

## SUMMARY

*This summary aims to give you an overview of the information contained in this document and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire document carefully before making your [REDACTED] decision. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section entitled “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].*

### OVERVIEW

We are a rapidly growing livestock and poultry breeding and farming enterprise in China, focusing on the breeding and farming of pigs and yellow-feathered broilers. With a vertically integrated industry chain covering the breeding and farming of pigs and yellow-feathered broilers and feed production, we are committed to becoming a quality food manufacturing enterprise with full industry chain capabilities in China. Apart from the Self-operated Farm model, we also adopt the Family Farm model, under which we cooperate primarily with individual owners of farms which are Independent Third Parties in our pigs and broiler production. Our results of operation have grown rapidly since our inception, with an increase in the sales volume of our pigs by more than 100 times in the last 10 years. As at 31 May 2023, our business footprint covered 39 cities across 13 provinces and autonomous regions in China. According to the Frost & Sullivan Report, China’s pig market is highly fragmented, with the top three players each accounting for a market share of 7.7%, 2.6% and 1.7%, respectively, in terms of sales volume of pigs for 2022; we ranked sixth among all pig suppliers in China in terms of sales volume of pigs with a market share of 0.8%. According to the same report, for 2022, we ranked third among all yellow-feathered broiler suppliers in China in terms of sales volume of yellow-feathered broilers with a market share of 2.1% while the top player had a market share of 28.2%.

Our business consists of three segments, namely pig, poultry, and ancillary products, which mainly include feed ingredients. Products of our pig segment mainly include market hogs, breeding pigs, market piglets and boar semen. Products of our poultry segment mainly include yellow-feathered broilers and chicks. In addition to breeding and farming of pigs and yellow-feathered broilers at our own facilities, we also cooperate with farm owners in pig and poultry production. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, our pig segment contributed to 70.6%, 72.4%, 78.1%, 75.2% and 78.8% of our total revenue, our poultry segment contributed to 28.1%, 26.4%, 21.4%, 24.3% and 19.9% of our total revenue, and our ancillary products segment contributed to 1.3%, 1.2%, 0.5%, 0.6% and 1.3% of our total revenue, respectively. Our profit/(loss) for the year/period was a net profit of RMB3,608.4 million, a net loss of RMB3,172.7 million, a net profit of RMB909.8 million and a net loss of RMB1,548.6 million and a net loss of RMB2,184.5 million for 2020, 2021 and 2022, and for the five months ended 31 May 2022 and 2023, respectively. We currently expect we will incur significant net loss in 2023, primarily as a result of the low market price of market hogs during the period from January to September 2023.

### *Our farming business models*

Our pig farming is conducted under the No. 2 Family Farm, No. 1 Family Farm and Self-operated Farm models:

- *No. 2 Family Farm model.* It is a model under which we cooperate with farm owners to raise sows, and to produce weaned piglets that are fattened either in the No. 2 Family Farm or nearby No. 1 Family Farms. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sales of pigs raised under the No. 2 Family Farm model amounted to RMB1,596.6 million, RMB1,478.7 million, RMB1,763.1 million, RMB500.9 million and RMB760.1 million which accounted for 27.8%, 20.6%, 15.0%, 14.5% and 15.2% of our total revenue from the sales of pigs, respectively.
- *No. 1 Family Farm model.* It is a model under which farm owners fatten our weaned piglets. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sales of pigs raised under the No. 1 Family Farm model amounted to RMB3,626.1 million, RMB3,935.0 million, RMB8,064.7 million, RMB2,281.2 million and RMB3,464.3 million, which accounted for 63.1%, 54.9%, 68.7%, 66.3% and 69.0% of our total revenue from the sales of pigs, respectively.

## SUMMARY

- *Self-operated Farm model.* It is a model under which we build the farm and employ labour force to carry out scaled breeding, fattening and other related process. This model has the advantage of high level of centralisation and standardisation, which allows us to implement an efficient management system. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sales of pigs raised under the Self-operated Farm model amounted to RMB525.0 million, RMB1,754.4 million, RMB1,917.2 million, RMB661.5 million and RMB789.9 million, which accounted for 9.1%, 24.5%, 16.3%, 19.2% and 15.8% of our total revenue from the sales of pigs, respectively.

For details, please refer to the section headed “Business – Production – Pig Production” in this document.

We breed and select chicken breeders, and hatch fertile eggs in our own poultry farms and hatcheries. For broiler farming, we adopt the Poultry Family Farm model and Poultry Farming Base model:

- *Poultry Family Farm model.* It is a model under which family farms provide the land and facilities and raise the yellow-feathered broilers according to our standards, while we provide chicks, feed, medicines and technical support. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sales of yellow-feathered broilers raised under the Poultry Family Farm model amounted to RMB2,074.0 million, RMB2,419.0 million, RMB3,028.7 million, RMB1,049.8 million and RMB1,176.0 million, which accounted for 95.9%, 96.0%, 97.3%, 97.2% and 95.5% of our total revenue from the sales of yellow-feathered broilers for the same periods, respectively.
- *Poultry Farming Base model.* It is a model under which we build facilities by ourselves and lease the land and facilities to farm owners while the farm owners raise the yellow-feathered broilers. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sale of yellow-feathered broilers raised under the Poultry Farming Base model amounted to RMB50.7 million, RMB51.9 million, RMB28.4 million, RMB9.4 million and RMB34.2 million which accounted for 2.0%, 1.8%, 0.9%, 0.9% and 2.8% of the total revenue from the sales of yellow-feathered broilers for the same periods, respectively.

For details, please refer to the section headed “Business – Production – Poultry Production” in this document.

### *Contract Farming*

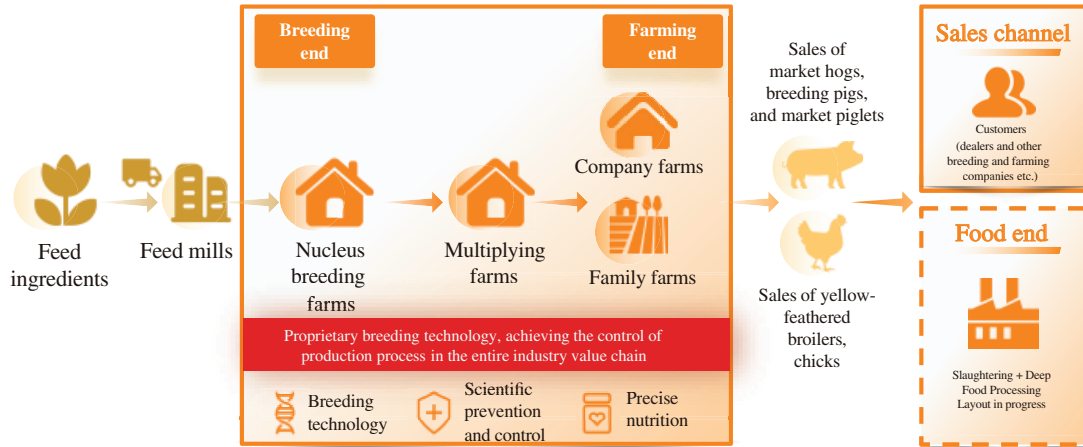
We cooperate with a wide base of farm owners to produce pigs and poultries under our family farm models. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue from the sale of pigs and yellow-feathered broilers raised under the family farm models amounted to RMB7,347.4 million, RMB7,884.6 million, RMB12,884.9 million, RMB3,841.3 million and RMB5,434.6 million, representing 90.2%, 79.6%, 85.7%, 83.8% and 85.4% of our total revenue during the same periods, respectively. For details, please refer to the section headed “Business – Production – Contract Farming” in this document.

We have advanced R&D capabilities in China, and we were the only breeding and farming enterprise in China that had two national key leading enterprises in agricultural industrialisation (農業產業化國家重點龍頭企業) and two national-level core pig breeding farms (國家級生豬核心育種場) as at 31 December 2022 according to the Frost & Sullivan Report. As at the Latest Practicable Date, we have established the Key Laboratory for Poultry Genetics and Breeding of the Ministry of Agriculture (農業部家禽遺傳育種重點實驗室), the Leading Enterprise Technology Innovation Centre of the National Spark Programme (國家星火計劃龍頭企業技術創新中心), two national-level core pig breeding farms, the National Huiyang Bearded Chicken Breeding Farm, the “Guangdong Biological Germplasm Resource Bank – Domestic Livestock & Poultry Germplasm Resource Bank” (廣東省生物種質資源庫 – 畜禽種質資源庫) and was selected as one of the National Livestock and Poultry Agriculture Constituent Enterprises (國家畜禽種業陣型企業). We have also cooperated with research institutions to build a number of national and ministerial breeding platforms and key laboratories, including the National Pig Technology Innovation Centre – Breeding R&D Centre (國家生豬技術創新中心 – 養殖研發中心). In recent years, by leveraging our strong R&D capabilities, advanced genetic resources and breeding system, we have conducted more than 50 national, provincial and ministerial R&D projects, including multiple National High-tech R&D Programs of China (863 Programme).

## SUMMARY

### Our Business Model and Products

We primarily engage in the breeding and farming of pigs and yellow-feathered broilers. Our vertically integrated business model covers the industry value chain from feed production, breeding, multiplication, farming to sales of pigs and yellow-feathered broilers, which gives us a high degree of control over food quality and safety. Furthermore, we cooperate with farm owners in our pig and poultry production. We provide farm owners with quality breeding pigs and yellow-feathered chicks, techniques, supervision, training and support, while farm owners provide land and facilities and breed and/or raise pigs and poultry for contractual fees. This asset-light family farm model allows us to expand rapidly and equips us with the scale to continuously optimise our standardised farming system and enhance our technological edge. It also incentivises farm owners by improving their livelihood, thereby creating a mutually beneficial cycle. We sell our pigs and poultry products and ancillary products generated in the course of production. The diagram below illustrates our business model:



For details, please refer to the section headed “Business – Our Business Model and Products” in this document.

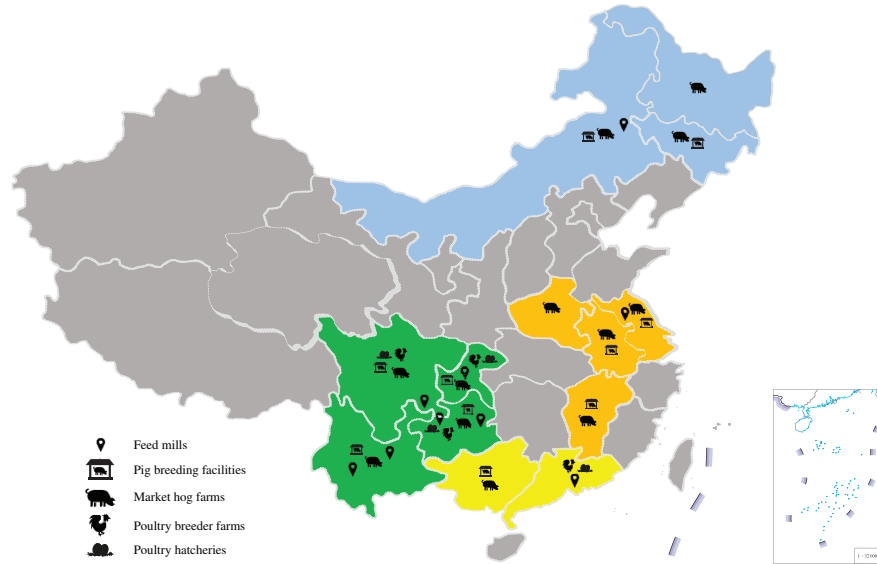
SUMMARY

The following table sets out a breakdown of our revenue by business segment and product category (after elimination of inter-segment transactions) for the Track Record Period:

	For the year ended 31 December				For the five months ended 31 May					
	2021		2022		2022		2023			
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue		
			(RMB'000, except for percentages)		(unaudited)		(unaudited)			
Sales of pigs	5,518,420	67.7%	6,257,708	63.2%	11,522,294	76.6%	3,378,024	73.7%	4,873,999	76.6%
Market hogs	148,167	1.8%	461,003	4.7%	69,345	0.5%	15,626	0.3%	24,415	0.4%
Breeding pigs	80,682	1.0%	449,206	4.5%	151,185	1.0%	49,864	1.1%	112,283	1.8%
Market piglets	428	0.0%	238	0.0%	2,232	0.0%	82	0.1%	3,618	0.1%
Boar semen										
<b>Subtotal</b>	<b>5,747,697</b>	<b>70.6%</b>	<b>7,168,155</b>	<b>72.4%</b>	<b>11,745,056</b>	<b>78.1%</b>	<b>3,443,596</b>	<b>75.2%</b>	<b>5,014,315</b>	<b>78.8%</b>
Sales of poultry	2,161,790	26.5%	2,519,729	25.4%	3,111,610	20.7%	1,079,536	23.6%	1,231,882	19.4%
Yellow-feathered broilers	125,993	1.5%	98,353	1.0%	103,726	0.7%	32,171	0.7%	33,276	0.5%
Chicks and eggs										
<b>Subtotal</b>	<b>2,287,783</b>	<b>28.1%</b>	<b>2,618,082</b>	<b>26.4%</b>	<b>3,215,336</b>	<b>21.4%</b>	<b>1,111,707</b>	<b>24.3%</b>	<b>1,265,158</b>	<b>19.9%</b>
Sales of ancillary products	109,869	1.3%	115,329	1.2%	76,635	0.5%	25,909	0.5%	82,771	1.3%
<b>Total</b>	<b>8,145,349</b>	<b>100.0%</b>	<b>9,901,566</b>	<b>100.0%</b>	<b>15,037,027</b>	<b>100.0%</b>	<b>4,581,212</b>	<b>100.0%</b>	<b>6,362,244</b>	<b>100.0%</b>

## SUMMARY

The map and tables below illustrate the geographical location of our main production facilities and family farms as at 31 May 2023.



Pig farms					Poultry farms			
Nucleus breeding farms, boar studs and multiplying farms					Our self-operated breeder farms			
As at 31 May 2023					As at 31 May 2023			
Regions	Nucleus breeding farms Number	Boar studs Number	Multiplying farms Number	Total Number	Regions	Number		
Southwest China	7	6	75	88	Southwest China	8		
East China	1	1	10	12	South China	6		
South China	1	-	3	4	<b>Total</b>	<b>14</b>		
Others <sup>(1)</sup>	1	1	7	9				
<b>Total</b>	<b>10</b>	<b>8</b>	<b>95</b>	<b>113</b>				
Market hog farms					Our self-operated hatcheries			
As at 31 May 2023					As at 31 May 2023			
Regions	Our self-operated Pig farms Number		Family farms Number		Regions	Number		
Southwest China	27		2,196		Southwest China	6		
East China	9		205		South China	4		
South China	2		160		<b>Total</b>	<b>10</b>		
Others <sup>(1)</sup>	5		47					
<b>Total</b>	<b>43</b>		<b>2,608</b>					
Feed mills					Family farms and farming bases			
As at 31 May 2023					As at 31 May 2023			
Regions	Number				Regions	Family farms Number	Farming bases Number	Total Number
Southwest China	8				Southwest China	1,801	72	1,873
South China	2				South China	1,625	-	1,625
East China	1				<b>Total</b>	<b>3,426</b>	<b>72</b>	<b>3,498</b>
Others <sup>(2)</sup>	1							
<b>Total</b>	<b>12</b>							

Notes:

- (1) Others include Henan, Inner Mongolia and Jilin.
- (2) Others include Inner Mongolia.

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## SUMMARY

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### ***Expansion into Food Processing Business***

By leveraging our strengths in the breeding and farming of pigs and poultry, we plan to extend our business to downstream sectors, including the slaughtering and processing of pigs and poultry, and the production and sales of fresh pork and chicken meat and processed meat products. Our vertically integrated business model would allow us a high degree of control over quality and safety across the entire value chain, spanning from sourcing feed ingredients to production and sale of final food products. We believe the traceability of the final food products will instil consumers’ confidence in our food safety and quality and allow us to build a high-end food brand. As at the Latest Practicable Date, we had a food processing plant project in progress in Yibin City, Sichuan Province, of which the slaughterhouse began operations in October 2023 with a target annual slaughtering capacity of over three million heads of pigs. We have also established a joint venture with Tönnies (one of the largest integrated meat product enterprise in Germany) and are constructing a slaughterhouse in Meishan City, Sichuan Province with a target initial annual slaughtering capacity of over two million heads of pigs. For details, please refer to the section headed “Business – Our Business Model and Products – Expansion into Food Processing Business” in this document.

### **OUR COMPETITIVE STRENGTH**

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- Desirable scale and growth rate in China, well-positioned to achieve sustainable rapid growth
- Mutually beneficial farming models with strong penetration and expansion capabilities, improving farming efficiency
- Advanced platform and technology system, with significant advantages and outstanding performance
- A sound animal health management system, ensuring our biological and food safety
- An efficient and standardised operation and management system, covering all business aspects from procurement to production and sales
- A visionary and practical management team, supported by all-round talents

For details, please refer to the section headed “Business – Our Competitive Strengths” in this document.

### **OUR BUSINESS STRATEGIES**

We plan to further implement the following strategies:

- By leveraging our No. 2 Family Farm model and the integration of our self-operated farms and family farms, we intend to achieve cost-effective and efficient expansion of our pig and yellow-feathered broiler farming business to solidify our market position.
- Continue to increase investment in R&D to improve breeding and farming technology, and further improve breeding efficiency and cost-effectiveness.
- Expand our business into the production and processing of meat products to achieve upstream and downstream integration, and strive to become the leader of high-quality food in China.
- Enhance competitiveness through domestic and foreign investment, acquisitions and cooperation opportunities around our industry value chain.
- Continue to attract, train and motivate talents, strengthen cooperation with world-class talents in R&D, and lay a solid foundation for long-term development.
- Increase investment in ESG, including the investment in the “Hundred Villages and Million Pigs (百村百萬)” project with an aim of benefiting 100 villages in one county, employing 10,000 people, achieving annual production of 1 million pigs, construction of slaughtering and processing plants with an annual capacity of 1 million pigs and annual production of 100,000 mu of organic vegetables and fruits, observe the national action plan for fertiliser reduction, put into practice the cycling of planting and farming, and create a benchmark for sustainable agricultural development.

For details, please refer to the section headed “Business – Our Business Strategies” in this document.



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## SUMMARY

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### COMPETITION

We mainly compete with pig and yellow-feathered broiler breeding and farming companies in the PRC. According to the Frost & Sullivan Report, unlike the low entry barriers for small-scale farmers, large-scale pig and poultry breeding and farming enterprises face high barriers in terms of management, funds, technologies, channels, talents, etc. According to the Frost & Sullivan Report, for 2022, we were one of the top ten breeding pig providers in the PRC in terms of sales volume of breeding pigs. According to the Frost & Sullivan Report, China’s pig market is highly fragmented, with the top three players each accounting for a market share of 7.7%, 2.6% and 1.7%, respectively, in terms of sales volume of pigs for 2022; we ranked sixth among all pig suppliers in China in terms of sales volume of pigs with a market share of 0.8%. According to the same report, for 2022, we ranked third among all yellow-feathered broiler suppliers in China in terms of sales volume of yellow-feathered broilers with a market share of 2.1% while the top player had a market share of 28.2%. It is expected that the trend of industry concentration will continue to accelerate due to growing scrutiny over food safety matters. Competition for our products in the PRC is primarily based on large-scale batch production capability, brand recognition, quality, genetic traits, price, marketing strategies as well as distribution network. For details of our competitive advantages, please refer to the section headed “Business – Our Competitive Strengths” in this document. For challenges and threat we encounter during our business operation, please refer to the section headed “Industry Overview” in this document.

### QUALITY CONTROL AND FOOD SAFETY

We are committed to providing safe, quality and reliable products. We adopt strict quality control and food management systems from raw material procurement, feed production, pig and poultry production to fully cover all stages of our operation.

We closely monitor animal disease outbreak on our farms and family farms and have developed various disease cleansing programmes in response to reports of disease outbreaks. We implement strict biosecurity measures and promptly eliminate diseased animals once identified. We also divide our pigs and broilers into smaller groups during farming process to prevent the spreading of the disease. During the Track Record Period and up to the Latest Practicable Date, there had been no material animal disease outbreak in our self-operated and family farms.

For details, please refer to the section headed “Business – Quality Control and Food Safety” in this document.

### OUR CUSTOMERS

We have different types of customers for our products. Customers for our market hogs are mainly pig dealers. Customers for our breeding pigs and market piglets are mainly large-scale pig breeding and farming companies and to a lesser extent, small and medium-sized farms. Customers for our broilers mainly include dealers. Our chicks customers mainly include dealers and broiler farmers. During the Track Record Period, all of our customers were based in the PRC. For 2020, 2021, 2022 and the five months ended 31 May 2023, our sales to the top five customers for each respective year or period accounted for 8.6%, 10.1%, 11.9% and 16.3% of our total revenue, respectively. Our sales to our largest customer for 2020, 2021, 2022 and the five months ended 31 May 2023 accounted for 2.5%, 3.2%, 3.4% and 6.7% of our total revenue during the same periods, respectively. For each of the years/period during the Track Record Period, none of the Directors, Supervisors, their respective associates or Shareholders who own 5% or more of the Company’s issued share capital had any interest in the top five customers.

We set the price of our products primarily based on market conditions. Please refer to the sections headed “Business – Sales – Sales of our Pig Segment” and “Business – Sales – Sales of our Poultry Segment” in this document for details.

### OUR SUPPLIERS

During the Track Record Period, we procured raw materials including (i) feed, (ii) feed ingredients, such as corn, soybean meal, and other by-products, and (iii) veterinary medicines and vaccines. For 2020, 2021, 2022 and the five months ended 31 May 2023, our purchases from the top five suppliers for each respective year or period accounted for 25.6%, 22.1%, 24.6% and 28.1% of our total cost of sales, respectively. For the same periods, our purchases from the single largest supplier for 2020, 2021, 2022 and the five months ended 31 May 2023 accounted for 6.1%, 6.3%, 6.4% and 7.3% of our total cost of sales during the same period, respectively. For each of the years/period during the Track Record Period, except for Tequ Husbandry, all our top five suppliers are Independent Third Parties, and no Directors, Supervisors, their respective associates or Shareholders who own 5% or more of the Company’s issued share capital have any interest in the top five suppliers.

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## SUMMARY

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### RISK FACTORS

Our business and the [REDACTED] involve certain risks, which are set out in “Risk Factors”. You should read that section in its entirety before you decide to [REDACTED] in the [REDACTED]. Some of the major risks we face include:

- Our results of operations are substantially affected by cyclical fluctuations in the selling prices of pigs and poultry products, which affect our revenue, and by fluctuations in the purchase prices of feed and feed ingredients, which affect our costs.
- Outbreak of African Swine Fever, avian influenza, and other diseases among the livestock or attributed to livestock or zoonoses and adverse publicity of these diseases can significantly affect our production, supply and demand for our products and our business.
- Any perceived or actual food safety or health issues related to our raw materials, products or the food industry generally could adversely affect our reputation, our ability to sell our products and our financial performance, and subject us to liability claims and regulatory actions.
- The fair value of our biological assets may fluctuate significantly from period to period, causing our results of operations to be highly volatile.
- Our historical financial and operating results are not indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

### OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang Degen directly held approximately 3.29% and indirectly held 36.21% of the issued share capital of our Company, through Desheng Ronghe, which is wholly owned by Mr. Wang Degen.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic Shares into H Shares, each of Desheng Ronghe and Mr. Wang Degen will be interested [REDACTED] and [REDACTED] of the issued share capital of our Company, respectively. Each of Desheng Ronghe and Mr. Wang Degen will be regarded as our Controlling Shareholder under the Listing Rules.

### PRE-[REDACTED] INVESTMENTS

Since our incorporation, we have completed several rounds of equity financing in the past few years. For further information, please refer to the section headed “History and Corporate Structure – Pre-[REDACTED] Investments.”

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our historical financial information for the Track Record Period, extracted from the Accountants’ Report set out in Appendix I to this document. The summary of historical financial information set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information in this document, including the related notes. Our historical financial information has been prepared in accordance with IFRS.

### Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income Data

Our selected consolidated statements of profit or loss and other comprehensive income data for the Track Record Period as set out below are derived from our historical financial information included in Appendix I to this document.



SUMMARY

	For the year ended 31 December					For the five months ended 31 May				
	2020		2021		2022		2022		2023	
	Results before biological assets fair value adjustments RMB'000	Total RMB'000 % of revenue	Results before biological assets fair value adjustments RMB'000	Total RMB'000 % of revenue	Results before biological assets fair value adjustments RMB'000 (unaudited)	Total RMB'000 (unaudited) % of revenue	Results before biological assets fair value adjustments RMB'000	Total RMB'000 (unaudited) % of revenue	Results before biological assets fair value adjustments RMB'000	Total RMB'000 % of revenue
Revenue	8,145,349	100.0%	9,901,566	100.0%	15,037,027	100%	4,581,212	100%	6,362,244	100%
Cost of sales	(4,982,717)	(61.2%)	(9,187,459)	(92.3%)	(13,036,992)	(86.2%)	(5,211,095)	(113.0%)	(6,705,394)	(106.0%)
Gross profit	3,162,632	38.8%	714,107	7.7%	2,000,035	13.8%	(629,883)	(13.8%)	(423,150)	(6.0%)
Changes in fair value of biological assets	-		-		-		-		-	
Other net income	77,956	1.0%	102,410	1.0%	110,894	0.7%	57,329	1.3%	120,932	1.9%
Selling expenses	(70,091)	(0.9%)	(72,623)	(0.7%)	(80,275)	(0.5%)	(28,876)	(0.6%)	(40,916)	(0.6%)
Administrative expenses	(700,290)	(8.6%)	(899,626)	(9.0%)	(1,058,172)	(7.0%)	(387,089)	(8.4%)	(489,264)	(7.7%)
Provision for expected credit loss of trade and other receivables	(2,240)	(0.0%)	(5,917)	(0.1%)	(13,332)	(0.1%)	(5,801)	(0.1%)	(300)	(0.0%)
<b>Profit/(loss) from operations</b>	<b>2,467,967</b>	<b>46.2%</b>	<b>(151,649)</b>	<b>(28.8%)</b>	<b>959,150</b>	<b>8.9%</b>	<b>(994,320)</b>	<b>(30.1%)</b>	<b>(832,698)</b>	<b>(13.4%)</b>
Finance cost	(155,589)	(1.9%)	(312,242)	(3.2%)	(405,272)	(2.7%)	(163,223)	(3.6%)	(189,182)	(3.0%)
Share of losses of associates	(347)	(0.0%)	(3,271)	(0.0%)	(16,382)	(0.1%)	(4,176)	(0.1%)	-	-
<b>Profit/(loss) before taxation</b>	<b>2,312,031</b>	<b>44.3%</b>	<b>(467,162)</b>	<b>(32.0%)</b>	<b>537,496</b>	<b>6.1%</b>	<b>(1,161,719)</b>	<b>(33.8%)</b>	<b>(1,021,880)</b>	<b>(16.4%)</b>
Income tax	(666)	(0.0%)	(1,986)	(0.0%)	(680)	(0.0%)	(346)	(0.0%)	(435)	(0.0%)
<b>Profit/(loss) and total comprehensive income for the year/period</b>	<b>2,311,365</b>	<b>44.3%</b>	<b>(469,148)</b>	<b>(32.0%)</b>	<b>536,816</b>	<b>6.1%</b>	<b>(1,162,065)</b>	<b>(33.8%)</b>	<b>(1,022,315)</b>	<b>(16.4%)</b>
Attributable to: Equity shareholders of the Company	3,488,173	42.8%	(2,997,303)	(30.3%)	992,866	6.6%	(1,374,998)	(30%)	(2,006,138)	(31.8%)
Non-controlling interests	120,178	1.5%	(175,355)	(1.8%)	(83,111)	(0.6%)	(173,746)	(3.8%)	(158,326)	(2.5%)

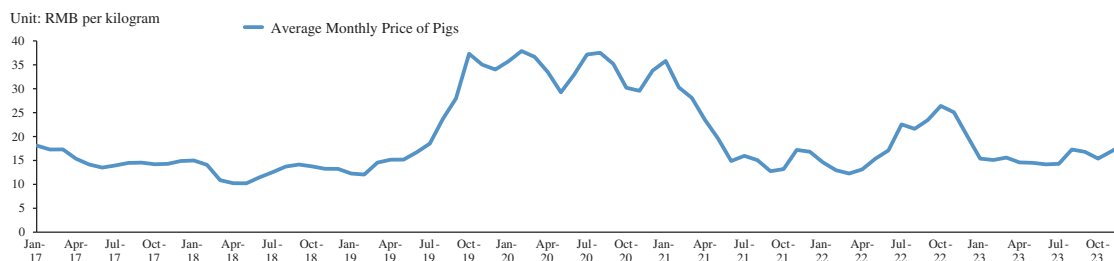
## SUMMARY

Our business has grown rapidly during the Track Record Period. Our revenue increased by 21.6% from RMB8,145.3 million for 2020 to RMB9,901.6 million for 2021 and further increased by 51.9% to RMB15,037.0 million for 2022. Our revenue increased by 38.9% from RMB4,581.2 million for the five months ended 31 May 2022 to RMB6,362.2 million for the same period of 2023. We recorded a profit of RMB3,608.4 million, a loss of RMB3,172.7 million, a profit of RMB909.8 million, a loss of RMB1,548.6 million and a loss of RMB2,184.5 million for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively.

Our revenue is significantly affected by the average selling price and the sales volume of our products. We operate in a highly fragmented and competitive industry. Our primary products are our pig and poultry products which are commodities. The selling prices of our pig and poultry products are subject to significant market price fluctuations. Selling prices generally fluctuate with market conditions, including supply and demand, outbreaks of diseases and government policies. For example, selling prices for our pig products have been cyclical over the years, reflecting changes in market supply and demand, and the supply of pigs is affected by, among others, government policies and outbreaks of diseases. The “Pig Cycle” refers to the cyclical change in pork price that is impacted by the mismatch of demand and supply of pigs. The pig cycle follows the rule: pork price increases – number of sows increases – market hogs’ supply increases – pork price decreases – number of sows decreases – market hogs’ supply decreases – pork price increases.

In 2019, the monthly average pig price rose rapidly in the face of a sharp decline in pig supply due to African Swine Fever, as well as relatively stable downstream demand. In 2019, the average pig price reached RMB21.9 per kilogram. Entering 2020, the average pig price fluctuated at a higher level, with an average price of RMB34.1 per kilogram. From January 2021 to December 2021, the monthly average pig price declined from RMB35.8 per kilogram to RMB16.8 per kilogram. The average price of pigs generally decreased in 2021 as compared with that in 2020 due to relatively high average price in 2020 driven by the shortage of pigs in 2020 as a result of the outbreak of African Swine Fever. Starting in 2022, the monthly average pig price recovered and peaked at RMB26.4 per kilogram in October 2022 before settling down at RMB20.2 per kilogram in December 2022. With the effective prevention and control of African Swine Fever, the output volume of pigs recovered in 2021 and 2022, resulting in lower average market prices of pigs of RMB20.3 per kilogram in 2021 and RMB18.7 per kilogram in 2022. From January 2023 to May 2023, the monthly average pig price declined from RMB15.4 per kilogram to RMB14.5 per kilogram. This was primarily attributable to the interplay of supply and demand factors, influenced by the cyclical nature of the pig industry and weaker demand post-Lunar New Year. Fluctuation in the average market price of pigs is correlated with the pig cycle.

### Average Monthly Market Price of Pigs (China), Jan 2017-Dec 2023\*



\* The average monthly market prices of pigs from November to December 2023 are estimated.

Source: Chinaswine.com (中國種豬信息網), Frost & Sullivan

## SUMMARY

The following table sets forth the sales volume and the average selling price of our products by product category for the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	Sales volume (heads)	Average selling price <sup>(1)</sup> (RMB)	Sales volume (heads)	Average selling price <sup>(1)</sup> (RMB)	Sales volume (heads)	Average selling price <sup>(1)</sup> (RMB)	Sales volume (heads)	Average selling price <sup>(1)</sup> (RMB)	Sales volume (heads)	Average selling price <sup>(1)</sup> (RMB)
Sales of pigs										
Market hogs	1,282,034	4,304	2,964,116	2,111	4,972,795	2,317	2,081,678	1,632	2,665,735	1,828
Breeding pigs	23,264	6,369	90,974	5,067	32,643	2,124	7,145	2,187	11,316	2,158
Market piglets	65,306	1,235	672,494	668	426,993	354	193,853	257	244,776	459
	(birds or eggs)		(birds or eggs)		(birds or eggs)		(birds or eggs)		(birds or eggs)	
Sales of poultry										
Yellow-feathered broilers	72,350,245	29.9	75,792,207	33.2	78,599,963	39.6	29,357,304	36.8	34,584,491	35.6
Chicks and eggs	90,027,361	1.4	91,206,956	1.1	97,371,773	1.1	38,763,543	0.8	42,361,143	0.8

Note:

- (1) Average selling price represents the revenue for the year/period divided by the sales volume of the product category for the respective year/period.

### Sales volume

**Pig segment.** The total sales volume of pigs increased during the Track Record Period. We increased our production scale in order to increase our market share for our pig products which is also in line with relevant industry trend of scaled pig farming companies gaining more market shares.

**Poultry segment.** The total sales volume of yellow-feathered broilers increased during the Track Record Period due to an increase in our overall production scale as we ramped up production in response to rising market prices of our products.

### Average selling price

**Pig segment.** The average selling prices of breeding pigs, market hogs and market piglets generally decreased in 2021 as compared with those in 2020 due to relatively high average selling prices in 2020 driven by (i) the shortage of market hogs and breeding pigs in 2020 caused by the outbreak of African Swine Fever; and (ii) the disruption of supply and demand of pigs as a large number of pigs were disposed of as a result of the restriction on pig transportation due to outbreak of African Swine Fever. The prices of breeding pigs, market hogs and market piglets further decreased in 2022 as compared with those in 2021 as the outbreak of African Swine Fever was under control and more supply of pigs became available. The average selling prices of market hogs and market piglets increased in the five months ended 31 May 2023 compared with those in the same period in 2022, due to the relatively low pig price for the first five months of 2022 as the supply of market hogs outweighed the demand during the same period. The average selling price of breeding pigs decreased slightly in the five months ended 31 May 2023 compared with that in the same period in 2022, in line with fluctuations of the market price as more breeding pigs became available. Subsequent to 31 May 2023, as the pig supply gradually stabilises and market confidence is strengthened by the growing central frozen pork reserves, there is an anticipation of a rebound in pig prices during the second half of 2023. In the future, the average market price of pigs is expected to be more steady compared to that of previous years, with a modest overall increase from 2023 to 2027. Please refer to the section headed “Industry Overview – Pig Cycle” in this document for details.

Our financial performance has been and is likely to continue to be strongly affected by price fluctuations of the market price of pigs. The results of our pig segment historically have had and are expected to continue to have the largest influence on our net profit or loss, and this segment’s results of operations are largely affected by the price movements of pigs in China. Frost & Sullivan is of the view and confirms that the Group’s peers experienced similar fluctuations in their financial performance during the Track Record Period due to cyclical changes in pork prices.

## SUMMARY

**Poultry segment.** The average selling price of yellow-feathered broilers increased in 2021 as compared with that in 2020 due to (i) the relatively low average selling price of yellow-feathered broilers in 2020 as China’s swine herds gradually recovered from the impact of African Swine Fever and there was a resulting oversupply of yellow-feathered broilers; and (ii) the impact of the COVID-19 pandemic in 2020, primarily attributable to the restrictions of the movement of people as well as the reduction or restrictions of various sorts of banquets and travel, resulting in a decline in the consumption of chicken which in turn resulted in a temporary mismatch of supply and demand and a subsequent oversupply of yellow-feathered broilers. The average selling price of yellow-feathered broilers further increased in 2022 as compared with that in 2021 due to the continued decrease in the output volume of yellow-feathered broilers in 2022 as a result of the reduction in output volume of yellow-feathered broilers by individual farmers and farming companies. The average selling price of yellow-feathered broilers decreased slightly in the five months ended 31 May 2023 compared with that in the same period in 2022, due to a decline in consumer consumption of chicken, which led to an oversupply of yellow-feathered broilers in the five months ended 31 May 2023.

Subsequent to 31 May 2023, as the pig supply gradually stabilised and the supply-demand relationship in the market became more balanced, there is an anticipation of a rebound in pig prices during the second half as of 2023. In the future, the average market price of pigs is expected to be more steady compared to that of previous years, with a modest overall increase from 2023 to 2027. The average wholesale price of yellow-feathered broilers was RMB15.6 per kilogram in 2022 and is expected to remain relatively stable from 2022 to 2027. Please refer to the sections headed “Industry Overview – Pig Cycle” and “Industry Overview – China’s Yellow-Feathered Broiler Market” in this document for details.

Our financial performance has been and is likely to continue to be strongly affected by price fluctuations of the market price of pigs. The results of our pig segment historically have had and are expected to continue to have the largest influence on our net profit or loss, and this segment’s results of operations are largely affected by the price movements of pigs in China.

### Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin of each business segment/sub-segment during the Track Period Record:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin
	<i>(RMB'000, except for percentages)</i>						<i>(unaudited) (unaudited)</i>			
Sales of pigs										
Market hogs	3,043,482	55.2%	326,966	5.2%	1,694,503	14.7%	(624,632)	(18.5%)	(297,456)	(6.1%)
Breeding pigs	112,716	76.1%	306,002	66.4%	27,492	39.6%	4,206	26.9%	7,920	32.4%
Market piglets	52,410	65.0%	101,159	22.5%	(49,074)	(32.5%)	(51,175)	(102.6%)	4,674	4.2%
Boar Semen	275	64.3%	147	61.8%	984	44.1%	31	37.8%	1,383	38.2%
<b>Subtotal gross profit and gross profit margin</b>	<b>3,208,883</b>	<b>55.8%</b>	<b>734,274</b>	<b>10.2%</b>	<b>1,673,905</b>	<b>14.3%</b>	<b>(671,570)</b>	<b>(19.5%)</b>	<b>(283,479)</b>	<b>(5.7%)</b>
Sales of poultry										
Yellow-feathered broilers	(50,560)	(2.3%)	16,330	0.6%	383,517	12.3%	71,728	6.6%	(95,760)	(7.8%)
Chicks and eggs	1,260	1.0%	2,030	2.1%	2,044	2.0%	(255)	(0.8%)	(329)	(1.0%)
<b>Subtotal gross profit and gross profit margin</b>	<b>(49,300)</b>	<b>(2.2%)</b>	<b>18,360</b>	<b>0.7%</b>	<b>385,561</b>	<b>12.0%</b>	<b>71,473</b>	<b>6.4%</b>	<b>(96,089)</b>	<b>(7.6%)</b>

## SUMMARY

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	Segment/ sub- segment gross profit	Segment/ sub- segment gross profit margin	
<i>(RMB'000, except for percentages)</i>						<i>(unaudited) (unaudited)</i>				
Sales of ancillary products	4,309	3.9%	11,467	9.9%	8,713	11.4%	2,913	11.2%	(3,309)	(4.0%)
<b>Total gross profit and gross profit margin</b>	<b>3,163,892</b>	<b>38.8%</b>	<b>764,101</b>	<b>7.7%</b>	<b>2,068,179</b>	<b>13.8%</b>	<b>(597,184)</b>	<b>(13.0%)</b>	<b>(382,877)</b>	<b>(6.0%)</b>

### Gross profit and gross profit margin

Our total gross loss was RMB597.2 million and RMB382.9 million in the five months ended 31 May 2022 and 31 May 2023, respectively. Our overall gross profit margin was -13.0% and -6.0% in the five months ended 31 May 2022 and 2023, respectively. We recorded improved gross profit and gross profit margin for the five months ended 31 May 2023 as compared with the corresponding period in 2022 mainly due to the relatively high average selling price of our market hogs for the five months ended 31 May 2023 as compared with the corresponding period in 2022. We recorded a gross profit of RMB2,068.2 million and a gross loss of RMB382.9 million in 2022 and the five months ended 31 May 2023, respectively. Our overall gross profit margin was 13.8% and -6.0% in 2022 and the five months ended 31 May 2023, respectively. The decrease in our gross profit and gross profit margin was due to a decrease in the average selling price of our market hogs.

Our total gross profit increased by 170.7% from RMB764.1 million in 2021 to RMB2,068.2 million in 2022. Our overall gross profit margin was 7.7% and 13.8% in 2021 and 2022, respectively. The increase in our overall gross profit and gross profit margin was primarily due to the increase in average selling prices of our market hogs. The average selling price of our market hogs per head increased by 9.8% from 2021 to 2022 even though the average selling price for market hogs in China per kg decreased from 2021 to 2022, primarily due to the fact that the average selling price for our market hogs per kg increased by 7.0% from RMB17.2/kg to RMB18.3/kg as we sold more market hogs in the second half of 2022 when the market price was relatively high.

Our total gross profit decreased by 75.8% from RMB3,163.9 million for 2020 to RMB764.1 million for 2021. Our overall gross profit margin was 38.8% and 7.7% for 2020 and 2021, respectively. The decreases in our overall gross profit and gross profit margin were primarily due to the decrease in average selling prices of our market hogs driven by more supply of market hogs becoming available in 2021.

Our profit/(loss) for the year/period was a net profit of RMB3,608.4 million, a net loss of RMB3,172.7 million, a net profit of RMB909.8 million and a net loss of RMB1,548.6 million and a net loss of RMB2,184.5 million for 2020, 2021 and 2022, and for the five months ended 31 May 2022 and 2023, respectively. We had a net loss of RMB2,184.5 million for the five months ended 31 May 2023 primarily due to our negative gross profit during the same period for reasons described above. During the Track Record Period, our profit/(loss) for the year was primarily affected by the following factors: (i) gross profit; (ii) changes in fair value of biological assets; and (iii) our administrative expense. We recorded gains arising from changes in fair value of biological assets of RMB1,295.7 million for 2020 primarily because a significant increase in the stock volume and in the appraisal value of pigs. We recorded losses arising from changes in fair value of biological assets of RMB2,753.5 million in 2021 primarily due to the decrease in the average selling price of market hogs, which was partially offset by the increase in the stock volume of our pigs and poultry products in 2021. We recorded gains arising from changes in fair value of biological assets of RMB304.8 million in 2022 primarily because of the significant increase in appraisal value of the pigs as at 31 December 2022 arising from the increase in price and stock volume. We recorded losses arising from changes in fair value of biological assets of RMB419.3 million in the five months ended 31 May 2022 primarily due to the decrease in appraisal value of the pigs as at 31 May 2022 arising from the



## SUMMARY

decrease in market price, which was slightly offset by an increase in stock volume. We recorded losses arising from changes in fair value of biological assets of RMB1,202.4 million in the five months ended 31 May 2023 primarily because of the significant decrease in appraisal value of the pigs as at 31 May 2023 arising from the decrease in market price, which was slightly offset by an increase in stock volume.

Our administrative expenses increased by 27.0% from RMB700.3 million for 2020 to RMB889.6 million for 2021 and further increased by 19.0% to RMB1,058.2 million for 2022 and increased by 26.4% from RMB387.1 million for the five months ended 31 May 2022 to RMB489.3 million for the corresponding period in 2023, which was primarily due to (i) the increase in our depreciation and amortisation in connection with our office buildings and office equipment; (ii) the increase in our insurance cost as we purchased more insurance to cover the price drop and deaths of our pig and poultry products; and (iii) the increase in our research and development costs. For detailed information on the fluctuation of our gross profit, gross profit margin and net profit/(loss) during the Track Record Period, please refer to the section headed “Financial Information – Period-to-Period comparison of Results of Operations”.

### Summary of Consolidated Statements of Financial Position Data

The following table sets out a breakdown of our assets and liabilities as at the dates indicated:

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	<i>(RMB'000)</i>			
Total current assets	6,325,326	6,064,863	9,214,613	7,086,981
Total current liabilities	4,496,522	6,323,053	9,084,396	9,770,830
Net current assets/(liabilities)	1,828,804	(258,190)	130,217	(2,683,849)
Total non-current assets	8,712,994	9,706,545	10,085,844	10,539,847
Total non-current liabilities	3,382,068	5,315,589	5,152,259	4,940,160
Net assets	7,159,730	4,132,766	5,063,802	2,915,838
Non-controlling interests	313,866	159,878	94,165	(37,861)

Our net assets decreased from RMB7,159.7 million as at 31 December 2020 to RMB4,132.8 million as at 31 December 2021, mainly due to loss for the year of RMB3,172.7 million, which was partially offset by the issue of our ordinary shares in the amount of RMB120.0 million. Our net loss for 2021 was primarily due to the loss from changes in fair value of biological assets in the amount of RMB2,753.5 million. Our net assets increased to RMB5,063.8 million as at 31 December 2022, mainly due to profit for the year of RMB909.8 million as well as capital contribution from non-controlling interest in the amount of RMB18.6 million. Our net profit for 2022 was primarily attributable to our gross profit in the amount of RMB2,068.2 million. Our net assets decreased to RMB2,915.8 million as at 31 May 2023, mainly due to loss for the period of RMB2,184.5 million, which was partially offset by the capital contribution from non-controlling interests in the amount of RMB10.5 million and deemed disposal of interests in subsidiaries in the amount of RMB26.0 million.

We had net current assets of RMB1,828.8 million, net current liabilities of RMB258.2 million, and net current assets of RMB130.2 million and net current liabilities of RMB2,683.8 million as at 31 December 2020, 2021 and 2022, and 31 May 2023, respectively.

We recorded net current assets of RMB130.2 million as at 31 December 2022 and net current liabilities of RMB2,683.8 million as at 31 May 2023, the change was primarily due to (i) a significant decrease in current biological assets due to low pig and poultry prices in the five months ended 31 May 2023 and accordingly a decrease in the valuation of our biological assets and (ii) a significant decrease in cash and cash equivalents and restricted deposits, as we used more cash in our business operations.

We recorded net current liabilities of RMB258.2 million as at 31 December 2021 and net current assets of RMB130.2 million as of 31 December 2022, the change was primarily due to (i) a significant increase in current biological assets which is primarily due to the increase in the stock volume of our pig and poultry products; and (ii) a significant increase in cash and cash equivalents and restricted deposits, which is a result of an improvement in our operating performance.

## SUMMARY

Our net current assets decreased from RMB1,828.8 million as at 31 December 2020 to net current liabilities of RMB258.2 million as at 31 December 2021, primarily due to (i) an increase in interest-bearing borrowings as we scaled our business in 2021; (ii) an increase in trade and bills payables as we increased the size of our breeding pigs in order to expand our business and purchased more raw materials; and (iii) a significant decrease in financial assets at fair value through profit or loss which was caused by our redemption of such financial assets for cash to be used in our operations.

### Selected Information of our Consolidated Cash Flows Statement

The following table sets forth a summary of our cash flows for the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2020	2021	2022	2023
	<i>(RMB'000)</i>			
Net cash generated from operating activities	1,671,484	406,528	2,191,663	63,100
Net cash used in investing activities	(3,775,833)	(1,760,401)	(1,246,388)	(585,639)
Net cash generated from/(used in) financing activities	3,149,466	1,450,972	89,007	(78,953)
Net increase/(decrease) in cash and cash equivalents	1,045,117	97,099	1,034,282	(601,492)
Cash and cash equivalents at 1 January	666,757	1,711,874	1,808,973	2,843,255
Cash and cash equivalents at 31 December/31 May	1,711,874	1,808,973	2,843,255	2,241,763

### Key Financial Ratios

	2020 or as at 31 December 2020	2021 or as at 31 December 2021	2022 or as at 31 December 2022	For the five months ended 31 May 2023 or as at 31 May 2023
Return on equity <sup>(1)</sup>	50.4%	-76.8%	18.0%	-182.3%
Return on total assets <sup>(2)</sup>	24.0%	-20.1%	4.7%	-30.2%
Current ratio <sup>(3)</sup>	1.4	1.0	1.0	0.7
Quick ratio <sup>(4)</sup>	1.3	0.9	0.9	0.7
Gearing ratio <sup>(5)</sup>	76.1%	194.8%	178.1%	320.2%
Debt to equity ratio <sup>(6)</sup>	50.5%	146.4%	113.6%	227.4%
Interest coverage <sup>(7)</sup>	24.2	-9.2	3.2	-10.5

#### Notes:

- (1) Return on equity is calculated as profit/(loss) for the year/period divided by the closing balance of total equity as at the respective reporting dates.
- (2) Return on total assets is calculated as profit/(loss) for the year/period divided by the closing balance of total assets as at the respective reporting dates.
- (3) Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.
- (4) Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates.
- (5) Gearing ratio is calculated as total interest-bearing bank borrowings plus lease liabilities, divided by total equity at the respective reporting dates. Our gearing ratio increased from 76.1% for 2020 to 194.8% for 2021, which was mainly due to (i) an increase in our total interest-bearing bank borrowing plus lease liabilities by 47.6% from RMB5,452.1 million as at 31 December 2020 to RMB8,049.2 million as at 31 December 2021, which was due to the fact that we were in expansion of the business scale with increasing lease liabilities from farm leasing and increasing bank borrowings to fund the farms building; and (ii) a decrease in total equity by 42.3% from RMB7,159.7 million as at 31 December 2020 to RMB4,132.7 million as at 31 December 2021 as a result of a decrease in retained earnings in 2021.

## SUMMARY

- (6) Debt to equity ratio is calculated as net debts divided by total equity as at the respective reporting dates. The net debts are defined as the sum of interest-bearing borrowings and lease liabilities net of cash and cash equivalents. Our debt to equity ratio increased from 50.5% for 2020 to 146.4% for 2021, which was mainly due to (i) an increase in our total interest-bearing bank borrowing plus lease liabilities by 47.6% from RMB5,452.1 million as at 31 December 2020 to RMB8,049.2 million as at 31 December 2021, which was due to the fact that we were in expansion of the business scale with increasing lease liabilities from farm leasing and increasing bank borrowings to fund the farms building; and (ii) decrease in total equity by 42.3% from RMB7,159.7 million as at 31 December 2020 to RMB4,132.7 million as at 31 December 2021 as a result of a decrease in retained earnings for 2021.
- (7) Interest coverage is calculated as profit/loss before interest and tax divided by interest.

### BIOLOGICAL ASSETS AND VALUATION

The fair value of our biological assets decreased by 28.1% from RMB5,681.0 million as at 31 December 2020 to RMB4,084.1 million as at 31 December 2021, primarily due to the combined effect of a significant decrease in the appraisal value and an increase in the stock volume of pigs. The fair value of our biological assets increased by 32.4% from RMB4,084.1 million as at 31 December 2021 to RMB5,409.1 million as at 31 December 2022, primarily due to a rebound in prices of pigs. The fair value of our biological assets decreased by 23.9% from RMB5,409.1 million as at 31 December 2022 to RMB4,114.0 million as at 31 May 2023, primarily due to a decrease in the prices of pigs and accordingly a decrease in appraisal value.

The following table sets out the fair value of our biological assets as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	31 May
	(RMB'000)			2023
Breeding stocks				
– Sows and boars	1,253,662	816,007	792,905	902,097
– Gilts and studs	1,182,760	102,047	153,456	209,683
– Mature chicken breeders	47,873	57,758	58,136	68,486
– Immature chicken breeders	29,312	20,604	22,652	18,685
Commodity stocks				
– Piglets	104,574	167,344	166,569	175,908
– Nursery market hogs	119,850	67,392	102,660	53,544
– Growers	2,708,075	2,494,772	3,637,545	2,324,547
– Broilers	226,597	344,586	458,938	341,332
– Commodity Chicks	224	–	1	12
– Fertile eggs	8,024	13,585	16,251	19,727
Total	<u>5,680,951</u>	<u>4,084,095</u>	<u>5,409,113</u>	<u>4,114,021</u>

Our financial results have been, and will continue to be, affected by changes in the fair value of our biological assets. We are required under IFRS to recognise such changes under “gain/(loss) arising from changes in fair value less costs to sell of biological assets”. This line item represents the changes in fair value of biological assets due to the changes in the stock volume, physical attributes, market-determined price and replacement cost of the biological assets in our two segments of pigs and poultry. We measure our biological assets at their fair value less costs to sell. The fair value is measured by reference to local market selling prices. Gains or losses arising from initial recognition of biological assets at fair value less costs to sell and from changes in fair value of biological assets less costs to sell are included in profit or loss in the period in which they arise. During the Track Record Period, our biological assets were revalued at each reporting date by the Valuer. We recognised gains of RMB1,338.5 million, losses of RMB2,735.0 million, gains of RMB417.5 million, losses of RMB376.8 million and losses of RMB1,111.2 million for the changes in fair value of biological assets in our pig segment, and recognised losses of RMB42.8 million, losses of RMB18.5 million, losses of RMB112.7 million, losses of RMB42.5 million and losses of RMB91.3 million for the changes in fair value of biological assets in our poultry segment for 2020, 2021 and 2022, and for the five months ended 31 May 2022 and 2023, respectively.

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## SUMMARY

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### IMPACT OF COVID-19 OUTBREAK

The outbreak of COVID-19 has impacted our business in many aspects including the following:

- *Impact on supply chain.* As affected by the COVID-19 pandemic, certain parts of China adopted relevant pandemic prevention measures, which resulted in delays of resuming feed production in our feed plants and by our feed suppliers. Also, certain of the family farms experienced a temporary shortage of feed as the suppliers were unable to deliver in time. Government authorities subsequently issued policies requiring that, during the prevention and control of the COVID-19 pandemic, the supply of meat and other necessities shall be ensured, and the transportation of agricultural raw materials including livestock, poultry and feeds shall not be intercepted.
- *Impact on sales.* Despite the impact of the COVID-19 pandemic, including (i) certain local governments suspending live poultry markets as part of the pandemic prevention measures, (ii) the suspension of transportation of live pigs and closure of certain slaughterhouses, and (iii) social distancing and travel and traffic restrictions, consumption of pork and chicken remained relatively stable during the Track Record Period and up to the Latest Practicable Date.
- *Other impacts.* Due to the restrictions on the logistics in certain abovementioned regions, our inventory of frozen chicken increased.

With the gradual resumption of normal economic and business activities in the PRC since 2020 and the further relaxation of the preventive measures since December 2022, and based on our financial performance during the Track Record Period and as at the Latest Practicable Date, our Directors confirm that the COVID-19 outbreak did not and will not have any material adverse impact on our business operation and financial performance, mainly due to the facts that (i) pork and chicken are the most important protein sources for Chinese people, and the per capita consumption thereof remained stable during the COVID-19 outbreak; (ii) government authorities have implemented policies and measures to ensure the stable supply of pork and other necessities during the COVID-19 outbreak, as well as uninterrupted transportation of agricultural production materials (including livestock, poultry and feeds) across regions; and (iii) we have established a system for prevention and control of the COVID-19 pandemic and adopted strict biosecurity measures for our farms and employees.

### BUSINESS SUSTAINABILITY

Our main products are pigs and yellow-feathered broilers which are commodities. Their market prices are subject to cyclical fluctuations which are driven by various factors, including supply and demand and the outbreak of animal diseases such as African Swine Fever, according to Frost & Sullivan. During the Track Record Period and up to the Latest Practicable Date, the pig and poultry markets had witnessed significant price fluctuations. Our results of operations have been and will continue to be substantially affected by cyclical fluctuations in the market prices of pigs and poultry products. We recorded a net loss of RMB2,184.5 million for the five months ended 31 May 2023 primarily because of the low market prices for pigs and yellow-feathered broilers during the period. However, the customer demand for our products remained strong for the same period as evidenced by the increase of our sales volume for the period as compared with the same period in 2022. Given (i) the cyclical nature of prices for pigs and yellow-feathered broilers; (ii) pork and chicken being two primary sources of animal protein for Chinese consumers; and (iii) our results of operation being dependent on the average selling prices of our pig and poultry products which generally fluctuate with market prices that may be affected by supply and demand, outbreaks of diseases and government policies, we believe our operation results will improve when prices of pigs and yellow-feathered broilers go up.

Despite the industry had experienced four pig cycles since 2006 including pig cycles with pig prices bottoming at price levels much lower than the current pig price, our results of operation have grown rapidly since our inception. The sales volume of our pigs has increased by more than 100 times in the last 10 years through multiple pig cycles. Please refer to the section headed “Industry Overview – Pig Cycle” for more details. With pork and chicken being the two primary sources of animal protein for Chinese consumers and having long dominated the meat consumption market, we believe the long-term growth of consumption demand in pig and poultry products in China will continue to benefit our business. In addition, despite we recorded net loss for the five months ended 31 May 2023, we generated net cash inflow from our operating activities for 2020, 2021, 2022 and five months ended 31 May 2023. Taking into



## SUMMARY

consideration of the financial resources presently available to us, we believe we have sufficient working capital for at least the next 12 months. Our Directors are of the view that such price fluctuations have not affected and will not affect our business sustainability for the following reasons:

*a. Our ability to reduce the cost of sales by improving our breeding and farming efficiencies*

The largest component of our cost of sales is feed and feed ingredients which are mainly used in the production of market hogs and yellow-feathered broilers. Feed ingredients such as corn and soybean meal are commodities that are subject to significant price fluctuations, and their market prices are subject to various factors, including demand and supply dynamics, government policies, weather conditions, pests and other acts of nature. Our advanced breeding technologies and facilities together constitute a self-sufficient breeding system. Such breeding system gives us the ability to continuously produce highly competitive pig product lines which enable us to improve the performance of our products by reducing the cost of sales such as the cost of feed. We believe it is a significant competitive advantage over our competitors that have no or insufficient breeding capability. In addition, during the Track Record Period, we had developed a comprehensive feed cost control technology system, which allows us to (i) accurately determine the nutritional needs of pigs and yellow-feathered broilers at different growth stages according to the breeds of pigs and yellow-feathered broilers, and (ii) design feed nutrition formulas that are conducive to the digestion of pigs and yellow-feathered broilers so that we could achieve precise feeding and cost control by reducing the amount of corn and soy bean meal required. As a result of the foregoing factors, we were able to control the cost of sales per kg for our market hogs during the Track Record Period although the cost of feed ingredients such as soybean meal had fluctuated in the same period. The cost of sales per head for our market hogs was RMB1,930.5 in 2020, RMB2,000.8 in 2021, RMB1,976.3 in 2022, and RMB1,940.0 in the first five months of 2023. We believe by lowering the cost of sales, we will not only generate more profits when the market conditions are favourable but more importantly, better weather unfavourable market conditions which is crucial for the long-term growth of a farming enterprise due to the cyclical nature of the industry.

*b. Solid financial positions and measures to reduce the negative impact of net current liabilities on our business*

Due to the cyclical nature of the industry, we record net current liabilities when the market prices of pigs and poultry are weak. We recorded net current liabilities of RMB2,683.8 million as at 31 May 2023, primarily due to the decrease in the valuation of our biological assets, which was caused by low pig and poultry prices as at 31 May 2023. However, we believe we could mitigate the negative impact of net current liability on our business when the market conditions are less favourable as we have a solid financial positions as at 31 May 2023 including (i) our net cash inflow of RMB1,671.5 million, RMB406.5 million, RMB2,191.7 million, and RMB63.1 million generated from our operating activities for 2020, 2021, 2022 and the five months ended 31 May 2023, respectively; (ii) the unused credit facilities in the amount of RMB3,632.8 million; (iii) our cash and cash equivalents in the amount of RMB2,241.8 million as at 31 May 2023; (iv) our financial assets at FVPL in the amount of RMB393.7 million as at 31 May 2023 which we may redeem at our discretion to generate cash proceeds; and (v) our measures to reduce the negative impact of net current liabilities on our business such as focusing on adjusting our financing structure by replacing short-term borrowings with long-term borrowings to the extent possible and utilising other financial resources available to us, including the [REDACTED] from the [REDACTED], our current cash and cash equivalents and our net cash flows from operating activities, to lower our current liabilities by reducing current borrowings from banks and other financial institutions repayable within one year. Furthermore, our net current liabilities position as at 31 May 2023 was primarily due to the decrease in the valuation of our biological assets, which was caused by low pig and poultry prices in the five months ended 31 May 2023. We expect our net current liabilities position will improve with the recovery of the pig and poultry prices.

*c. Measures to alleviate the risk of pig, broiler and feed price fluctuations*

We have adopted diverse means to mitigate the impact of fluctuations in pig, broiler and feed prices on our business operation.

For our pig segment, we have taken the following means:

- (i) conducting market survey to collect market information on pigs: we have set up a market research department to focus on the collection and research of market information for market hogs and breeding pigs, and to understand industry-related information including the price fluctuation of pigs. After a comprehensive analysis of the market information, the market research department will release sales



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## SUMMARY

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strategies every month, which will provide the sales department with guidance on market prices for market hogs and breeding pigs. The sales department will adjust the timing of the sales according to the sale strategies suggested by the market research department. In addition, we make adjustments to our pig production plans in response to the fluctuation in market prices of its pig products. For example, if we foresee a near term price increase in pig prices, we can reduce the current sales volume of pigs and keep pigs in stock for longer period of time. We can also increase the weight of the pigs by prolonging the fattening period; and if we foresee an increase in the pig prices in the next six months, we can increase the stock volume of our pigs by increasing the stock volume of piglets in our production. We can either reduce the external sales of our piglets or by purchasing more piglets from other pig producers;

- (ii) bidding platform sales: we sell pigs through the Dekon Group Pig Selling System (德康集團生豬銷售系統) by way of bidding. Our customers can bid and order our pigs on the platform according to their needs. We set a minimum purchase price for our pigs on our Dekon Group Pig Selling System every day. The bidder with the highest bidding price wins the bid. We can get a sense of whether the minimum price we set on the selling system is too high or too low by comparing the volume of pigs we intend to sell on the system with the actual sales volume on the system for that day. If we fail to sell all of the pigs we intend to sell on the system, then we will lower the minimum price on the system the next day. Through the sales on our bidding platform, we can get feedback on market demand and prices in a timely manner to ensure that the group can obtain higher sales revenue;
- (iii) contract with key customers: in order to ensure the smooth sales, our sales department will enter into contract with our key customers and agree with our key customers on key sales terms such as the quantity of pigs to be sold and sales rewards. The contract usually specifies annual minimum purchase quantity. We have the right to terminate our relationship with such customers that fail to meet such requirement but we do not typically enforce it given the term of only one year in general. We did not terminate any of these customers for failing to meet the minimum purchase volume during the Track Record Period. The sales price is usually the weighted average unit price on our Dekon Group Pig Selling System for the day when orders are placed. When the market price falls and the customers demand on our bidding platform is low, the contracted sales with our key customers can ensure we will continue to sell our pigs to key customers; and
- (iv) we use a combination of futures and options to hedge the pig price fluctuations. We usually enter into transactions using derivative financial instruments when (a) we forecast that the selling prices of pigs will decrease; or (b) the current selling prices of pigs are at a relatively high level which we consider it a good opportunity for us to lock-in the profits. To mitigate our risk exposure, we mostly purchase futures and options products which enable us to sell our market hogs products at a fixed price in future to hedge against the price dropping of a small portion of our pig products.

Please refer to the section headed “Business – Suppliers, Raw Material and Inventory – Hedging” in this document for details.

For our poultry segment, we have taken the following means to manage the price fluctuation. Based on the statistical analysis of research data on the supply and demand of broilers, our sales department forecast the market price for broilers on an annual and monthly basis. According to the market forecast, we formulate the following year’s broiler production plan in December every year. We also adjust our production plan according to short-term market fluctuations. For example, when our sales department predicts the following month’s market will be better than this month’s, the sales will be reduced for this month and postponed to next month. Otherwise, the sales plan for this month will be increased. The postponement of sales of broilers would not cause any delay in delivery of products to our customers as there is no pre-sales for broilers. The broilers are sold and delivered to our customers at the same time.

We have also adopted diverse means to mitigate the impact of fluctuations in feed prices, including flexibly adjusting feed formula while adhering to nutritional standards, diversifying our feed ingredients so that the price fluctuation of one ingredient would not exert material impact on our feed price, maintaining diversified supply channels and conducting raw material procurement with commodity futures. In addition, during the Track Record Period, we had developed a comprehensive feed cost control technology system, which allows us to (i) accurately determine the nutritional needs of pigs and yellow-feathered broilers at different

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## SUMMARY

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growth stages according to the breeds of pigs and yellow-feathered broilers, and (ii) design feed nutrition formulas that are conducive to the digestion of pigs and yellow-feathered broilers so that we could mitigate the impact of feed price fluctuation by reducing the amount of corn and soy bean meal required. We use a combination of futures and options hedge the feed price fluctuations. Please refer to the section headed “Business – Suppliers, Raw Material and Inventory – Hedging” in this document for details.

Please refer to the section headed “Business – Suppliers, Raw Material and Inventory – Price Fluctuation Management” in this document for details.

### DIVIDENDS

In 2020, we declared cash dividends of RMB80 million to our then Shareholders, which was fully settled in cash in October 2020. Past payments and non-payments of dividends are not indicative of our future dividend policy. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

On 31 October 2023, taking into account the interests of our existing Shareholders and future H shareholders, our Shareholders resolved that RMB100 million of our remaining undistributed profits as of 31 December 2022 would be shared by all Shareholders as of 26 December 2022 in proportion to their respective shareholdings in the Company.

### DISTRIBUTABLE RESERVES

As at 31 May 2023, our Company had retained earnings of RMB901.6 million under IFRS, as reserves available for distribution to our Shareholders.

### [REDACTED]

[REDACTED] represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] of RMB[REDACTED], representing approximately [REDACTED] of the [REDACTED] from the [REDACTED] (based on the mid-point of the indicative [REDACTED] and assuming the [REDACTED] is not exercised and taking into account any discretionary incentive fees, if applicable), of which [REDACTED] will be directly attributable to the [REDACTED] of our H Shares and will be deducted from capital reserve upon [REDACTED]. The difference of [REDACTED] includes the amount that was charged to and the amount that is expected to be charged to our consolidated statement of profit or loss and other comprehensive income. During the Track Record Period, we incurred [REDACTED] of [REDACTED], of which RMB[REDACTED] was charged to our consolidated statement of profit or loss and other comprehensive income in 2022 and [REDACTED] will be deducted from equity. We expect to incur additional [REDACTED] after 31 May 2023, of which [REDACTED] is expected to be charged to our consolidated statement of profit or loss and other comprehensive income and [REDACTED] is directly attributable to the [REDACTED] and is to be accounted for as a deduction from equity in accordance with the relevant accounting standards.

The [REDACTED] (based on the mid-point of the indicative [REDACTED] and assuming the [REDACTED] is not exercised and taking into account any discretionary incentive fees, if applicable) we incurred during the Track Record Period and expect to incur for this [REDACTED] would consist of (1) RMB[REDACTED] in [REDACTED]-related expenses, and (2) RMB[REDACTED] in [REDACTED]-related expenses, which include (i) RMB[REDACTED] in fees and expenses of legal advisors and accountants, and (ii) RMB[REDACTED] in other fees and expenses.

### LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there was no litigation, arbitration or administrative proceeding pending or threatened against our Group or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that we had complied with all relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. We had certain historical non-compliance incidents during the Track Record Period and details of which are disclosed in “Business – Legal Proceedings and Compliance – Compliance – Non-compliance Incidents”. During the Track Record Period and

## SUMMARY

up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business.

[REDACTED]

[REDACTED]

	<b>Based on an [REDACTED] of HK\$[REDACTED] per H Share</b>	<b>Based on an [REDACTED] of HK\$[REDACTED] per H Share</b>
Market capitalisation of our Shares <sup>(1)</sup> [REDACTED] per Share <sup>(2)</sup>	HK\$[REDACTED] HK\$[REDACTED]	HK\$[REDACTED] HK\$[REDACTED]

*Notes:*

- (1) The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised.
- (2) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 May 2023, including a distribution of RMB100 million undistributed profits according to the special shareholder resolution dated 31 October 2023. Had such dividends been declared on 31 May 2023, the [REDACTED] attributable to equity shareholders of the Company would have decreased by approximately [REDACTED] and the [REDACTED] attributable to equity shareholders of the Company per Share would have decreased by approximately by RMB[REDACTED]. The [REDACTED] attributable to equity shareholders of the Company per Share has been arrived at after adjustments referred to in the section entitled “Appendix II – [REDACTED]”

### FUTURE PLANS AND [REDACTED]

We intend to use the [REDACTED] from the [REDACTED] for the following purposes (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document), after deducting the [REDACTED] fees and commissions and other estimated expenses in connection with the [REDACTED] and the [REDACTED] is not exercised):

- Approximately [REDACTED] of our estimated [REDACTED], or approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) will be used over the next three years for expanding our existing pig and yellow-feathered broiler farming business;
- Approximately [REDACTED], or approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) will be used over the next two years for developing our food processing business;
- Approximately [REDACTED], or approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) will be used for the next three years for investment in R&D and information technology system to further solidify our competitive advantages;
- Approximately [REDACTED], or approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) will be used for strategic investments or potential acquisitions;
- Approximately [REDACTED], or approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) will be used for repaying certain outstanding bank loans with interest ranging from 2.1% to 4.2%; and
- Approximately [REDACTED], or approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) is planned to be used for working capital and general corporate purposes.

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## SUMMARY

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### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

*Our operating and financial performance subsequent to the Track Record Period*

- Average selling price and sales volume
  - o The market price for pigs in June, July, August and September 2023 experienced moderate price fluctuations, and the average pig prices during this period were RMB14.2 per kilogram, RMB14.3 per kilogram, RMB17.3 per kilogram and RMB16.8 per kilogram, respectively, of which the average pig prices for August and September 2023 were higher than the average market price of pigs in the amount of RMB15.0 per kilogram for January to May 2023. The average pig prices have generally shown an upward trend since the end of July 2023 following the stabilisation of the pig supply in the market. Accordingly, the average pig price increased to RMB16.8 per kilogram in September 2023. According to Frost & Sullivan, the average selling prices for our pigs generally fluctuated with the market prices of pigs from January to September in 2023.
  - o The sales volume of our pigs for June, July, August and September 2023 was approximately 550,000, 619,000, 546,000 and 593,000 respectively. The average monthly sales volume of our pigs for June to September 2023 was relatively stable as compared with the average monthly sales volume of our pigs for the period from January to May 2023.
  - o The average selling price of our yellow-feathered broilers in June, July, August and September 2023 were RMB34.0 per bird, RMB35.1 per bird, RMB37.8 per bird and RMB40.0 per bird, respectively.
  - o The sales volume of our yellow-feathered broilers for June, July, August and September 2023 was approximately 7.5 million, 7.4 million, 8.0 million and 8.2 million respectively. The average monthly sales volume of our yellow-feathered broilers for June to September 2023 was higher than the average monthly sales volume of our yellow-feathered broilers for the period from January to May 2023.
- Revenue, gross profit and net profit
  - o As the average monthly sales volume of our pigs during the period from June to September 2023 was relatively stable as compared with the average monthly sales volume for the period from January to May 2023, and the market price of our pigs during the period from June to September 2023 experienced slight fluctuations as compared with the market price of our pigs for the period from January to May 2023, our average monthly revenue of our pig segment during the period from June to September 2023 was relatively stable as compared with our average monthly revenue of our pig segment for the period from January to May 2023. Our average monthly revenue for our poultry segment in during the period from June to September 2023 was higher as compared with our average monthly revenue for our poultry segment for the period from January to May 2023. Our average monthly revenue during the period from June to September 2023 was slightly higher as compared with our average monthly revenue for the period from January to May 2023.
  - o For our cost of sales for pig segment, we were able to reduce our cost of sales per head of our market hogs by (i) increasing the production performance of our breeding pigs through our advanced breeding technologies and facilities; and (ii) putting more breeding pigs with better production performance into production which enabled us to reduce the cost of feed per head of our market hogs. As a result, our average cost of sales per head of market hogs declined during the period from June to September 2023 as compared with the first five months of 2023. For our cost of sales for poultry segment, our average cost of sales per bird of our yellow-feathered broilers slightly declined during the period from June to September 2023 as compared with the first five months of 2023.
  - o As a result of the above, the average monthly gross loss for each of our pig and poultry segments during the period from June to September 2023 improved as compared with the respective monthly gross loss for the period from January to May 2023. We have recorded a position of gross profit for our pig segment for the months of August and September 2023 compared to a position of gross loss for the respective months from January to July 2023. We have recorded a position of gross profit for our poultry segment for the months of July, August and September 2023

## SUMMARY

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compared to a position of gross loss for the respective months from January to June 2023. Our average monthly net loss during the period from June to September 2023 improved as compared with our average monthly net loss for the period from January to May 2023.

### *Net Loss for 2023*

We currently forecast we will incur significant net loss in 2023, primarily as a result of the decrease in average selling price of market hogs.

### *Update on Yibin Project and Meishan Project*

As at the Latest Practicable Date, we had a food processing plant project in progress in Yibin City, Sichuan Province, of which the slaughterhouse began operations in October 2023 with a target annual slaughtering capacity of over three million heads of pigs. We have also established a joint venture with Tönnies (one of the largest integrated meat product enterprise in Germany) and are constructing a slaughterhouse in Meishan City, Sichuan Province with a target initial annual slaughtering capacity of over two million heads of pigs. Subsequent to the Track Record Period and up to the date of this document, we had purchased equipment and were in the process of constructing factory facilities for our Yibin Project and Meishan Project. For details of our plan to expand into food processing business and the latest status as at the Latest Practicable Date, please refer to the section headed “Business – Our Business Model and Products – Expansion into Food Processing Business” in this document.

### **Material Adverse Change**

Our Directors confirm that, as of the date of this document, except as disclosed above, there has been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects of our Group since 31 May 2023, the end of the period reported in the Accountants’ Report set out in Appendix I to this document, and there has been no event since 31 May 2023 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.