/ mature breeders (the “Biological Assets” or the “Poultry”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 December 2022 (the “Valuation Date”). The report which follows is dated 29 March 2023 (the “Report Date”).

## PURPOSE OF VALUATION

This valuation will be used for accounting reference purpose only.

## BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

## BASIS OF OPINION

We understand that the objective of this valuation exercise is to assist the Company’s auditor in recognizing the value of the Company’s Biological Assets in accordance with the International Accounting Standard 41 (“IAS 41”), issued by International Accounting Standards Board. IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activities refer to the management of the biological transformation of biological assets, defined as living animals or plants, into agricultural produce, defined as harvested produce.

IAS 41 presumes that fair value can be reliably measured for most biological assets. The following guidance is provided on the measurement of fair value.

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets can be used; IAS 41 B27
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used; IAS 41 B27
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; IAS 41.24 and
- the fair value of a biological asset is based on current quoted market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date. IAS 41.16

IFRS 13 also provides guidance on the measurement of the fair value as follows.

- takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability; IFRS 13.11
- assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability; IFRS 13.24
- uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs; IFRS 13.61 & IFRS 13.67; and
- IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. IFRS 13.72

With reference to IFRS 13 and IAS 41, we have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed have included the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we considered essential to the proper understanding of the valuation would be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Analytical review of the subject asset.

We had planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidences to express our opinion on the subject asset.

## BACKGROUND

Dekon Food and Agriculture Group, (四川德康农牧食品集团股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was registered in Shuangliu District, Chengdu City, Sichuan Province and was previously known as 四川德康农牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019. The Company and its subsidiaries (the “Subsidiaries”) are now principally engaged in three segments, i.e., pig, poultry, and ancillary products. The Subsidiaries that are mainly engaged in the production and sale of poultry as at the Valuation Date are listed as follows.

No.	Name	Date of establishment	Relationship
1	四川德康农牧食品集团股份有限公司	11-Apr-14	Company
2	重庆市璧山区德康家禽养殖有限公司	27-Apr-07	Subsidiary
3	重庆市长寿区德康家禽养殖有限公司	3-Jun-08	Subsidiary
4	重庆市梁平区柚乡德康家禽养殖有限公司	18-May-10	Subsidiary

No.	Name	Date of establishment	Relationship
5	岳池德康家禽养殖有限公司	13-Jan-09	Subsidiary
6	德阳德康家禽养殖有限公司	24-Sep-09	Subsidiary
7	长宁县德康竹海养殖有限公司	24-Nov-10	Subsidiary
8	玉林德康家禽养殖有限公司	21-May-18	Subsidiary
9	贵州贵安新区德康家禽养殖有限公司	20-May-11	Subsidiary
10	息烽德康家禽养殖有限公司	16-Dec-08	Subsidiary
11	紫云德康家禽养殖有限公司	10-Nov-16	Subsidiary
12	广东智威农业科技股份有限公司	10-Jul-03	Subsidiary
13	广东智成食品有限公司	23-Aug-07	Subsidiary
14	清远市清新区华威农业科技有限公司	20-Jun-05	Subsidiary
15	开平金鸡王禽业有限公司	11-Nov-02	Subsidiary
16	广东智威农业科技股份有限公司英德分公司	18-Oct-17	Subsidiary
17	郁南德康家禽养殖有限公司	22-Feb-19	Subsidiary
18	广东智威优质鸡畜牧有限公司	11-Aug-20	Subsidiary
19	昆明德康家禽养殖有限公司	30-Sep-09	Subsidiary
20	石林德康家禽养殖有限公司	28-Jan-11	Subsidiary
21	成都天添农牧有限公司	4-Jan-12	Subsidiary
22	贵阳德康食品有限公司	7-Feb-18	Subsidiary
23	成都德康好鲜生供应链管理有限公司	7-Dec-20	Subsidiary

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## VALUATION METHODOLOGY

### *Discussion on Biological Assets vs. Non-Biological Fixed Assets*

Through controlled processes, both biological and non-biological fixed assets can produce tangible results and contribute to the value of an existing economic operation. However, biological assets are different from fixed assets in nature and form.

Biological assets are living animals or plants while fixed assets are usually associated with non-living tangible forms like real estate and plant and machinery. Biological assets require management of its biological transformation in order to grow, mature and produce harvestable products. Their physical aspects change constantly through time while that of fixed assets are relatively stable. Although changes also occur to fixed assets due to physical wear and tear, economic obsolescence, and/or renewal and expansion, these changes can often be objectively traced by means of a simple audit of related costs and capital expenses spent on the fixed assets. However, in the case of biological assets, apart from purchases or sales of the assets, the only major cause of the changes in biological assets is the natural growth cycle that can be varied and difficult to trace. The actual growth of the

biological assets may be affected by factors such as weather, natural effect of growth, livability, disease, management of the assets, environmental conditions, etc.

As such, valuation of biological assets warrants a thorough understanding of the attributes mentioned above in order to arrive at a credible and acceptable result.

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### *Discussion on Methodologies*

In arriving at our assessed values, we have considered three generally accepted approaches, namely the market approach, the cost approach and the 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.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*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.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*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.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

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### *Selection of Valuation Approach and Methodology*

#### Fertile Eggs and Commodity Chicks

The fair value of the Fertile Eggs and Commodity Chicks were derived through the market approach, by multiplying the market prices for different species/categories by their corresponding quantities, less the expected expenses (if any) to complete.

#### Broilers

The market approach was adopted for valuing Broilers. Broilers were assumed to be sold live or slaughtered when they reach certain age (for production of poultry products). The fair value of Broilers were derived by assuming the market prices of the broilers for sale as the estimated price receivable upon completion, multiplying the unit price by the corresponding quantities, less the expected costs to complete.

#### Immature Breeders and Mature Breeders

The replacement cost approach under cost approach was adopted for valuing Immature/ Mature Breeders. As there were no actively trading markets for Immature/ Mature Breeders at specific ages during the production cycles, the market prices for the Parent Stock DOCs (“种鸡苗”, the day-old chicks that are bred for the purpose of laying fertile eggs) and the Culled Breeders (“淘汰鸡”) were obtained. The feeding costs for rearing the broiler breeders were also taken into consideration to assess the fair value of Immature Breeders. The value of Mature Breeders was adjusted based on the egg production (number of eggs laying) for breeding hens and service lives (number of years mating) for breeding cocks.



### *Appointment of Expert*

We have appointed an expert consultant, Professor Tan Zhankun, (the “Expert Consultant”), from Tibet Agriculture and Animal Husbandry University, to join our team and assist in the exercise. Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the Biological Assets. The primary role of the Expert Consultant is to provide assistance and advice on the biological aspects of the Biological Assets in order for us to have a better understanding of the nature of the subject asset. We have 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 Biological Assets in the preparation of this valuation report.

### SOURCE OF INFORMATION

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents and information received includes but were not limited to,

- Background information;
- Legal documents related to the Company;
- The Company’s inventory records;
- The Company’s sales records;
- Operating and market information of the Company;
- The historical financial information of the Company;

We have also conducted interviews and held discussions with the managements of the Company. We have relied to a considerable extent on information provided in arriving at our opinion of value. We believe that the information provided by the Company is reasonable and reliable.

## ASSUMPTIONS AND PARAMETERS

Assumptions and parameters considered to have significant effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions and parameters in determining the fair value of the Biological Assets have been applied.

### *Classification*

In this exercise, the Biological Assets have been classified into certain categories as below, based on the age, weight and purpose.

Biological Assets	Description
Fertile Eggs 种蛋	the fertilised eggs laid by breeders, which are incubated for approximately 21 days and hatched into poultry breeds
Commodity Chicks 商品鸡苗	The day-old chicks hatched from fertile eggs, which will then be delivered to broiler farms for breeding into broilers
Broilers 商品鸡	the poultry bred for the production of poultry meat products

Biological Assets	Description
Immature Breeders 后备鸡	the poultry of less than 24 weeks old which are grown from Parent Stock DOCs for the purpose of laying fertile eggs
Mature Breeders 成熟种鸡	the mature poultry of 24 weeks old which are grown from Parent Stock DOCs and used for laying fertile eggs

The Group feeds the Broilers in six provinces and sells Broilers by three categories (Category I, Category II, and Category III) based on their ages and species.

### Quantity

This valuation has relied on the figures and information provided by the Company for the Biological Assets as at the Valuation Date.

Near the Valuation Date of 31 December 2022, we, together with the Company's auditors, sponsors, and lawyers, conducted stocktaking on the Biological Assets. We first collected the operating statistics from the Company including poultry farms allocations and the number, type and size of the Biological Assets in each of the poultry farm. Based on the information, a statistically significant number of poultry farms were selected and a physical count was conducted to verify the quantity of the Biological Assets.

We have supervised the stocktaking of all the selected farms and verified the type and size of the Biological Assets provided by the Company. There was no significant difference between our stocktaking results and the Company's inventory records.

Valuation Date	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗
<b>Quantity of the Biological Assets (head)</b>		
31 December 2022	11,444,154	1,175

Valuation Date	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<b>Quantity of the Biological Assets (head)</b>			
31 December 2022	24,926,738	837,711	992,176

### Market Prices

The market price is based on the transacted prices of Fertile Eggs, Commodity Chicks, Broilers, Parent Stock DOCs and Culled Breeders observed at or near the Valuation Date in the respective market and company sales recordings. The Company operates the business across different provinces/ areas, and each province/ area has its own specific supply and demand dynamics because of differences in factors such as rearing cost (in particular feed cost), transportation cost and consumption habits. Therefore, these factors might result in different market prices of boilers that the Company produced and sold in different locations on the same date.

Market prices for Fertile Eggs, Commodity Chicks, Broilers, Parent Stock DOCs and Culled Breeders in different provinces/ areas have been analysed based on the information provided by the management and the details are set out in Appendix I.

*In valuing the fair value of Commodity Chicks, the following key assumptions and parameters were considered*

#### *Cost to Complete*

The sale of the Commodity Chicks normally requires shipments to the customers. Therefore, the cost to complete has been estimated based on the historical transportation expenses in valuing the value of Commodity Chicks.

Valuation Date	Cost to Complete (RMB/head)
31 December 2022	0.13

*In valuing the fair value of Broilers, the following key assumptions and parameters were considered.*

#### *Mortality Rate*

As there is the probability that Broilers might be dead due to diseases, epidemics, accidents or natural forces during rearing cycle (from being hatched to being sold), the mortality since the Valuation Date until complete and sold has been taken into consideration. In this exercise, the mortality rate for three categories of Broilers in six provinces from birth to sale was with reference to the historical actual mortality rate, which was calculated as the number of broilers dead divided by the number of broilers born. The details are set out in Appendix II.

#### *Average Age for Sale*

With reference to the historical sales records and to the best estimation of the management, Broilers are assumed to be sold when they reach the certain age, which are set out in Appendix II.

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*Body Weight*

The average body weight of the Broilers when they are sold was determined based on the Company's operating and rearing experience and the details are set out in Appendix II.

*Cost to Complete*

The costs required to feed Broilers since the Valuation Date until they were sold were incorporated and were estimated based on the historical average costs provided by the Company. The costs include feeding cost, medication and vaccination, labour, production overheads, etc.

*In valuing the fair value of Immature/ Mature Breeders, the following key assumptions and parameters were considered.*

*Service Lives*

To the best estimation of the management, Mature Breeders normally used for mating until they are culled and sold as Culled Breeders at residual value. The value of male Mature Breeders is depreciated on straight-line basis over the service lives, while the value of female Mature Breeders is depreciated on units-of-production basis over the service lives.

*Other Assumptions*

In this valuation exercise, we assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. We 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 the business of the Company.

**VALUATION COMMENTS**

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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## RISK FACTORS

### - *Fluctuation of Prices*

While the Biological Assets are not subjected to any government pricing control, production quota or restrictions, there is no assurance that the market prices will not experience significant fluctuations which will materially affect the values of the Biological Assets.

### - *Subject to Changes in Political, Economic and Regulatory Environment in China*

The Company is subject to various laws and regulations governing the operations of the poultry farms in China. Future political and economic changes in these regions might have either favorable or unfavorable impacts on the valuation of the Biological Assets.

### - *Natural Disasters and Outbreaks of Diseases*

The operation of the poultry farms are, by nature, subjected to a high degree of exposure to risks of diseases, natural disasters and adverse weather conditions such as droughts, earthquakes, windstorms, pests and epidemics. A major outbreak of any illness or disease in poultry in the PRC could lead to a serious loss of consumer confidence in, and

demand for, related products. A major outbreak of Avian Influenza (“AI”) or other serious disease in the regions could lead to significant shortfalls in the supply of broilers.

### - *Illegal Product Tampering and Quality Control*

In common with other consumer product manufacturers, the Company may be subject to product liability claims if products are found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to contamination of ingredients, whether accidental or not, and illegal tampering. The occurrence of such problems may result in product recalls and serious damage to the Company’s reputation and brand, as well as product liability claims in excess of current insurance coverage and a loss of revenues.

**OPINION OF VALUES**

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date is reasonably stated as follow:

Valuation Date	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗
31 December 2022	16,250,699	1,434

Valuation Date	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
31 December 2022	458,940,703	22,652,374	58,130,126

**LIMITING CONDITIONS**

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**  
Executive Director



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## EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

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9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
  10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
  11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
  12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
  13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
  14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or

potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the

circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

---

## EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION

- The following valuers certify, to the best of their knowledge and belief, that:
  
- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
  
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
  
- The reported analyses, opinions, and conclusions are independent and objective.
  
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
  
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
  
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**  
Executive Director

**Hunter Z.W. He**  
Senior Director

**Jessie J.Q. Zhou**  
Director

**Carol X.T. Huang**  
Assistant Manager

## APPENDIX I – MARKET PRICES

### *Market Prices for Fertile Eggs*

Unit: RMB per egg (except specially mentioned)

Valuation Date	Market Prices for Fertile Eggs
31 December 2022	1.42

### *Market Prices for Parent Stock DOCs*

Unit: RMB per head (except specially mentioned)

Valuation Date	Southwest Region 西南地区		South China 华南地区	
	Male 公	Female 母	Male 公	Female 母
31 December 2022	4.48	5.11	2.78	3.22

### *Market Prices for Culled Breeders*

Unit: RMB per head (except specially mentioned)

Valuation Date	Southwest Region 西南地区		South China 华南地区	
	Male 公	Female 母	Male 公	Female 母
31 December 2022	14.25	16.31	15.60	17.18

**Market Prices for Broilers as of 31 December 2022**

Unit: RMB per kg (except specially mentioned)

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	16.76	N/A	13.62	13.69	12.37	13.91
重庆	16.92	16.43	13.14	12.76	15.38	14.87
贵州	16.65	N/A	13.99	N/A	N/A	N/A
云南	22.51	20.13	14.11	14.71	12.92	12.78
广西	17.76	17.44	N/A	13.10	N/A	11.72
广东	12.51	21.66	N/A	16.40	N/A	11.42

## APPENDIX II – ASSUMPTIONS FOR BROILERS VALUATION

### *Mortality Rate*

Province 省份	Category I	Category II	Category III
四川	12.90%	6.50%	5.80%
重庆	7.00%	6.00%	6.00%
贵州	9.50%	8.00%	7.50%
云南	12.00%	8.00%	7.00%
广西	8.00%	7.00%	6.00%
广东	4.50%	4.50%	5.50%

### *Age for Sale*

Unit: Day

Province 省份	Category I	Category II	Category III
四川	125	82	72
重庆	105	82	75
贵州	105	86	75
云南	135	90	81
广西	113	94	65
广东	130	105	75

### *Body Weight*

Unit: Kg

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	3.30	2.90	2.80	2.35	2.57	2.57
重庆	2.50	2.05	2.65	2.15	2.55	2.10
贵州	3.73	3.05	3.08	2.58	2.85	2.85
云南	2.90	2.90	3.20	3.20	3.13	2.58
广西	1.98	1.98	1.88	1.88	1.85	1.85
广东	1.68	1.68	1.63	1.63	1.38	1.38

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# Valuation Report Considering Fair Value of the Biological Assets Belonging to Dekon Food and Agriculture Group and its Subsidiaries

Client : Dekon Food and Agriculture Group

Report Date : 11 July 2023

Valuation Date(s) : 31 May 2022, 31 May 2023

Reference Number : CON100468154 BV-7



仲量聯行

11 July 2023

The Board of Directors

**Dekon Food and Agriculture Group**

Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Center

32 Lingang Road, Shuangliu District

Chengdu, PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of piglets, nursery pigs, growers, gilts, studs, sows, and boars (the “Biological Assets” or the “Pigs”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 May 2022 and 31 May 2023 (the “Valuation Date(s)"). The report which follows is dated 11 July 2023 (the “Report Date”).

This valuation will be used for accounting reference purpose only.

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

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Company Licence No.: C-030171

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公司牌照号码: C-030171

We have conducted our valuation in accordance with International Financial Reporting Standards 13 (“IFRS 13”) & International Accounting Standards 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. We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Our opinion on the fair value of the Biological Assets was developed through the adoption of cost approach and market approach given the existence of an active market for the Biological Assets and the stage of the Biological Assets in rearing cycle. Under market approach, the values depend on two major parameters, unit price and quantity. The availability of quoted prices and measurable quantity of the Biological Assets form the basis of our choice for this approach.

In conducting our valuation of the Biological Assets, we have conducted interviews and discussions with the management and conducted research using various public sources and publications.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Biological Assets.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date(s) is reasonably stated as follow:



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Valuation Dates	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬	Gilts 后备母猪	Studs 后备公豬	Sows 种母猪	Boars 种公豬
<i>Fair Value of the Biological Assets (RMB)</i>							
31 May 2022	152,402,075	179,782,201	1,911,403,334	146,775,920	4,398,700	717,570,813	18,818,189
31 May 2023	175,907,736	53,544,053	2,324,547,028	203,993,400	5,689,680	881,973,726	20,123,396

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the limiting conditions contained therein.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Simon M.K. Chan**

Executive Director



仲量聯行

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## INTRODUCTION

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of piglets, nursery pigs, growers, gilts, studs, sows, and boars (the “Biological Assets” or the “Pigs”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 May 2022 and 31 May 2023 (the “Valuation Date(s)"). The report which follows is dated 11 July 2023 (the “Report Date”).

## PURPOSE OF VALUATION

This valuation will be used for accounting reference purpose only.

## BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.

## BASIS OF OPINION

We understand that the objective of this valuation exercise is to assist the Company’s auditor in recognizing the value of the Company’s Biological Assets in accordance with the International Accounting Standard 41 (“IAS 41”), issued by International Accounting Standards Board. IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activities refer to the management of the biological transformation of biological assets, defined as living animals or plants, into agricultural produce, defined as harvested produce.

IAS 41 presumes that fair value can be reliably measured for most biological assets. The following guidance is provided on the measurement of fair value.

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets can be used; IAS 41 B27
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used; IAS 41 B27
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; IAS 41.24 and
- the fair value of a biological asset is based on current quoted market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date. IAS 41.16

IFRS 13 also provides guidance on the measurement of the fair value as follows.

- takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability; IFRS 13.11
- assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability; IFRS 13.24
- uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs; IFRS 13.61 & IFRS 13.67; and
- IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. IFRS 13.72

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With reference to IFRS 13 and IAS 41, we have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed have included the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we considered essential to the proper understanding of the valuation would be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Analytical review of the subject asset.

We had planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidences to express our opinion on the subject asset.





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## BACKGROUND

Dekon Food and Agriculture Group, (四川德康农牧食品集团股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was registered in Shuangliu District, Chengdu City, Sichuan Province and was previously known as 四川德康农牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019. The Company and its subsidiaries (the “Subsidiaries”) are now principally engaged in three segments, i.e., pig, poultry, and ancillary products. The Subsidiaries that are mainly engaged in the production and sale of pigs as at the Valuation Date(s) are listed as follows.

No.	Name	Date of establishment	Relationship
1	四川德康农牧食品集团股份有限公司	11-Apr-14	Company
2	松原德康农牧有限公司	25-Sep-14	Subsidiary
3	包头德康农牧有限公司	10-Sep-15	Subsidiary
4	金寨德康农牧有限公司	1-Nov-16	Subsidiary

No.	Name	Date of establishment	Relationship
5	科尔沁右翼前旗德康农牧有限公司	13-Dec-16	Subsidiary
6	岳池银城德康畜牧有限公司	21-Jan-08	Subsidiary
7	南充德康农牧技术有限公司	19-May-06	Subsidiary
8	蓬安德康种猪繁育有限公司	5-Mar-08	Subsidiary
9	自贡德康畜牧有限公司	15-Apr-11	Subsidiary
10	江安德康生猪养殖有限公司	27-Apr-12	Subsidiary
11	渠县德康生猪养殖有限公司	17-May-12	Subsidiary
12	绵竹德康生猪养殖有限公司	13-Jun-12	Subsidiary
13	广安德康生猪养殖有限公司	18-Jan-13	Subsidiary
14	岳池德康生猪养殖有限公司	22-May-13	Subsidiary
15	富顺德康生猪养殖有限公司	20-May-15	Subsidiary
16	蒲江德康生猪养殖有限公司	11-Aug-16	Subsidiary
17	宜宾县德康生猪养殖有限公司	20-Dec-16	Subsidiary
18	内江德康农牧有限公司	21-Feb-17	Subsidiary
19	罗江德康农牧有限公司	28-Jul-17	Subsidiary
20	宜宾市南溪区德康农牧有限公司	5-Sep-17	Subsidiary
21	高县德康农牧有限公司	4-Mar-16	Subsidiary
22	乐至县德康农牧有限公司	24-Jan-19	Subsidiary
23	资中德康食品有限公司	17-Jun-19	Subsidiary
24	弋阳县德康种猪繁育有限公司	17-Jul-15	Subsidiary
25	正安德康生猪养殖有限公司	8-Nov-16	Subsidiary

No.	Name	Date of establishment	Relationship
26	紫云德康生猪养殖有限公司	14-Nov-16	Subsidiary
27	册亨德康农牧有限公司	19-Sep-16	Subsidiary
28	贵阳德康农牧有限公司	21-Jun-11	Subsidiary
29	安顺德康农牧有限公司	9-May-11	Subsidiary
30	松桃德康农牧有限公司	1-Mar-12	Subsidiary
31	习水德康农牧有限公司	4-Jul-12	Subsidiary
32	惠水德康农牧有限公司	28-Sep-16	Subsidiary
33	重庆市合川区德康生猪养殖有限公司	28-Oct-15	Subsidiary
34	镇宁德康农牧有限公司	23-Dec-16	Subsidiary
35	台江德康农牧有限公司	31-May-17	Subsidiary
36	忠县德康农牧有限公司	26-Jul-17	Subsidiary
37	重庆市巴南区德康尚品生猪养殖有限公司	14-Jul-20	Subsidiary
38	贵港德康生猪养殖有限公司	21-Sep-16	Subsidiary
39	那坡德康农牧有限公司	7-Aug-17	Subsidiary
40	平南县德康农牧有限公司	7-Aug-18	Subsidiary
41	宣威德康生猪养殖有限公司	18-Oct-12	Subsidiary
42	峨山德康农牧有限公司	15-Aug-16	Subsidiary
43	新平德康农牧有限公司	1-Mar-17	Subsidiary
44	威远德康农业有限公司	9-Oct-19	Subsidiary
45	荣县德康食品有限公司	11-Oct-19	Subsidiary
46	达州市德康农牧食品有限公司	29-Oct-19	Subsidiary

No.	Name	Date of establishment	Relationship
47	自贡德康农牧科技有限公司	31-Oct-19	Subsidiary
48	泸州德康农牧科技有限公司	25-Nov-19	Subsidiary
49	宜宾市翠屏区德康农牧科技有限公司	23-Apr-20	Subsidiary
50	重庆万州德康农牧科技有限公司	3-Dec-18	Subsidiary
51	务川德康农牧有限公司	26-Apr-18	Subsidiary
52	遵义德康畜牧有限公司	11-Nov-19	Subsidiary
53	习水润康畜牧养殖有限公司	12-Nov-19	Subsidiary
54	仁寿德康农牧有限公司	4-Dec-18	Subsidiary
55	眉山德康农牧有限公司	1-Feb-19	Subsidiary
56	丹棱县德康农牧有限公司	6-Mar-19	Subsidiary
57	青神德康农牧有限公司	26-Mar-19	Subsidiary
58	泗洪德康农牧科技有限公司	18-Apr-18	Subsidiary
59	常熟德康农牧有限公司	23-Apr-20	Subsidiary
60	漯河德康农牧有限公司	27-Nov-19	Subsidiary
61	泗阳德康农牧有限公司	21-May-20	Subsidiary
62	宿迁德康农牧有限公司	8-Jun-20	Subsidiary
63	太仓德康农牧有限公司	24-Jun-20	Subsidiary

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## VALUATION METHODOLOGY

### *Discussion on Biological Assets vs. Non-Biological Fixed Assets*

Through controlled processes, both biological and non-biological fixed assets can produce tangible results and contribute to the value of an existing economic operation. However, biological assets are different from fixed assets in nature and form.

Biological assets are living animals or plants while fixed assets are usually associated with non-living tangible forms like real estate and plant and machinery. Biological assets require management of its biological transformation in order to grow, mature and produce harvestable products. Their physical aspects change constantly through time while that of fixed assets are relatively stable. Although changes also occur to fixed assets due to physical wear and tear, economic obsolescence, and/or renewal and expansion, these changes can often be objectively traced by means of a simple audit of related costs and capital expenses spent on the fixed assets. However, in the case of biological assets, apart from purchases or sales of the assets, the only major cause of the changes in biological assets is the natural growth cycle that can be varied and difficult to trace. The actual growth of the

biological assets may be affected by factors such as weather, natural effect of growth, livability, disease, management of the assets, environmental conditions, etc.

As such, valuation of biological assets warrants a thorough understanding of the attributes mentioned above in order to arrive at a credible and acceptable result.

---

### *Discussion on Methodologies*

In arriving at our assessed values, we have considered three generally accepted approaches, namely the market approach, the cost approach and the 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.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*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.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*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.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

### *Selection of Valuation Approach and Methodology*

#### Piglets

The cost approach was adopted for valuing piglets. As they are only around three-week old and there is insignificant biological transformation that takes place since the initial cost incurrence, the recent costs incurred approximates the replacement costs, including depreciation due to use of breeding pigs 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 or slaughtered when they reach the stage of grower or at once as the Market Hogs (商品肉猪, pigs primarily for production of pork products). The fair value of Nursery Pigs and Growers were derived by obtaining the market prices of the Market Hogs, multiplying the unit price by the corresponding quantities, less the expected costs to complete.

The fair value of the Gilts and Studs were derived by multiplying the market prices of the Gilts and Studs for different species by their corresponding quantities.

#### 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 pigs at specific ages, the market prices for new breeding pigs (mature biological physical condition) were 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*

We have appointed an expert consultant, Professor Tan Zhankun, (the “Expert Consultant”), from Tibet Agriculture and Animal Husbandry University, to join our team and assist in the exercise. Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the Biological Assets. The primary role of the Expert Consultant is to provide assistance and advice on the biological aspects of the Biological Assets in order for us to have a better understanding of the nature of the subject asset. We have 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 Biological Assets in the preparation of this valuation report.

**SOURCE OF INFORMATION**

This report was compiled after consideration of all relevant information obtained from the Company and other public sources.

Documents and information received includes but were not limited to,

- Background information;
- Legal documents related to the Company;
- The Company’s inventory records;
- The Company’s sales records;
- Operating and market information of the Company;
- The historical financial information of the Company;

We have also conducted interviews and held discussions with the management of the Company. We have relied to a considerable extent on information provided in arriving at our opinion of value. We believe that the information provided by the Company is reasonable and reliable. We have also conducted research using various sources including the Internet and other publications, which include 中国养猪网 (<https://www.zhuwang.cc/>), 猪易网 (<https://www.zhue.com.cn/>), 涌益资讯 (<https://data.yongyizixun888.com/>), “猪情通报”数据平台, and etc.

## ASSUMPTIONS AND PARAMETERS

Assumptions and parameters considered to have significant effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions and parameters in determining the fair value of the Biological Assets have been applied.

### *Classification*

In this exercise, the Biological Assets have been classified into seven categories as below, based on the age, weight and purpose.

Biological Assets	Description
Piglets 哺乳仔豬	young pigs between birth and weaning (0-21 days of age)
Nursery Pigs 保育仔豬	young pigs of around 22-73 days old that have been weaned off sow and consuming feed
Growers 育肥豬	pigs that age around 74 to 183 days
Gilts 后备母猪	female pig(s) that are kept for breeding and not yet farrowed

Biological Assets	Description
Studs 后备公猪	male pigs(s) that are kept for breeding and not yet mature
Sows 种母猪	female pig(s) which have been mated naturally or inseminated artificially
Boars 种公猪	male pig(s) for mating purpose

### Quantity

This valuation have relied on the figures and information provided by the Company for the Biological Assets as at the Valuation Date(s).

Near the Valuation Dates of 31 May 2023, we, together with the Company's auditors, sponsors, and lawyers, conducted stocktaking on the Biological Assets. We first collected the operating statistics from the Company including pig farms allocations and the number, type and size of the Biological Assets in each of the pig farm. Based on the information, a statistically significant number of pig farms were selected and a physical count was conducted to verify the quantity of the Biological Assets.

We have supervised the stocktaking of all the selected pig farms and verified the type and size of the Biological Assets provided by the Company. There was no significant difference between our stocktaking results and the Company's inventory records.

For the rest of the Valuation Date(s), we did not conduct stocktaking to check the accuracy.

Valuation Dates	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬
<b>Quantity of the Biological Assets (head)</b>			
31 May 2022	429,331	146,468	2,180,562
31 May 2023	560,072	206,861	2,804,247

Valuation Dates	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<b>Quantity of the Biological Assets (head)</b>				
31 May 2022	67,665	826	271,228	3,666
31 May 2023	89,134	982	333,236	4,116



**Market Prices**

The market price is based on the transacted prices of Nursery Pigs, Growers, Gilts and Studs observed at or near the Valuation Date in the respective market. The Company operates the 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 feed cost), transportation cost and consumption habits. Therefore, these factors might result in different market prices of pigs that the Company produced and sold in different locations on the same date.

Market prices for Market Hogs, different species of Gilts and Studs, and different species new breeding pigs (mature biological physical condition) in different provinces have been provided by the Expert Consultant and the details are set out in Appendix I and Appendix II.

In valuing the fair value of Nursery Pigs and Growers, the following key assumptions and parameters 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(s) until complete and sold has been taken into consideration. In this exercise, the mortality rate from weaning to the stage of grower was with reference to the historical actual mortality rate, which was calculated as the number of pigs dead divided by the number of pigs weaned off.

Valuation Dates	Mortality Rate
31 May 2022	9.50%
31 May 2023	6.19%

### *Average Age for sale*

With reference to the historical sales records and to the best estimation of the management, Nursery Pigs and Growers are assumed to be sold as the Market Hogs when they reach the certain age, which were shown as below.

Valuation Dates	Age for sale (days)
31 May 2022	195
31 May 2023	189

### *Body Weight*

The average body weight of the Market Hogs when they are sold was determined based on the Company's operating and farming experience and was shown as below.

Valuation Dates	Body weight for sale (kg)
31 May 2022	122.50
31 May 2023	125.71

### *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 provided by the Company. The costs include feeding cost, medication and vaccination, labour, production overheads, etc.

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*In valuing the fair value of Sows and Boars, the following key assumptions and parameters 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 pigs (mature biological physical condition).

***Service Lives***

To the best estimation of the management, Boars normally used for mating for 2.5 years at most and would be culled and sold at residual value. The value of Boars is depreciated on straight-line basis over the 2.5-year service lives based on the price of price of new breeding pigs (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 RMB800 per head in this exercise.

***Other Assumptions***

In this valuation exercise, we assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. We 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 the business of the Company.

**VALUATION COMMENTS**

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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## RISK FACTORS

### - *Fluctuation of Prices*

While the Biological Assets are not subjected to any government pricing control, production quota or restrictions, there is no assurance that the market prices will not experience significant fluctuations which will materially affect the values of the Biological Assets.

### - *Subject to Changes in Political, Economic and Regulatory Environment in China*

The Company is subject to various laws and regulations governing the operations of the pig farms in China. Future political and economic changes in these regions might have either favorable or unfavorable impacts on the valuation of the Biological Assets.

### - *Natural Disasters and Diseases*

The operation of the pig farms are, by nature, subjected to a high degree of exposure to risks of diseases, natural disasters and adverse weather conditions such as droughts, earthquakes, windstorms, pests and epidemics. A major outbreak of any illness or disease in pigs in the PRC could lead to a serious loss of consumer confidence in, and

demand for, related products. A major outbreak of African Swine Fever or other serious disease in the regions could lead to significant shortfalls in the supply of market hogs.

### - *Illegal Product Tampering and Quality Control*

In common with other consumer product manufacturers, the Company may be subject to product liability claims if products are found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to contamination of ingredients, whether accidental or not, and illegal tampering. The occurrence of such problems may result in product recalls and serious damage to the Company's reputation and brand, as well as product liability claims in excess of current insurance coverage and a loss of revenues.

## OPINION OF VALUES

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the fair value of the Biological Assets as at the Valuation Dates is reasonably stated as follow:

Valuation Dates	Piglets 哺乳仔豬	Nursery Pigs 保育仔豬	Growers 育肥豬
<b>Fair Value of the Biological Assets (RMB)</b>			
31 May 2022	152,402,075	179,782,201	1,911,403,334
31 May 2023	175,907,736	53,544,053	2,324,547,028

Valuation Dates	Gilts 后备母猪	Studs 后备公猪	Sows 种母猪	Boars 种公猪
<b>Fair Value of the Biological Assets (RMB)</b>				
31 May 2022	146,775,920	4,398,700	717,570,813	18,818,189
31 May 2023	203,993,400	5,689,680	881,973,726	20,123,396

## LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director

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## EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Client / Target Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our Report was used as part of the analysis of the Client / Target Company in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Client.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The board of directors and the management of Client / Target Company have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might

adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client / Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This Report is confidential to the Client and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Valuation Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed to and no

responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by parties interested in the Subject, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. The Client / Target Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

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15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Client / Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Client / Target Company and other sources. Actual transactions involving the Subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time. The transaction amount does not need to be close to the result as estimated in this report.
17. The board of directors, management, staff, and representatives of the Client / Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client / Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.



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## EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION

- The following valuers certify, to the best of their knowledge and belief, that:
  
- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
  
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
  
- The reported analyses, opinions, and conclusions are independent and objective.
  
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
  
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
  
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**  
Executive Director

**Hunter Z.W. He**  
Senior Director

**Jessie J.Q. Zhou**  
Director

**Carol X.T. Huang**  
Assistant Manager

**APPENDIX I – MARKET PRICES FOR BREEDING PIGS**

Unit: RMB per head (except specially mentioned)

*Market Prices for Breeding Pigs as of 31 May 2022*

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace× Yorkshire 二元	Neijiang 内江黑猪
四川	Gilts 后备母猪	2,990	3,090	3,330	1,800	1,800
	Sows 种母猪	4,440	4,540	4,780	3,250	3,250
	Studs 后备公猪	5,800	5,900	6,000		
	Boars 种公猪	7,590	7,690	7,790		
重庆	Gilts 后备母猪	2,990	3,090	3,330	1,800	1,800
	Sows 种母猪	4,440	4,540	4,780	3,250	3,250
	Studs 后备公猪	5,800	5,900	6,000		
	Boars 种公猪	7,590	7,690	7,790		
贵州	Gilts 后备母猪	2,990	3,090	3,330	1,800	
	Sows 种母猪	4,440	4,540	4,780	3,250	
	Studs 后备公猪	5,800	5,900	6,000		
	Boars 种公猪	7,590	7,690	7,790		
云南	Gilts 后备母猪	2,990	3,090	3,330	1,800	
	Sows 种母猪	4,440	4,540	4,780	3,250	
	Studs 后备公猪	5,800	5,900	6,000		
	Boars 种公猪	7,590	7,690	7,790		
内蒙古	Gilts 后备母猪	2,425	2,425	2,425	1,655	
	Sows 种母猪	3,875	3,875	3,875	3,105	
	Studs 后备公猪	6,250	6,250	6,250		
	Boars 种公猪	8,040	8,040	8,040		
江苏	Gilts 后备母猪	2,425	2,425	3,020	1,930	
	Sows 种母猪	3,875	3,875	4,470	3,380	
	Studs 后备公猪	6,750	6,750	6,000		

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace× Yorkshire 二元	Neijiang 内江黑猪
	Boars 种公猪	8,540	8,540	7,790		
河南	Gilts 后备母猪	2,425	2,425	2,425	1,880	
	Sows 种母猪	3,875	3,875	3,875	3,330	
	Studs 后备公猪	6,750	6,750	6,000		
	Boars 种公猪	8,540	8,540	7,790		
安徽	Gilts 后备母猪	2,240	2,240	2,425	1,600	
	Sows 种母猪	3,690	3,690	3,875	3,050	
	Studs 后备公猪	6,750	6,750	6,000		
	Boars 种公猪	8,540	8,540	7,790		
江西	Gilts 后备母猪	3,075	2,975	3,330	1,725	
	Sows 种母猪	4,525	4,425	4,780	3,175	
	Studs 后备公猪	6,500	6,500	7,000		
	Boars 种公猪	8,290	8,290	8,790		
吉林	Gilts 后备母猪	3,075	3,175	3,025	2,080	
	Sows 种母猪	4,525	4,625	4,475	3,530	
	Studs 后备公猪	6,000	6,000	6,000		
	Boars 种公猪	7,790	7,790	7,790		
广西	Gilts 后备母猪	3,770	3,870	3,870	1,650	
	Sows 种母猪	5,220	5,320	5,320	3,100	
	Studs 后备公猪	5,800	5,900	6,000		
	Boars 种公猪	7,590	7,690	7,790		
广东	Gilts 后备母猪	3,075	2,975	3,330	1,725	
	Sows 种母猪	4,525	4,425	4,780	3,175	
	Studs 后备公猪	6,500	6,500	7,000		
	Boars 种公猪	8,290	8,290	8,790		

**Market Prices for Breeding Pigs as of 31 May 2023**

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace ×Yorkshire 二元	Neijiang 内江黑猪
四川	Gilts 后备母猪	3,400	3,400	3,400	1,800	1,800
	Sows 种母猪	4,850	4,850	4,850	3,250	3,250
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
重庆	Gilts 后备母猪	3,400	3,400	3,400	1,800	1,800
	Sows 种母猪	4,850	4,850	4,850	3,250	3,250
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
贵州	Gilts 后备母猪	3,400	3,400	3,400	1,800	
	Sows 种母猪	4,850	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
云南	Gilts 后备母猪	3,300	3,400	3,400	1,800	
	Sows 种母猪	4,750	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	9,700	0	
	Boars 种公猪	7,390	7,590	11,490		
内蒙古	Gilts 后备母猪	3,400	3,400	3,400	1,800	
	Sows 种母猪	4,850	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	8,000		
	Boars 种公猪	7,390	7,590	9,790		
江苏	Gilts 后备母猪	3,400	3,400	3,400	1,800	
	Sows 种母猪	4,850	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		

Province 省份	Categories 种类	Species 品种				
		Yorkshire 大白	Landrace 长白	Duroc 杜洛克	Landrace ×Yorkshire 二元	Neijiang 内江黑猪
河南	Gilts 后备母猪	3,400	3,400	3,400	1,800	
	Sows 种母猪	4,850	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
安徽	Gilts 后备母猪	3,400	3,400	3,400	1,800	
	Sows 种母猪	4,850	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
江西	Gilts 后备母猪	3,400	3,400	3,400	1,800	
	Sows 种母猪	4,850	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
吉林	Gilts 后备母猪	3,400	3,400	3,400	1,800	
	Sows 种母猪	4,850	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	8,000		
	Boars 种公猪	7,390	7,590	9,790		
广西	Gilts 后备母猪	3,300	3,400	3,400	1,800	
	Sows 种母猪	4,750	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		
广东	Gilts 后备母猪	3,300	3,400	3,400	1,800	
	Sows 种母猪	4,750	4,850	4,850	3,250	
	Studs 后备公猪	5,600	5,800	9,700		
	Boars 种公猪	7,390	7,590	11,490		

## APPENDIX II – MARKET PRICES FOR MARKET HOGS

Unit: RMB/kg (except specially mentioned)

### *Market Prices for Market Hogs as of 31 May 2022*

Province 省份	Market Hogs 商品肉猪	Province 省份	Market Hogs 商品肉猪
四川	15.36	江西	15.63
重庆	15.48	江苏	15.84
贵州	15.43	内蒙古	14.99
云南	14.55	吉林	14.88
广西	15.68	河南	15.45
广东	17.72	安徽	15.64

### *Market Prices for Market Hogs as of 31 May 2023*

Province 省份	Market Hogs 商品肉猪	Province 省份	Market Hogs 商品肉猪
四川	14.19	江西	14.32
重庆	14.22	江苏	14.93
贵州	14.16	内蒙古	14.06
云南	14.04	吉林	13.99
广西	14.21	河南	14.41
广东	14.85	安徽	14.70

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# Valuation Report Considering Fair Value of the Biological Assets Belonging to Dekon Food and Agriculture Group and its Subsidiaries

Client : Dekon Food and Agriculture Group

Report Date : 11 July 2023

Valuation Date(s) : 31 May 2022, 31 May 2023

Reference Number : CON100468154 BV-8





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Company Licence No.: C-030171

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公司牌照号码: C-030171

11 July 2023

The Board of Directors

**Dekon Food and Agriculture Group**

Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Center

32 Lingang Road, Shuangliu District

Chengdu, PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of fertile eggs, commodity chicks, broilers, and immature/ mature breeders (the “Biological Assets” or the “Poultry”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 May 2022 and 31 May 2023 (the “Valuation Date(s)”). The report which follows is dated 11 July 2023 (the “Report Date”).

This valuation will be used for accounting reference purpose only.

Our valuation was carried out on a fair value basis. Fair value is defined as “*the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date*”.



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We have conducted our valuation in accordance with International Financial Reporting Standards 13 (“IFRS 13”) & International Accounting Standards 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. We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Our opinion on the fair value of the Biological Assets was developed through the adoption of cost approach and market approach given the existence of an active market for the Biological Assets and the stage of the Biological Assets in rearing cycle. Under market approach, the values depend on two major parameters, unit price and quantity. The availability of quoted prices and measurable quantity of the Biological Assets form the basis of our choice for this approach.

In conducting our valuation of the Biological Assets, we have conducted interviews and discussions with the management and conducted research using various public sources and publications.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Biological Assets.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of the Biological Assets as at the Valuation Date(s) is reasonably stated as follow:

Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<i>Fair Value of the Biological Assets (RMB)</i>					
31 May 2022	13,647,192	11,669	400,269,198	16,476,239	58,518,097
31 May 2023	19,726,760	12,397	341,331,771	18,685,489	68,486,494

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the limiting conditions contained therein.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director



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## INTRODUCTION

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the fair value of fertile eggs, commodity chicks, broilers, and immature/ mature breeders (the “Biological Assets” or the “Poultry”) belonging to Dekon Food and Agriculture Group (四川德康农牧食品集团股份有限公司, “Dekon” or the “Company”) and its subsidiaries (collectively, the “Group”) as at 31 May 2022 and 31 May 2023 (the “Valuation Date(s)"). The report which follows is dated 11 July 2023 (the “Report Date”).

## PURPOSE OF VALUATION

This valuation will be used for accounting reference purpose only.

## BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date”.

## BASIS OF OPINION

We understand that the objective of this valuation exercise is to assist the Company’s auditor in recognizing the value of the Company’s Biological Assets in accordance with the International Accounting Standard 41 (“IAS 41”), issued by International Accounting Standards Board. IAS 41 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activities refer to the management of the biological transformation of biological assets, defined as living animals or plants, into agricultural produce, defined as harvested produce.

IAS 41 presumes that fair value can be reliably measured for most biological assets. The following guidance is provided on the measurement of fair value.

- a quoted market price in an active market for a biological asset or agricultural produce is the most reliable basis for determining the fair value of that asset. If an active market does not exist, market-determined price such as the most recent market price for that type of asset, or market prices for similar or related assets can be used; IAS 41 B27
- if reliable market-based prices are not available, the present value of expected net cash flows from the asset should be used; IAS 41 B27
- in limited circumstances, cost is an indicator of fair value, where little biological transformation has taken place or the impact of biological transformation on price is not expected to be material; IAS 41.24 and
- the fair value of a biological asset is based on current quoted market prices and is not adjusted to reflect the actual price in a binding sale contract that provides for delivery at a future date. IAS 41.16

IFRS 13 also provides guidance on the measurement of the fair value as follows.

- takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability; IFRS 13.11
- assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability; IFRS 13.24
- uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs; IFRS 13.61 & IFRS 13.67; and
- IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. IFRS 13.72

With reference to IFRS 13 and IAS 41, we have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed have included the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we considered essential to the proper understanding of the valuation would be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Analytical review of the subject asset.

We had planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidences to express our opinion on the subject asset.



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## BACKGROUND

Dekon Food and Agriculture Group, (四川德康农牧食品集团股份有限公司, the “Company”) was established in the People’s Republic of China (the “PRC”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company was registered in Shuangliu District, Chengdu City, Sichuan Province and was previously known as 四川德康农牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 10 May 2019. The Company and its subsidiaries (the “Subsidiaries”) are now principally engaged in three segments, i.e., pig, poultry, and ancillary products. The Subsidiaries that are mainly engaged in the production and sale of poultry as at the Valuation Date(s) are listed as follows.

No.	Name	Date of establishment	Relationship
1	四川德康农牧食品集团股份有限公司	11-Apr-14	Company
2	重庆市璧山区德康家禽养殖有限公司	27-Apr-07	Subsidiary
3	重庆市长寿区德康家禽养殖有限公司	3-Jun-08	Subsidiary
4	重庆市梁平区柚乡德康家禽养殖有限公司	18-May-10	Subsidiary

No.	Name	Date of establishment	Relationship
5	岳池德康家禽养殖有限公司	13-Jan-09	Subsidiary
6	德阳德康家禽养殖有限公司	24-Sep-09	Subsidiary
7	长宁县德康竹海养殖有限公司	24-Nov-10	Subsidiary
8	玉林德康家禽养殖有限公司	21-May-18	Subsidiary
9	贵州贵安新区德康家禽养殖有限公司	20-May-11	Subsidiary
10	息烽德康家禽养殖有限公司	16-Dec-08	Subsidiary
11	紫云德康家禽养殖有限公司	10-Nov-16	Subsidiary
12	广东智威农业科技股份有限公司	10-Jul-03	Subsidiary
13	广东智成食品有限公司	23-Aug-07	Subsidiary
14	清远市清新区华威农业科技有限公司	20-Jun-05	Subsidiary
15	开平金鸡王禽业有限公司	11-Nov-02	Subsidiary
16	广东智威农业科技股份有限公司英德分公司	18-Oct-17	Subsidiary
17	郁南德康家禽养殖有限公司	22-Feb-19	Subsidiary
18	广东智威优质鸡畜牧有限公司	11-Aug-20	Subsidiary
19	昆明德康家禽养殖有限公司	30-Sep-09	Subsidiary
20	石林德康家禽养殖有限公司	28-Jan-11	Subsidiary
21	成都天添农牧有限公司	4-Jan-12	Subsidiary
22	贵阳德康食品有限公司	7-Feb-18	Subsidiary
23	成都德康好鲜生供应链管理有限公司	7-Dec-20	Subsidiary



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## VALUATION METHODOLOGY

### *Discussion on Biological Assets vs. Non-Biological Fixed Assets*

Through controlled processes, both biological and non-biological fixed assets can produce tangible results and contribute to the value of an existing economic operation. However, biological assets are different from fixed assets in nature and form.

Biological assets are living animals or plants while fixed assets are usually associated with non-living tangible forms like real estate and plant and machinery. Biological assets require management of its biological transformation in order to grow, mature and produce harvestable products. Their physical aspects change constantly through time while that of fixed assets are relatively stable. Although changes also occur to fixed assets due to physical wear and tear, economic obsolescence, and/or renewal and expansion, these changes can often be objectively traced by means of a simple audit of related costs and capital expenses spent on the fixed assets. However, in the case of biological assets, apart from purchases or sales of the assets, the only major cause of the changes in biological assets is the natural growth cycle that can be varied and difficult to trace. The actual growth of the

biological assets may be affected by factors such as weather, natural effect of growth, livability, disease, management of the assets, environmental conditions, etc.

As such, valuation of biological assets warrants a thorough understanding of the attributes mentioned above in order to arrive at a credible and acceptable result.

---

*Discussion on Methodologies*

In arriving at our assessed values, we have considered three generally accepted approaches, namely the market approach, the cost approach and the 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.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*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.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*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.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

### *Selection of Valuation Approach and Methodology*

#### *Fertile Eggs and Commodity Chicks*

The fair value of the Fertile Eggs and Commodity Chicks were derived through the market approach, by multiplying the market prices for different species/categories by their corresponding quantities, less the expected expenses (if any) to complete.

#### *Broilers*

The market approach was adopted for valuing Broilers. Broilers were assumed to be sold live or slaughtered when they reach certain age (for production of poultry products). The fair value of Broilers were derived by assuming the market prices of the broilers for sale as the estimated price receivable upon completion, multiplying the unit price by the corresponding quantities, less the expected costs to complete.

#### *Immature Breeders and Mature Breeders*

The replacement cost approach under cost approach was adopted for valuing Immature/ Mature Breeders. As there were no actively trading markets for Immature/ Mature Breeders at specific ages during the production cycles, the market prices for the Parent Stock DOCs (“种鸡苗”, the day-old chicks that are bred for the purpose of laying fertile eggs) and the Culled Breeders (“淘汰鸡”) were obtained. The feeding costs for rearing the broiler breeders were also taken into consideration to assess the fair value of Immature Breeders. The value of Mature Breeders was adjusted based on the egg production (number of eggs laying) for breeding hens and service lives (number of years mating) for breeding cocks.

### *Appointment of Expert*

We have appointed an expert consultant, Professor Tan Zhankun, (the “Expert Consultant”), from Tibet Agriculture and Animal Husbandry University, to join our team and assist in the exercise. Such appointment is necessary due to the importance of a thorough understanding of the current physical and biological attributes of the Biological Assets. The primary role of the Expert Consultant is to provide assistance and advice on the biological aspects of the Biological Assets in order for us to have a better understanding of the nature of the subject asset. We have 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 Biological Assets in the preparation of this valuation report.

### SOURCE OF INFORMATION

This report was compiled after consideration of all relevant information obtained from the Company and other public sources. Documents and information received includes but were not limited to,

- Background information;
- Legal documents related to the Company;
- The Company’s inventory records;
- The Company’s sales records;
- Operating and market information of the Company;
- The historical financial information of the Company;

We have also conducted interviews and held discussions with the managements of the Company. We have relied to a considerable extent on information provided in arriving at our opinion of value. We believe that the information provided by the Company is reasonable and reliable.

## ASSUMPTIONS AND PARAMETERS

Assumptions and parameters considered to have significant effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions and parameters in determining the fair value of the Biological Assets have been applied.

### *Classification*

In this exercise, the Biological Assets have been classified into certain categories as below, based on the age, weight and purpose.

Biological Assets	Description
Fertile Eggs 种蛋	the fertilised eggs laid by breeders, which are incubated for approximately 21 days and hatched into poultry breeds
Commodity Chicks 商品鸡苗	The day-old chicks hatched from fertile eggs, which will then be delivered to broiler farms for breeding into broilers
Broilers 商品鸡	the poultry bred for the production of poultry meat products

Biological Assets	Description
Immature Breeders 后备鸡	the poultry of less than 24 weeks old which are grown from Parent Stock DOCs for the purpose of laying fertile eggs
Mature Breeders 成熟种鸡	the mature poultry of 24 weeks old which are grown from Parent Stock DOCs and used for laying fertile eggs

The Group feeds the Broilers in six provinces and sells Broilers by three categories (Category I, Category II, and Category III) based on their ages and species.

**Quantity**

This valuation has relied on the figures and information provided by the Company for the Biological Assets as at the Valuation Date(s).

Near the Valuation Date of 31 May 2023, we, together with the Company's auditors, sponsors, and lawyers, conducted stocktaking on the Biological Assets. We first collected the operating statistics from the Company including poultry farms allocations and the number, type and size of the Biological Assets in each of the poultry farm. Based on the information, a statistically significant number of poultry farms were selected and a physical count was conducted to verify the quantity of the Biological Assets.

We have supervised the stocktaking of all the selected farms and verified the type and size of the Biological Assets provided by the Company. There was no significant difference between our stocktaking results and the Company's inventory records.

For the rest of the Valuation Date(s), we did not conduct stocktaking to check the accuracy.

Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗
<b>Quantity of the Biological Assets (head)</b>		
31 May 2022	11,372,660	13,260
31 May 2023	12,564,815	21,012

Valuation Dates	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<b>Quantity of the Biological Assets (head)</b>			
31 May 2022	24,163,193	647,314	987,645
31 May 2023	26,623,245	632,751	1,106,478

### *Market Prices*

The market price is based on the transacted prices of Fertile Eggs, Commodity Chicks, Broilers, Parent Stock DOCs and Culled Breeders observed at or near the Valuation Date in the respective market and company sales recordings. The Company operates the business across different provinces/ areas, and each province/ area has its own specific supply and demand dynamics because of differences in factors such as rearing cost (in particular feed cost), transportation cost and consumption habits. Therefore, these factors might result in different market prices of boilers that the Company produced and sold in different locations on the same date.

Market prices for Fertile Eggs, Commodity Chicks, Broilers, Parent Stock DOCs and Culled Breeders in different provinces/ areas have been analysed based on the information provided by the management and the details are set out in Appendix I.

*In valuing the fair value of Commodity Chicks, the following key assumptions and parameters were considered*

### *Cost to Complete*

The sale of the Commodity Chicks normally requires shipments to the customers. Therefore, the cost to complete has been estimated based on the historical transportation expenses in valuing the value of Commodity Chicks.

Valuation Dates	Cost to Complete (RMB/head)
31 May 2022	0.13
31 May 2023	0.11

---

*In valuing the fair value of Broilers, the following key assumptions and parameters were considered.*

***Mortality Rate***

As there is the probability that Broilers might be dead due to diseases, epidemics, accidents or natural forces during rearing cycle (from being hatched to being sold), the mortality since the Valuation Date(s) until complete and sold has been taken into consideration. In this exercise, the mortality rate for three categories of Broilers in six provinces from birth to sale was with reference to the historical actual mortality rate, which was calculated as the number of broilers dead divided by the number of broilers born. The details are set out in Appendix II.

***Average Age for Sale***

With reference to the historical sales records and to the best estimation of the management, Broilers are assumed to be sold when they reach the certain age, which are set out in Appendix II.

***Body Weight***

The average body weight of the Broilers when they are sold was determined based on the Company's operating and rearing experience and the details are set out in Appendix II.

***Cost to Complete***

The costs required to feed Broilers since the Valuation Date(s) until they were sold were incorporated and were estimated based on the historical average costs provided by the Company. The costs include feeding cost, medication and vaccination, labour, production overheads, etc.



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*In valuing the fair value of Immature/ Mature Breeders, the following key assumptions and parameters were considered.*

***Service Lives***

To the best estimation of the management, Mature Breeders normally used for mating until they are culled and sold as Culled Breeders at residual value. The value of male Mature Breeders is depreciated on straight-line basis over the service lives, while the value of female Mature Breeders is depreciated on units-of-production basis over the service lives.

***Other Assumptions***

In this valuation exercise, we assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. We 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 the business of the Company.

**VALUATION COMMENTS**

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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## RISK FACTORS

### - *Fluctuation of Prices*

While the Biological Assets are not subjected to any government pricing control, production quota or restrictions, there is no assurance that the market prices will not experience significant fluctuations which will materially affect the values of the Biological Assets.

### - *Subject to Changes in Political, Economic and Regulatory Environment in China*

The Company is subject to various laws and regulations governing the operations of the poultry farms in China. Future political and economic changes in these regions might have either favorable or unfavorable impacts on the valuation of the Biological Assets.

### - *Natural Disasters and Outbreaks of Diseases*

The operation of the poultry farms are, by nature, subjected to a high degree of exposure to risks of diseases, natural disasters and adverse weather conditions such as droughts, earthquakes, windstorms, pests and epidemics. A major outbreak of any illness or disease in poultry in the PRC could lead to a serious loss of consumer confidence in, and

demand for, related products. A major outbreak of Avian Influenza (“AI”) or other serious disease in the regions could lead to significant shortfalls in the supply of broilers.

### - *Illegal Product Tampering and Quality Control*

In common with other consumer product manufacturers, the Company may be subject to product liability claims if products are found to be unfit for consumption or cause illness. Products may be rendered unfit for consumption due to contamination of ingredients, whether accidental or not, and illegal tampering. The occurrence of such problems may result in product recalls and serious damage to the Company’s reputation and brand, as well as product liability claims in excess of current insurance coverage and a loss of revenues.

## OPINION OF VALUES

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that the fair value of the Biological Assets as at the Valuation Dates is reasonably stated as follow:

Valuation Dates	Fertile Eggs 种蛋	Commodity Chicks 商品鸡苗
<b>Fair Value of the Biological Assets (RMB)</b>		
31 May 2022	13,647,192	11,669
31 May 2023	19,726,760	12,397

Valuation Dates	Broilers 商品鸡	Immature Breeders 后备鸡	Mature Breeders 成熟种鸡
<b>Fair Value of the Biological Assets (RMB)</b>			
31 May 2022	400,269,198	16,476,239	58,518,097
31 May 2023	341,331,771	18,685,489	68,486,494

## LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**



**Simon M.K. Chan**

Executive Director

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## EXHIBIT A – LIMITING CONDITIONS

1. In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Client / Target Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our Report was used as part of the analysis of the Client / Target Company in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Client.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The board of directors and the management of Client / Target Company have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might

adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client / Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This Report is confidential to the Client and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Valuation Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed to and no

responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by parties interested in the Subject, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. The Client / Target Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

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15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Client / Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Client / Target Company and other sources. Actual transactions involving the Subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time. The transaction amount does not need to be close to the result as estimated in this report.
17. The board of directors, management, staff, and representatives of the Client / Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client / Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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**EXHIBIT B – VALUERS’ PROFESSIONAL DECLARATION**

- The following valuers certify, to the best of their knowledge and belief, that:
- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M.K. Chan**

Executive Director

**Hunter Z.W. He**

Senior Director

**Jessie J.Q. Zhou**

Director

**Carol X.T. Huang**

Assistant Manager

## APPENDIX I – MARKET PRICES

### *Market Prices for Fertile Eggs*

Unit: RMB per egg (except specially mentioned)

Valuation Dates	Market Prices for Fertile Eggs
31 May 2022	1.20
31 May 2023	1.57

### *Market Prices for Parent Stock DOCs*

Unit: RMB per head (except specially mentioned)

Valuation Dates	Southwest Region 西南地区		South China 华南地区	
	Male 公	Female 母	Male 公	Female 母
31 May 2022	4.31	6.10	1.86	3.06
31 May 2023	3.85	5.97	1.26	3.02

### *Market Prices for Culled Breeders*

Unit: RMB per head (except specially mentioned)

Valuation Dates	Southwest Region 西南地区		South China 华南地区	
	Male 公	Female 母	Male 公	Female 母
31 May 2022	12.98	14.26	14.48	16.88
31 May 2023	14.39	14.48	13.89	16.48



**Market Prices for Broilers as of 31 May 2022**

Unit: RMB per kg (except specially mentioned)

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	16.46	16.10	14.09	13.65	12.64	N/A
重庆	16.49	17.00	14.11	13.19	12.54	12.56
贵州	17.34	N/A	15.24	N/A	11.65	N/A
云南	21.02	20.27	15.15	16.01	15.30	15.32
广西	N/A	17.18	N/A	14.82	N/A	N/A
广东	15.31	20.34	N/A	16.91	N/A	13.25

**Market Prices for Broilers as of 31 May 2023**

Unit: RMB per kg (except specially mentioned)

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	14.15	N/A	12.35	11.99	12.68	12.96
重庆	18.08	N/A	12.03	11.62	11.57	11.50
贵州	15.59	N/A	13.47	N/A	12.35	N/A
云南	18.78	18.52	13.33	14.10	12.63	12.59
广西	13.77	15.96	12.00	13.88	N/A	13.81
广东	N/A	19.47	N/A	15.22	N/A	12.00

## APPENDIX II – ASSUMPTIONS FOR BROILERS VALUATION

### *Mortality Rate*

Province 省份	Category I	Category II	Category III
四川	12.90%	6.50%	5.80%
重庆	7.00%	6.00%	6.00%
贵州	9.50%	8.00%	7.50%
云南	12.00%	8.00%	7.00%
广西	8.00%	7.00%	6.00%
广东	4.50%	4.50%	5.50%

### *Age for Sale*

Unit: Day

Province 省份	Category I	Category II	Category III
四川	125	82	72
重庆	105	82	75
贵州	105	86	75
云南	135	90	81
广西	113	94	65
广东	130	105	75

### *Body Weight*

Unit: Kg

Province 省份	Category I		Category II		Category III	
	Male 公	Female 母	Male 公	Female 母	Male 公	Female 母
四川	3.30	2.90	2.80	2.35	2.57	2.57
重庆	2.50	2.05	2.65	2.15	2.55	2.10
贵州	3.73	3.05	3.08	2.58	2.85	2.85
云南	2.90	2.90	3.20	3.20	3.13	2.58
广西	1.98	1.98	1.88	1.88	1.85	1.85
广东	1.68	1.68	1.63	1.63	1.38	1.38

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