The following discussion of our financial condition and results of operations should be read in conjunction with our historical financial information and the accompanying notes as at and for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 included as Appendix I to this document. The historical financial information included as Appendix I to this document has been prepared in accordance with IFRS.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections will depend on a number of risks and uncertainties over which we do not have control. For further information, you should refer to the sections headed "Risk factors" and "Forward-looking statements" in this document.

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 an excellent high-end food manufacturing enterprise with full industry chain capabilities. 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. 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 31 May 2023, our business footprint covered 39 cities across 13 provinces and autonomous regions in China. According to the Frost & Sullivan Report, we ranked sixth among all pig suppliers in China in terms of sales volume of pigs and third among all yellow-feathered broiler suppliers in 2022.

For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the revenue contributed by our pig products accounted for 70.6%, 72.4%, 78.1%, 75.2% and 78.8% of our total revenue, respectively, and the revenue contributed by poultry products accounted for 28.1%, 26.4%, 21.4%, 24.3% and 19.9% of our total revenue, respectively. The remaining revenue contribution came from the sale of ancillary products, which primarily included feed ingredients, accounting for 1.3%, 1.2%, 0.5%, 0.5% and 1.3% of our total revenue, respectively.

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.

BASIS OF PREPARATION

We were established in the PRC on 11 April 2014 as a private-owned enterprise with limited liability. Our Company was registered in Sichuan Province and converted into a joint stock company on 9 May 2019.

The historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the historical financial information, we have adopted all applicable new and revised IFRSs that are effective for the accounting period beginning 1 January 2023, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2023. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2023 are set out in Note 40 in Appendix I to this document.

The historical financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies set out in Note 2 in Appendix I to this document have been applied consistently to all periods presented in the historical financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including, in particular, the follows:

Fluctuations in the selling prices and the sales volumes of our products

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. Please refer to the section headed "Industry Overview – Pig Cycle" and "Industry Overview – China's yellow-feathered broiler market – market size of yellow-feathered broilers" for more information on historical fluctuations of pig and poultry prices. In addition, the sales volumes of our pig and poultry products which are significantly affected by consumer demand for those products also have a significant impact on our revenue.

For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the revenue contributed by our pig segment accounted for 70.6%, 72.4%, 78.1%, 75.2% and 78.8% of our total revenue, respectively. Our pig segment has the most significant effect on our overall results. The revenue contribution by our pig segment had been gradually increasing during the Track Record Period. Among our pig products, market hogs accounted for 96.0%, 87.3%, 98.1%, 98.1% and 97.2% of the total revenue contributed by our pig segment for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. Therefore, the results of our pig segment are substantially affected by the selling price and the sales volume of market hogs. The average selling price for our market hogs decreased by 51.0% from RMB4,304 per head in 2020 to RMB2,111 per head in 2021, and subsequently increased by 9.8% to RMB2,317 per head in 2022. The average selling price for our market hogs increased by 12.0% from RMB1,632 per head for the five months ended 31 May 2022 to RMB1,828 per head for the same period in 2023. The decrease in the average selling price of market hogs in 2021 as compared with that of 2020 was primarily due to unusually high prices in 2020 driven by (i) the shortage of market hogs as a large number of pigs were disposed of as a result of the outbreak of African Swine Fever; and (ii) the disruption of supply and demand of pigs as a result of the restriction on pig transportation due to outbreak of African Swine Fever. 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 6.4% 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. The increase in the average selling price of market hogs in the five months ended 31 May 2023 as compared with that of the same period of 2022 was primarily due to the relatively low pig price for the first five months of 2022 as the supply of market hogs outweighted the demand. For detailed information on the fluctuation of market price of pigs, please refer to the section headed "Industry Overview – Pig Cycle". Our sales volume of market hogs increased from 1.3 million heads in 2020 to 3.0 million heads in 2021 and further increased to 5.0 million heads in 2022. Our sales volume of market hog increased by 28.6% from 2.1 million for the five months ended 31 May 2022 to 2.7 million for the same period of 2023. The sales volume of market hogs increased during the Track Record Period as we increased our production scale to capture more market share. We increased our production scale in order to increase our market share for our pig products which is also in line with recent industry trend of scaled pig farming companies gaining more market shares from individual farmers. We expect the sales volume of our market hogs to continue to increase in the near future.

The results of our poultry segment also have a significant impact on our financial performance. The revenue contributed by sales of our poultry products accounted for 28.1%, 26.4%, 21.4%, 24.3% and 19.9% of our total revenue for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. Among our poultry products, yellow-feathered broilers accounted for 94.5%, 96.2%, 96.8%, 97.1% and 97.4% of the total revenue contributed by sales of our poultry products for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. The results of our poultry segment are substantially affected by the selling price and sales volume of yellow-feathered broilers. The average selling price for our yellow-feathered broilers increased by 11.0% from RMB29.9 per bird in 2020 to RMB33.2 per bird in 2021 and further increased by 19.1% to RMB39.6 per bird in 2022. Our average selling price for our yellow-feathered broilers decreased slightly by 3.3% from RMB36.8 per bird for the five months ended 31 May 2022 to RMB35.6 per bird for the same period of 2023. The average selling price for our yellow-feathered broilers was relatively low in 2020 as (i) China's swine herds gradually recovered from the impact of African Swine Fever which resulted in an oversupply of yellow-feathered broilers, and (ii) due to the outbreak of the COVID-19 pandemic in 2020, the PRC government implemented various necessary measures to control the spread of COVID-19, including social distancing, travel and traffic controls resulting in a significant decline in the consumption of chicken, which led to a temporary mismatch of supply and demand and a subsequent oversupply of yellow-feathered broilers. The average selling price for our yellow-feathered broilers increased in 2022 as compared with that of 2021 due to the decrease in output volume of yellow-feathered broilers in China as a result of the reduction in output volume of yellow-feathered broilers by individual farmers and farming companies. The average selling price for our yellow-feathered broilers decreased slightly in the five months ended 31 May 2023 as compared with that of the same period of 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. For more information on average wholesale price of yellow-feathered broilers in China, please refer to the section headed "Industry overview – China's Yellow-feathered Broiler Market – Market Size of Yellow-feathered Broilers". Our sales volume of yellow-feathered broilers increased from 72.4 million birds for 2020 to 75.8 million birds for 2021 and further increased to 78.6 million birds in 2022. Our sales volume of yellow-feathered broilers increased from 29.4 million birds for the five months ended 31 May 2022 to 34.6 million birds for the same period of 2023. We expect our sales volume of yellow-feathered broilers to continue to remain stable in the near future.

Fluctuations in the prices of feed and feed ingredients

The largest component of our cost of sales is feed and feed ingredients which are mainly used in our production of market hogs and yellow-feathered broilers. Our results of operations are affected by feed and feed ingredients costs, such as the costs of corn and soybean meal. Feed and feed ingredients costs represented 68.9%, 70.4%, 71.5%, 72.7% and 72.1% of our total cost of sales for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. As at 31 May 2023, we had 12 feed mills including nine pig feed mills and three poultry feed mills. We produce or procure from third-party suppliers the feed we need for our breeding and farming operations.

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. During the Track Record Period, our average purchase prices for both corn and soybean meal fluctuated along with the market prices. In order to control the rising feed costs, we have 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 to achieve precise feeding and cost control by reducing the amount of corn and soybean meal required. However, we expect that feed costs will continue to be important to our results of operations.

The average prices for procuring corn and soybean meal per tonne during the Track Record Period are set out below:

	Years ended 31 December					For the five months ended 31 May		
	2020	2021	2022	2021 as compared to 2020	2022 as compared to 2021	2022	2023	2023 as compared to 2022
				Changes %	Changes %			Changes %
Average purchase price of corn (RMB/tonne)	2,441.9	2,985.7	3,079.8	22.3%	3.2%	3,038.2	3,110.5	2.4%
Average purchase price of soybean meal (RMB/tonne)	3,144.5	3,715.0	4,555.8	18.1%	22.6%	4,217.6	4,608.7	9.3%

Product mix

Our overall profitability is affected by our business segments' revenue mix. Our pig segment and poultry segment are our two main business segments. The revenue contributed by sales of our pig products accounted for 70.6%, 72.4%, 78.1%, 75.2% and 78.8% of our total revenue for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. The revenue contributed by sales of poultry products accounted for 28.1%, 26.4%, 21.4%, 24.3% and 19.9% of our total revenue for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. Among our pig products, market hogs accounted for 96.0%, 87.3%, 98.1%, 98.1% and 97.2% of the total revenue contributed by sales of our pig products for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. Among our poultry products, yellow-feathered broilers accounted for 94.5%, 96.2%, 96.8%, 97.1% and 97.4% of the total revenue contributed by sales of our poultry products for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. As a result, our overall profitability is significantly affected by relevant revenue contributions by our market hogs and yellow-feathered broilers.

The gross profit margin of our market hogs was 55.2%, 5.2%, 14.7%, -18.5% and -6.1% for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. The gross profit margin of our yellow-feathered boilers was -2.3%, 0.6%, 12.3%, 6.6% and -7.8% for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. The gross profit margin for our market hogs is typically higher and experiences greater volatility as compared with that of our yellow-feathered broilers. The gross profit margin for our market hogs and yellow-feathered boilers typically experiences volatility because of fluctuations in the prices for market hogs and yellow-feathered broilers as well as the feed and feed ingredients costs. As the revenue contribution by our market hogs was significantly higher than that of our yellow-feathered broilers during the Track Record Period, the fluctuation of our gross profit margin during the Track Record Period was most significantly affected by the gross profit margin of our market hogs. Our overall gross profit margin was 38.8%, 7.7%, 13.8%, -13.0% and -6.0% for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. The fluctuation of our overall gross profit margin during the Track Record Period was approximately in line with the fluctuation of our gross profit margin of market hogs.

We intend to increase the proportion of our market hog production among our major products. As a result, we expect our gross profit margin to be significantly affected by the gross profit margin of our market hog products going forward. Our mix of product offerings has affected, and will continue to affect, our overall gross profit margin and our financial performance.

Changes in fair value of biological assets

Our financial results have been, and will continue to be, affected by changes in the fair value of our biological assets. 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 the five months ended 31 May 2022 and 2023, respectively.

The fair value of piglets, sows and boars and chicken breeders are each determined by replacement cost approach, by considering the cost to create an asset that can provide equivalent utility, with allowance given for physical deterioration or other relevant forms of obsolescence. The fair value of gilts and studs, nursery pigs, growers, fertile eggs, commodity chicks and broilers are each determined by the market approach. In applying these valuation methods, our Valuer has relied on a number of assumptions related to, among other things, market prices, mortality rate, age/weight for sale and feed costs. Therefore, the fair value of our biological assets could be affected by, among other things, the accuracy of such assumptions, and any changes in the estimates may affect the fair value of our biological assets significantly. The Valuer and our management review the assumptions and estimates periodically to identify any significant changes in the fair value of our biological assets. Fair value gains do not generate any cash inflow for our operations and similarly, fair value losses do not result in any cash outflows for our operations. For more information about the valuation methods adopted by the Valuer in valuing the biological assets, please refer to the section headed "– Biological Assets and Valuation" below. In applying valuation methods, the Valuer has relied on a number of valuation parameters. Our Directors expect that our financial results will continue to be affected by the changes in the fair value of our biological assets.

Consumer Demand and Consumption Patterns for Our Products

Our results of operations are significantly affected by consumer demand and consumption patterns for pork and poultry products as well as substitute meat products, such as beef and mutton. Consumer demand and consumption patterns for our pig and poultry products are affected by a large number of factors, few of which are within our control. These factors include consumer preferences, tastes and spending habits, consumer perception of safety and quality of our products and meat products generally, shifts in discretionary spending toward other goods, consumer purchasing power, prices of our products and competing or substitute products, general and local economic conditions, and uncertainties about future economic prospects.

Driven by the solid growth of China's economy and disposable income, the Chinese per capita annual expenditure increased from RMB19,853 in 2018 to RMB24,538 in 2022 which represented a CAGR of 5.4%, according to the Frost & Sullivan Report. The per capita annual expenditure is expected to reach RMB32,084 in 2027, with a CAGR of 5.5% from 2022. Pork is currently the most consumed meat in China, accounting for 55.7% of total major meat consumption per capita in 2022. Poultry is the second most commonly consumed meat, accounting for 29.7% of total major meat consumption per capita in the same year. According to the Frost & Sullivan Report, the per capita meat consumption in China maintained a steady growth from 2018 to 2022, increasing from 49.3 kilograms per capita in 2018 to 51.2 kilograms per capita in 2022. The per capita meat consumption in the U.S. rose from 99.3 kilograms per capita in 2018 to 103.0 kilograms per capita in 2022. Compared with the per capita meat consumption in the U.S., the per capita meat consumption in China has great potential for future growth. With the increasing per capita disposable income in China, we believe the continued development of China's economy, the improvement of living standard and the resulting growth of consumption demand in pig and poultry products in China will benefit our business by providing support to the average selling prices of pigs and yellow-feathered broilers and a growing market for us to increase sales volumes of pigs and yellow-feathered broilers.

Production capacity and capacity utilisation rate

Our results of operations are significantly affected by the growth in capacity and utilisation of our pig and poultry production facilities. We believe that the expansion of our pig and poultry production facilities as well as family farms and farming bases can help us increase the sales volume of our market hogs and yellow-feathered broilers, which in turn helps us significantly broaden our market reach and will continue to drive our growth in the foreseeable future. For our pig production, our market hog output volume is primarily driven by our actual number of sows, which is constrained by the maximum capacity of sows based on the number of sow stalls available in our own pig farms and family farms. Our market hog output volume is less constrained by the maximum number of "fattening stalls" in our own pig farms and family farms as we could partner with more family farms to fatten our weaned piglets. Our pig farms and family farms had an aggregate designed stock volume of sows in the amount of 242,020, 405,410, 464,080, 429,590 and 486,730 as at 31 December 2020, 2021 and 2022, and 31 May 2022 and 2023, respectively. We believe the increase of our production capacity of pig products allows us to better capture market opportunities by enabling us to increase our sales volume of pigs when the market demand is high. For our poultry production, we had a relatively stable production capacity for our yellow-feathered broilers. Our breeder farms had an aggregate designed stock volume of 1.5 million, 1.5 million, 1.5 million sets, 0.6 million sets and 0.6 million sets as at 31 December 2020, 2021 and 2022, and 31 May 2022 and 2023, respectively.

In addition, the production utilisation rates of our own pig farms, breeder farms and hatcheries have significantly affected our profit margin as high utilisation rate would enable us to improve our operating efficiency and hence our gross profit margin. Our own pig farms and family farms had a utilisation rate of 87.3%, 65.8%, 65.4%, 63.1% and 68.5% as at 31 December 2020, 2021 and 2022, and 31 May 2022 and 2023, respectively. Our hatcheries had a utilisation rate of 82.8%, 80.1%, 84.0%, 81.9% and 86.3% for 2020, 2021 and 2022, and 31 May 2022 and 2023. Our breeder farms had a utilisation rate of 86.1%, 94.3%, 93.1%, 93.7% and 105.4% as at 31 December 2020, 2021 and 2022, and 31 May 2022 and 2023, respectively. For details, please refer to the sections headed "Business – Production – Pig production – Pig farming" and "Business – Production – Poultry Production – Poultry Breeding".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our historical financial information. Our significant accounting policies, which are important for you to understand our financial condition and results of operations, are set forth in detail in Note 2 to the Accountants' Report in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our historical financial information, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We have set forth below those accounting policies that we believe involve the most significant estimates and judgments used in preparing our financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Revenue and other income recognition

We classify income as revenue when such income arises from the sale of goods or the provision of services in the ordinary course of our business. Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Our revenue and other income recognition policies are as follows:

Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or fair value through other comprehensive income (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost which is the gross carrying amount net of loss allowance of the asset.

Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attached to them. Grants that compensate us for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognised as deferred income and consequently recognised in profit or loss on a systematic basis over the useful life of the asset.

Biological assets

Our biological assets include (i) commodity hogs (piglets, nursery pigs and growers), (ii) commodity chickens (eggs, commodity chicks and broilers) and (iii) chicken breeders held for own use to produce commodity chicks which are classified as current assets, and (iv) breeding pigs held for own use to produce commodity hogs which are classified as our non-current assets. Biological assets are measured at fair value less costs of disposals. Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which they arise. The feeding costs and other related costs such as staff costs, depreciation and amortisation expenses and utilities cost incurred for raising gilts and studs and chicken breeders are capitalised until the gilts and studs and chicken breeders begin to mate or transfer to the group of sows and boars or mature chicken breeders. Such costs incurred for sows and boars are also capitalised upon pregnancy and transferred to the piglets farrowed. Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories.

Inventories

Inventories are carried at the lower of cost, on a weighted average basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses:

(i) right-of-use assets arising from leases over freehold or leasehold properties where we are not the registered owner of the property interest; and

(ii) items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows: –

- Plant and buildings — 20-40 years
- Right-of-use assets — Over the term of lease
- Machinery and equipment — 10 years
- Vehicles, furniture, and others — 3-5 years

Leased assets

At the lease commencement date, we recognise the right-of-use asset and the lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When we enter into a lease in respect of a low-value asset, we decide whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and our Group has sufficient resources and intention to complete development.

Other intangible assets that are acquired by our Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Software 3-10 years

Both the period and method of amortisation are reviewed annually.

Fair value measurement of biological assets

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

RESULTS OF OPERATION

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

	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*	Biological assets fair value adjustments	Total *RMB'000*	*% of revenue*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments	Total *RMB'000*	*% of revenue*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments	Total *RMB'000*	*% of revenue*	Results before biological assets fair value adjustments *RMB'000* *(unaudited)*	Biological assets fair value adjustments *(unaudited)*	Total *RMB'000* *(unaudited)*	*% of revenue*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments	Total *RMB'000*	*% of revenue*
Revenue	8,145,349		8,145,349	100.0%	9,901,566		9,901,566	100.0%	15,037,027		15,037,027	100%	4,581,212	–	4,581,212	100%	6,362,244	–	6,362,244	100%
Cost of sales	(4,982,717)	1,260	(4,981,457)	(61.2%)	(9,187,459)	49,994	(9,137,465)	(92.3%)	(13,036,992)	68,144	(12,968,848)	(86.2%)	(5,211,095)	32,699	(5,178,396)	(113.0%)	(6,785,394)	40,273	(6,745,121)	(106.0%)
Gross profit	3,162,632	1,260	3,163,892	38.8%	714,107	49,994	764,101	7.7%	2,000,035	68,144	2,068,179	13.8%	(629,883)	32,699	(597,184)	(13.0%)	(423,150)	40,273	(382,877)	(6.0%)
Changes in fair value of biological assets	–	1,295,726	1,295,726	15.9%	–	(2,753,504)	(2,753,504)	(27.8%)	–	304,795	304,795	2.0%	–	(419,278)	(419,278)	(9.2%)	–	(1,202,422)	(1,202,422)	(18.9%)
Other net income	77,956	–	77,956	1.0%	102,410	–	102,410	1.0%	110,894	–	110,894	0.7%	57,329	–	57,329	1.3%	120,932	–	120,932	1.9%
Selling expenses	(70,091)	–	(70,091)	(0.9%)	(72,623)	–	(72,623)	(0.7%)	(80,275)	–	(80,275)	(0.5%)	(28,876)	–	(28,876)	(0.6%)	(40,916)	–	(40,916)	(0.6%)
Administrative expenses	(700,290)	–	(700,290)	(8.6%)	(889,626)	–	(889,626)	(9.0%)	(1,058,172)	–	(1,058,172)	(7.0%)	(387,089)	–	(387,089)	(8.4%)	(489,264)	–	(489,264)	(7.7%)
Provision for expected credit loss of trade and other receivables	(2,240)	–	(2,240)	(0.0%)	(5,917)	–	(5,917)	(0.1%)	(13,332)	–	(13,332)	(0.1%)	(5,801)	–	(5,801)	(0.1%)	(300)	–	(300)	(0.0%)
Profit/(loss) from operations	2,467,967	1,296,986	3,764,953	46.2%	(151,649)	(2,703,510)	(2,855,159)	(28.8%)	959,150	372,939	1,332,089	8.9%	(994,320)	(386,579)	(1,380,899)	(30.1%)	(832,698)	(1,162,149)	(1,994,847)	(31.4%)
Finance cost	(155,589)	–	(155,589)	(1.9%)	(312,242)	–	(312,242)	(3.2%)	(405,272)	–	(405,272)	(2.7%)	(163,223)	–	(163,223)	(3.6%)	(189,182)	–	(189,182)	(3.0%)
Share of losses of associates	(347)	–	(347)	(0.0%)	(3,271)	–	(3,271)	(0.0%)	(16,382)	–	(16,382)	(0.1%)	(4,176)	–	(4,176)	(0.1%)	–	–	–	–
Profit/(loss) before taxation	2,312,031	1,296,986	3,609,017	44.3%	(467,162)	(2,703,510)	(3,170,672)	(32.0%)	537,496	372,939	910,435	6.1%	(1,161,719)	(386,579)	(1,548,298)	(33.8%)	(1,021,880)	(1,162,149)	(2,184,029)	(34.3%)
Income tax	(666)	–	(666)	(0.0%)	(1,986)	–	(1,986)	(0.0%)	(680)	–	(680)	(0.0%)	(346)	–	(346)	(0.0%)	(435)	–	(435)	(0.0%)
Profit/(loss) and total comprehensive income for the year/period	2,311,365	1,296,986	3,608,351	44.3%	(469,148)	(2,703,510)	(3,172,658)	(32.0%)	536,816	372,939	909,755	6.1%	(1,162,065)	(386,579)	(1,548,644)	(33.8%)	(1,022,315)	(1,162,149)	(2,184,464)	(34.3%)

Attributable to:

	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	Biological assets fair value adjustments	Total		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	
	RMB'000		*RMB'000*	*% of revenue*	*RMB'000*		*RMB'000*	*% of revenue*	*RMB'000*		*RMB'000*	*% of revenue*	*RMB'000* *(unaudited)*	*(unaudited)*	*RMB'000* *(unaudited)*	*% of revenue*	*RMB'000*		*RMB'000*	*% of revenue*
Equity shareholders of the Company			3,488,173	42.8%			(2,997,303)	(30.3%)			992,866	6.6%			(1,374,898)	(30%)			(2,026,138)	(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%)

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following discussion is based on our historical results of operations and may not be indicative of our future operating performance.

Revenue

We generate our revenue from the following segments:

- Pig segment, consisting of (i) sale of market hogs sub-segment, (ii) sale of breeding pigs sub-segment, (iii) sale of market piglets, and (iv) sale of boar semen sub-segments;

- Poultry segment, consisting of (i) sale of yellow-feathered broilers sub-segment, (ii) sale of chicks and eggs sub-segment; and

- Ancillary products segment, including sale of feed ingredients and others.

The following table sets forth a breakdown of our revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000, except for percentages)									
							(Unaudited)			
Sales of pigs										
Market hogs	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%
Breeding pigs	148,167	1.8%	461,003	4.7%	69,345	0.5%	15,626	0.3%	24,415	0.4%
Market piglets	80,682	1.0%	449,206	4.5%	151,185	1.0%	49,864	1.1%	112,283	1.8%
Boar semen	428	0.0%	238	0.0%	2,232	0.0%	82	0.1%	3,618	0.1%
Subtotal	5,747,697	70.6%	7,168,155	72.4%	11,745,056	78.1%	3,443,596	75.2%	5,014,315	78.8%
Sales of poultry										
Yellow-feathered broilers	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%
Chicks and eggs	125,993	1.5%	98,353	1.0%	103,726	0.7%	32,171	0.7%	33,276	0.5%
Subtotal	2,287,783	28.1%	2,618,082	26.4%	3,215,336	21.4%	1,111,707	24.3%	1,265,158	19.9%
Sales of ancillary products	109,869	1.3%	115,329	1.2%	76,635	0.5%	25,909	0.5%	82,771	1.3%
Total	8,145,349	100.0%	9,901,566	100.0%	15,037,027	100.0%	4,581,212	100.0%	6,362,244	100.0%

Our revenue for the years ended 31 December 2020, 2021 and 2022 and for the five months ended 31 May 2022 and 2023 was RMB8,145.3 million, RMB9,901.6 million, RMB15,037.0 million, RMB4,581.2 million and RMB6,362.2 million, respectively, of which revenue contributed by our pig products accounted for 70.6%, 72.4%, 78.1%, 75.2% and 78.8% respectively.

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[1] (RMB)	Sales volume (heads)	Average selling price[1] (RMB)	Sales volume (heads)	Average selling price[1] (RMB)	Sales volume (heads)	Average selling price[1] (RMB)	Sales volume (heads)	Average selling price[1] (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 in 2021 as compared with that in 2020, increased in 2022 as compared with that in 2021 and further increased in the five months ended 31 May 2023 as compared with that in the same period of 2022 due to a continued expansion of our production scale. 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 in 2021 as compared with that in 2020 and further increased in 2022 as compared with that in 2021 due to an increase in our overall production scale as we ramped up production in response to rising market prices of our products. The total sales volume of yellow-feathered broilers increased in the five months ended 31 May 2023 as compared with that in the same period of 2022, due to an increase in the scale of our business.

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 outweighted 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. 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.

Market hog is our most important product and accounted for 96.0%, 87.3%, 98.1%, 98.1% and 97.2% of the total revenue contributed by our pig segment for 2020, 2021, 2022 and five months ended 31 May 2022 and 2023, respectively.

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.

Comparison of our average selling price and the market selling price of breeding pigs

Year/period	Average weight of our breeding pigs sold *(Kg)*	Our average selling price of breeding pigs *(RMB)*	Industry average selling price of breeding pigs *(RMB)*
2020	98	6,369	4,527
2021	94	5,067	2,401
2022	70	2,124	2,584
Five months ended 31 May 2022	89	2,187	2,498
Five months ended 31 May 2023	86	2,158	2,689

In 2020 and 2021, our average selling price of breeding pigs was higher than the industry average selling price because (i) the average weight of our breeding pigs sold was heavier than the industry average and (ii) we sold a higher proportion of Great Grandparent and Grand Parent purebred breeding pigs, which are comparatively more expensive and in demand due to a shortage during this period, to purebred or crossbred Parent Stock breeding pigs, as compared to the industry average.

The table below sets forth the number, percentage and average weight for our Great Grandparent and Grand Parent purebred breeding pigs we sold during the Track Record Period.

	As at 31 December			As at 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
Great Grandparent purebred breeding pigs					
– Number of heads	5,732	23,965	4,368	1,308	230
– Percentage of total number of heads (%)	24.6	26.3	13.4	18.3	2.0
– Average weight per head (kg)	82.9	95.7	93.1	112.8	98.0
Grand Parent purebred breeding pigs					
– Number of heads	17,532	67,009	28,275	5,837	11,086
– Percentage of total number of heads (%)	75.4	73.7	86.6	81.7	98.0
– Average weight per head (kg)	103.6	92.8	65.9	83.3	85.6

As advised by our industry consultant, the average weight of breeding pigs sold in China for 2020 and 2021 was approximately 70kg. As shown in the table above, the average weight of our breeding pigs sold for 2020 and 2021 was 82.9kg and 95.7kg for Great Grandparent purebred breeding pigs and 103.6kg and 92.8kg for Grand Parent purebred breeding pigs, respectively, which were significantly higher than the industry average.

In 2022 and in the five months ended 31 May 2022 and 2023, our average selling price of breeding pigs was lower than the industry average selling price because the sales of our breeding pigs occurred at a time when the selling price of breeding pigs was relatively low. For details, please refer to the section headed "Industry Overview – Pig Cycle".

Comparison of our average selling price and the market selling price of market hogs

Year/period	**Average weight of our market hogs sold** *(Kg)*	**Our average selling price of market hogs** *(RMB/Kg)*	**Industry average selling price of market hogs** *(RMB/Kg)*
2020	131	32.8	34.1
2021	123	17.2	20.3
2022	127	18.3	18.7
Five months ended 31 May 2022	123	13.2	13.7
Five months ended 31 May 2023	126	14.5	15.0

The average selling price of our market hogs was largely in line with the industry average selling price of market hogs, and any discrepancies were due to differences in species, weight and sales region of the market hogs sold.

Comparison of our average selling price and the market selling price of yellow-feathered broilers

Year(1)	**Average weight of our yellow-feathered broilers sold** *(Kg)*	**Our average selling price of yellow-feathered broilers** *(RMB/Kg)*	**Industry average selling price of yellow-feathered broilers** *(RMB/Kg)*
2020	2.1	13.5	13.5
2021	2.2	15.0	15.2
2022	2.2	17.8	15.6

Note:

(1) Industry figures for prices of yellow-feathered broilers for the five months ended 31 May 2022 and 2023 are not publicly available.

The average selling price of our yellow-feathered broilers was largely in line with the industry average selling price of yellow-feathered broilers, and any discrepancies were due to differences in species, weight and sales region of the yellow-feathered broilers sold.

Cost of sales

Our cost of sales of our pig and poultry segments mainly consists of feed cost, contract farming fee, staff costs, veterinary medicine, depreciation and amortisation and others.

Cost of sales of ancillary products mainly consists of costs of raw materials.

The following table sets forth a breakdown of our cost of sales of each segment and each sub-segment as a percentage of total cost of sales during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	Costs	% of cost of sales	Costs	% of cost of sales	Costs	% of cost of sales	Costs	% of cost of sales	Costs	% of cost of sales
	(RMB'000, except for percentages)									
							(unaudited)	*(unaudited)*		
Sales of pigs										
Market hogs	2,474,938	49.7%	5,930,742	64.9%	9,827,791	75.8%	4,002,656	77.3%	5,171,455	76.7%
Breeding pigs	35,451	0.7%	155,001	1.7%	41,853	0.3%	11,420	0.2%	16,495	0.2%
Piglets	28,272	0.6%	348,047	3.8%	200,259	1.5%	101,039	2.0%	107,609	1.6%
Semen	153	0.0%	91	0.0%	1,248	0.0%	51	0.0%	2,235	0.0%
Subtotal	2,538,814	51.0%	6,433,881	70.4%	10,071,151	77.7%	4,115,166	79.5%	5,297,794	78.5%
Sales of poultry										
Yellow-feathered broilers	2,212,350	44.4%	2,503,399	27.4%	2,728,093	21.0%	1,007,808	19.5%	1,327,642	19.7%
Chicks and eggs	124,733	2.5%	96,323	1.1%	101,682	0.8%	32,426	0.6%	33,605	0.5%
Subtotal	2,337,083	46.9%	2,599,722	28.5%	2,829,775	21.8%	1,040,234	20.1%	1,361,247	20.2%
Sales of ancillary products	105,560	2.1%	103,862	1.1%	67,922	0.5%	22,996	0.4%	86,080	1.3%
Total	4,981,457	100.0%	9,137,465	100.0%	12,968,848	100.0%	5,178,396	100.0%	6,745,121	100.0%

The following table sets forth the components of our cost of sales and each component as a percentage of our total cost of sales during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
		% of total cost of sales		% of total cost of sales		% of total cost of sales		% of total cost of sales		% of total cost of sales
	(RMB'000, except for percentages)									
							(unaudited)	*(unaudited)*		
Feed and feed ingredients cost	3,430,786	68.9%	6,434,595	70.4%	9,276,272	71.5%	3,765,101	72.7%	4,860,003	72.1%
Contract farming fee	722,754	14.5%	877,432	9.6%	1,323,116	10.2%	422,014	8.2%	679,909	10.1%
Staff cost	226,881	4.6%	523,310	5.7%	590,408	4.6%	265,124	5.1%	307,764	4.6%
Veterinary medicine cost	232,892	4.7%	438,782	4.8%	550,301	4.2%	226,799	4.4%	280,112	4.2%
Depreciation and amortisation	77,809	1.6%	325,329	3.6%	374,281	2.9%	159,124	3.1%	212,475	3.1%
Stock breeders purchase fee	144,816	2.9%	111,091	1.2%	116,946	0.9%	32,639	0.6%	96,787	1.4%
Others[1]	145,519	2.8%	426,926	4.7%	737,524	5.7%	307,595	5.9%	308,071	4.5%
Total	4,981,457	100.0%	9,137,465	100.0%	12,968,848	100.0%	5,178,396	100.0%	6,745,121	100.0%

Note:

(1) Others mainly include cost of materials we consume during production such as disinfectants for animal disease control and packaging materials used for our feed production, labour protection costs, labour outsourcing costs, transportation costs and utilities.

Feed and feed ingredients cost accounted for a substantial portion of our total cost of sales during the Track Record Period, and represented 68.9%, 70.4%, 71.5%, 72.7% and 72.1% of our total cost of sales for 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. Contract farming fee represents fees paid to our family farm owners to raise our market hogs, sows and yellow-feathered broilers. Our feed and feed ingredients cost and contract farming fee increased during the Track Record Period as the sales volumes of our pig and poultry products increased during the same period. Stock breeders purchase fee represents fees paid to external suppliers to purchase piglets and chicks. Veterinary medicine cost primarily consists of cost for medicines and vaccines for animal disease prevention. Staff cost mainly represents wages, insurance and other employee benefits of our workers. Depreciation and amortisation represents the depreciation and the amortisation of our production facilities and right of use assets.

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 Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	Segment/ subsegment gross profit	Segment/ subsegment 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
	(RMB'000, except for percentages)									
							(unaudited)	*(unaudited)*		
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%
Subtotal gross profit and gross profit margin	3,208,883	55.8%	734,274	10.2%	1,673,905	14.3%	(671,570)	(19.5%)	(283,479)	(5.7%)
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%)
Subtotal gross profit and gross profit margin	(49,300)	(2.2%)	18,360	0.7%	385,561	12.0%	71,473	6.4%	(96,089)	(7.6%)
Sales of ancillary products	4,309	3.9%	11,467	9.9%	8,713	11.4%	2,913	11.2%	(3,309)	(4.0%)
Total gross profit and gross profit margin	3,163,892	38.8%	764,101	7.7%	2,068,179	13.8%	(597,184)	(13.0%)	(382,877)	(6.0%)

Gross profit margins of our different products are mainly affected by the different average selling price of our products and the cost of sales which is influenced by the feed and feed ingredient costs and raw materials. For detailed information on the fluctuation of our gross profit and gross profit margin during the Track Record Period, please refer to the relevant discussion in the section headed "– Period-to-Period comparison of Results of Operation" below.

Changes in fair value of biological assets

Changes in fair value of biological assets represent the value changes of our pigs and poultry in the stocks arising from the changes of volume and selling prices of pigs and poultry which are the difference of the following two items: (i) realised fair value changes in respect of biological assets held as at the opening of each reporting date and (ii) unrealised fair value changes in respect of biological assets stated at fair value as at the end of each reporting date. For 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, we recorded gains arising from changes in fair value of biological assets of RMB1,295.7 million, losses arising from changes in fair value of biological assets of RMB2,753.5 million, gains arising from changes in fair value of biological assets of RMB304.8 million, losses arising from changes in fair value of biological assets of RMB419.3 million and losses arising from changes in fair value of biological assets of RMB1,202.4 million, respectively. At the point of sale of our pigs and poultry, we recognised our cost of pig and poultry farming at historical cost in cost of sales. The historical cost for our pig and poultry products includes the cost we spent in previous time periods to cultivate such biological asset for sale, which includes allocation of capitalised cost of raising and breeding sows and boars to the piglets farrowed. The changes in fair value of biological assets thus will have a limited impact on our gross profit. During the Track Record Period, our biological assets were revalued at each reporting date by the Valuer, with any resultant gain or loss recognised in profit or loss for the period in which it arose. The fair value of a pig or poultry delivered and sold in the same period thus will also not generate changes in fair value of biological assets. For more information about the valuation method adopted by the Valuer, please refer to the section headed "– Biological Assets and Valuation" below.

Other net income

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
			(RMB'000)		
				(unaudited)	
Interest income	16,143	32,624	30,455	4,544	19,693
Government grants	41,022	51,579	74,042	24,262	29,386
Net gain/(loss) on disposal of interests in subsidiaries	–	938	(852)	–	–
Impairment loss on property, plant, and equipment	(959)	–	–	–	–
Gain/(loss) on disposal of property, plant and equipment and intangible assets	13,013	(4,259)	(215)	(1,564)	(518)

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
			(RMB'000)		
				(unaudited)	
Net (loss)/gain on disposal of biological assets, net of insurance compensation recovered during the year	(2,377)	(95,398)	66,274	8,793	52,530
Change in fair value of financial assets at FVPL	19,338	13,307	6,063	595	5,228
Change in fair value of unlisted equity investments	–	–	(120)	–	(368)
Change in fair value of derivative financial instruments	–	109,560	(53,973)	23,917	19,074
Others	(8,224)	(5,941)	(10,780)	(3,218)	(4,093)
	77,956	102,410	110,894	57,329	120,932

Our other net income primarily consists of government grants, interest income, net gain on disposal of interests in subsidiaries and associates, impairment loss on property, plant and equipment, net loss on disposal of property, plant and equipment and tangible assets, net (loss)/gain on disposal of biological assets, net of insurance compensation recovered during the year, change in fair value of financial assets at fair value through profit or loss ("FVTPL") and others. For 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, our other net income was RMB78.0 million, RMB102.4 million, RMB110.9 million, RMB57.3 million and RMB120.9 million, respectively.

The net (loss)/gain on disposal of biological assets net of insurance compensation recovered during the year is the net loss or gain caused by the death of breeding stocks after deducting the pig death insurance compensation we declare during the year. The pig death insurance premium per hog is 5% - 6% of the insurance amount for sows, market hogs and market piglets for the majority of cases. The proportion of insurance premium borne by the Group is approximately 20%, 15%-20% and 20%-30% for sows, market hogs and market piglets, respectively. The proportion of insurance premium borne by the government is approximately 80%, 80%-85% and 70%-80% for sows, market hogs and market piglets, respectively. The pig death insurance compensation is approximately RMB1,100 - RMB2,000 per sow and RMB600 - RMB1,000 per market hog. Pig death insurance compensation for our market piglets is dependant on the relevant insurance agreements, and is either fixed at RMB250 - RMB500 per market piglet or varies according to the weight of the dead piglets. We recorded a large increase in the net loss on disposal of biological assets, net of insurance compensation recovered in 2021 mainly due to (i) an increase in disposals in 2021 compared to 2020 due to the increasing business scale and (ii) the fair value of biological assets disposed in 2021 is based on the replacement cost as at 31 December 2020 and is much higher than the biological assets disposed in 2020, therefore the loss of disposal of a single hog is higher in 2021. We recorded a gain in 2022 mainly due to (i) a decrease in disposals during 2022 comparing with 2021 due to an improvement in management and (ii) the loss of disposal of a single hog is much lower in 2022 due to the lower replacement cost as at 31 December 2021. We recorded a gain for the five months ended 31 May 2023, mainly due to (i) a decrease in disposals compared with the same period in 2022 due to an improvement of management and (ii) the loss of disposal of a single hog for the five months ended 31 May 2023 was lower than that of the same period in 2022 due to lower replacement cost as at 31 May 2023.

The replacement cost is cost of obtaining an alternative asset of equivalent utility at current market condition, and it is adjusted for the physical deterioration and all relevant forms of obsolescence. Accordingly, the replacement cost of our breeding stocks is calculated by obtaining the selling prices for new breeding stock (mature biological physical condition) and adjusting the prices based on the number of parities (number of times giving birth) for sows and service lives (number of years mating) for boars. The initial value of the breeding stock disposed of in the current year was determined by the fair value of the appraisal results at the end of the previous year, and then adjusted to obtain the value at the point of disposal based on the number of births that had occurred in the current year. The fluctuations in the replacement cost during the Track Record Period was mainly due to the fact that the price for the new breeding stock reached a high level at the end of 2020 and accordingly, the value of the breeding stock disposed of in 2021 had a higher replacement cost based on the appraisal results of 2020, which was higher compared to that disposed of in 2020 based on the appraisal results of the end of 2019. The subsequent decrease in the price for the breeding stock in 2021 and 2022 and the five months ended 31 May 2022 and 2023 corresponds to a decrease in the replacement cost of the breeding stock disposed of in the following period.

During the Track Record Period, we did not utilise derivative financial instruments in 2020 and we subsequently recognised a gain of RMB109.6 million and a loss of RMB54.0 million, a gain of RMB23.9 million and a gain of RMB19.1 million as change in fair value of derivative financial instruments for 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. Most of the changes in fair value of derivative financial instruments are related to our commodity futures contracts to hedge our exposure to price drops in our pig products. When the pig price drops, we generate gains from our futures trading. Conversely, when the pig price increases, we generate losses from our futures trading.

We have received government grants in China, including mostly one-off subsidies to support our development, specifically in relation to the import of overseas pig breeding technology, research on breeding pigs, and pig and poultry farms construction. Such government grants were received subject to our fulfilment of certain conditions, mainly the expansion and improvement of our pig and poultry farms and improvement in our research and development capabilities. For 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the total government grants we received amounted to RMB41.0 million, RMB51.6 million, RMB74.0 million, RMB24.3 million and RMB29.4 million, respectively. There can be no assurance that the preferential tax treatment, government grants and economic incentives that we have received will not be altered or terminated. Please refer to the section headed "Risk Factors – Risks Relating to Our Business and Our Industry – The preferential tax treatment, government grants and financial incentives that we currently enjoy may be altered or terminated, which could have a material adverse effect on our business, financial position, results of operations and prospects."

Selling expenses

The following table sets forth our selling expenses during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
		% of total selling expenses		*% of total selling expenses*		*% of total selling expenses*		*% of total selling expenses*		*% of total selling expenses*
	(RMB'000, except for percentages)									
							(unaudited)	*(unaudited)*		
Staff costs	30,021	42.8%	35,115	48.4%	37,018	46.1%	13,503	46.8%	15,848	38.7%
Transportation costs	18,904	27.0%	19,441	26.8%	26,174	32.6%	9,614	33.3%	17,164	41.9%
Advertising and marketing	4,655	6.6%	4,015	5.5%	2,654	3.3%	767	2.7%	1,187	2.9%
Service fee	4,054	5.8%	1,749	2.4%	2,322	2.9%	801	2.8%	844	2.1%
Travel and transportation	3,675	5.2%	5,031	6.9%	5,483	6.8%	1,735	6.0%	2,482	6.1%
Materials Consumed	1,992	2.8%	2,177	3.0%	2,358	2.9%	833	2.9%	1,036	2.5%
Others[(1)]	6,790	9.8%	5,095	7.0%	4,266	5.4%	1,623	5.5%	2,355	5.8%
Total	70,091	100.0%	72,623	100.0%	80,275	100.0%	28,876	100.0%	40,916	100.0%

Note:

(1) Others mainly include storage fees, office fees, rental fees and utilities.

Selling expenses primarily consist of staff costs, transportation costs, advertising and marketing expenses, service fee which includes cleaning and maintenance fee, travel and transportation expenses, cost of materials consumed during selling activities and other selling expenses during the Track Record Period. For 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, our selling expenses were RMB70.1 million, RMB72.6 million, RMB80.3 million, RMB28.9 million and RMB40.9 million, respectively, representing 0.9%, 0.7%, 0.5%, 0.6% and 0.6% of our revenue for the respective periods, respectively.

Administrative expenses

The following table sets forth our administrative expenses during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
		% of total administrative expenses		*% of total administrative expenses*		*% of total administrative expenses*		*% of total administrative expenses*		*% of total administrative expenses*
	(RMB'000, except for percentages)									
							(unaudited)	*(unaudited)*		
Staff costs	321,615	45.9%	323,690	36.4%	331,982	31.4%	121,163	31.3%	128,378	26.2%
Research and development costs	74,999	10.7%	132,841	14.9%	196,648	18.6%	65,597	17.0%	99,354	20.3%
Materials costs	50,797	7.3%	71,645	8.1%	64,591	6.1%	27,895	7.2%	24,838	5.1%
Depreciation and amortisation	36,669	5.2%	87,169	9.8%	141,767	13.4%	55,673	14.4%	70,636	14.4%
Professional service fee	31,660	4.5%	43,365	4.9%	24,271	2.3%	5,981	1.5%	11,779	2.4%
Travel and transportation expenses	28,512	4.1%	33,294	3.7%	30,231	2.9%	9,803	2.5%	13,112	2.7%
Insurance costs	27,755	4.0%	57,593	6.5%	130,356	12.3%	52,956	13.7%	86,993	17.8%
Maintenance costs	22,304	3.2%	21,215	2.4%	16,911	1.6%	5,821	1.5%	5,797	1.2%
Office expenses	21,062	3.0%	19,434	2.2%	13,585	1.3%	5,473	1.4%	6,574	1.3%
Service fee	20,865	3.0%	19,963	2.2%	21,886	2.1%	7,159	1.8%	7,039	1.5%
Others[(1)]	64,052	9.1%	79,417	8.9%	85,944	8.0%	29,568	7.7%	34,764	7.1%
Total	700,290	100.0%	889,626	100.0%	1,058,172	100.0%	387,089	100.0%	489,264	100.0%

Note:

(1) Others include expenses related to our business activities such as fees related to the purchase and leasing of our office equipment and utility fees and property taxes related to our office building.

Administrative expenses primarily consist of staff costs, research and development costs, material costs which are mainly costs of materials relating to prevention of African Swine Fever, depreciation and amortisation, professional service fee, travel and transportation expenses, insurance costs, maintenance costs, office expenses, service fee which include cleaning and maintenance fee and others. For 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, our administrative expenses were RMB700.3 million, RMB889.6 million, RMB1,058.2 million, RMB387.1 million and RMB489.3 million, respectively, representing 8.6%, 9.0%, 7.0%, 8.4% and 7.7% of our revenue, respectively. Our administrative expenses as a percentage of our revenue remained relatively stable for 2020 and 2021 and dropped in 2022 as compared with the same period in 2021 as (i) we recorded higher staff costs due to the increase in the amount of compensation paid to our management in 2022 as compared with 2021; and (ii) we had a higher professional service fee in 2021 as we incurred professional fees in connection with our financing activities in 2021. Our administrative expenses as a percentage of our revenue decreased slightly in the five months ended 31 May 2023, as compared to that of the same period of 2022, because we had an increase in revenue that outpaced the increase in our administrative expenses, which was due to an increase in the scale of our operations.

Provision for expected credit loss of trade and other receivables

Provision for expected credit loss of trade and other receivables refers to provision for trade and other receivables based on expected credit losses. During the Track Record Period, our provision for expected credit loss of trade and other receivables primarily related to provisions we made in connection with our other receivables. In 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, we made provision of RMB2.2 million, RMB5.9 million, RMB13.3 million, RMB5.8 million and RMB0.3 million for the expected credit losses of our trade and other receivables, respectively.

Finance costs

Our finance costs represent interest expenses on interest-bearing borrowings and lease liabilities after deducting interest expense capitalised. The following table sets forth the main components of our finance costs during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
			(RMB'000)		
				(unaudited)	
Interest on interest-bearing borrowings	117,151	273,329	294,236	125,976	128,318
Interest on lease liabilities	58,351	101,359	149,780	56,698	71,166
	175,502	374,688	444,016	182,674	199,484
Less: interest expense capitalised	(19,913)	(62,446)	(38,744)	(19,451)	(10,302)
	155,589	312,242	405,272	163,223	189,182

Taxation and preferential tax treatment

For 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, our income tax expenses were RMB0.7 million, RMB2.0 million, RMB0.7 million, RMB0.3 million and RMB0.4 million, respectively. The rate of income tax chargeable on companies in the PRC may vary depending on the availability of preferential tax treatments or subsidies based on their industry or location. According to the EIT Law and the related implementation rules and the Circular of the Ministry of Finance and the State Tax Administration on Scope of Agricultural Products' Primary processing Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), our subsidiaries that engage in animal-husbandry, for example, pig and poultry farming, are entitled to full income tax exemptions. In addition, according to the Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值税暫行條例》) and the relevant regulations, our subsidiaries that sell self-produced agricultural products, such as live pigs, poultry and feed, are exempt from VAT on income derived from those sales.

If we fail to satisfy the requisite requirements for entitlement to the waiver of the PRC EIT and VAT tax in the future or if there is any change in the existing PRC policy relating to preferential tax treatments applicable to us, we may no longer be entitled to the preferential tax treatments currently enjoyed by us. There is no assurance that we will continue to receive the preferential tax treatments currently enjoyed by us in the future. Any loss or substantial reduction of the tax benefits enjoyed by us would adversely affect our financial condition and performance.

Our effective tax rate (income tax expense/profit before taxation) was close to nil during the Track Record Period. Our pig and poultry farming business is tax exempted. The effective tax rate is mainly affected by the proportion of taxable profits generated from ancillary products in our total profits.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 May 2023 as compared to five months ended 31 May 2022

Revenue

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 five months ended 31 May 2023, mainly due to the growth of the revenue of our pig segment.

Pig segment

Our revenue of the pig segment increased by 45.6% from RMB3,443.6 million for the five months ended 31 May 2022 to RMB5,014.3 million for the five months ended 31 May 2023, mainly due to the growth of the revenue of the market hog sub-segment.

Our revenue of the market hog sub-segment increased by 44.3% from RMB3,378.0 million for the five months ended 31 May 2022 to RMB4,874.0 million in the five months ended 31 May 2023, mainly because of (i) an increase in the average selling price of market hogs from RMB1,623 per head for the five months ended 31 May 2022 to RMB1,828 per head in the five months ended 31 May 2023 due to the relatively low pig price for the first five months of 2022 as the supply of market hogs outweighed the demand, and (ii) an increase in sales volume from 2.1 million heads in the five months ended 31 May 2022 to 2.7 million heads for the five months ended 31 May 2023 due to an overall increase in the scale of our operations as we ramped up our production in order to gain more market share.

Our revenue of the breeding pig sub-segment increased by 56.4% from RMB15.6 million in the five months ended 31 May 2022 to RMB24.4 million in the five months ended 31 May 2023, mainly due to an increase in sales volume from 7.1 thousand heads in the five months ended 31 May 2022 to 11.3 thousand heads in the five months ended 31 May 2023 as a result of an increase in market demand in the five months ended 31 May 2023, which was slightly offset by a decrease in the average selling price of breeding pigs from RMB2,187 per head for the five months ended 31 May 2022 to RMB2,158 per head for the five months ended 31 May 2023 line with the decrease of the market price as more breeding pigs became available.

Our revenue of the market piglet sub-segment increased by 125.1% from RMB49.9 million in the five months ended 31 May 2022 to RMB112.3 million in the five months ended 31 May 2023 mainly because of (i) an increase of the average selling prices from RMB257 per head for the five months ended 31 May 2022 to RMB459 per head for the five months ended 31 May 2023 in line with an increase in market price and (ii) an increase in sales volume from 193.9 thousand heads in the five months ended 31 May 2022 to 244.8 thousand heads in the five months ended 31 May 2023 due to an increase in market demand in the five months ended 31 May 2023.

Poultry segment

Our revenue from the poultry segment increased by 13.8% from RMB1,111.7 million in the five months ended 31 May 2022 to RMB1,265.2 million in the five months ended 31 May 2023, mainly because of the increase in the revenue of the yellow-feathered broilers sub-segment.

Revenue of our yellow-feathered broilers sub-segment increased by 14.1% from RMB1,079.5 million in the five months ended 31 May 2022 to RMB1,231.9 million in the five months ended 31 May 2023, which was mainly due to an increase in sales volume from 29.4 million birds in the five months ended 31 May 2022 to 34.6 million birds in the five months ended 31 May 2023 as a result of the increase of the scale of our business, which was slightly offset by a decrease in the average selling price of yellow-feathered broilers from RMB36.8 per bird in the five months ended 31 May 2022 to RMB35.6 per bird in the five months ended 31 May 2023 in line with a decrease in market price of yellow-feathered broilers during the same period primarily due to a decline in consumption of chicken, which led to an oversupply of yellow-feathered broilers in the five months ended 31 May 2023.

Our revenue of the chicks and eggs sub-segment increased by 3.4% from RMB32.2 million in the five months ended 31 May 2022 to RMB33.3 million in the five months ended 31 May 2023, which was mainly due to an increase in sales volume from 38.8 million units in the five months ended 31 May 2022 to 42.4 million units in the five months ended 31 May 2023.

Ancillary products segment

Our revenue of the ancillary products segment increased by 219.7% from RMB25.9 million in the five months ended 31 May 2022 to RMB82.8 million in the five months ended 31 May 2023 because of the increase in sales of feed ingredients.

Cost of sales

Our cost of sales increased by 30.3% from RMB5,178.4 million in the five months ended 31 May 2022 to RMB6,745.1 million in the five months ended 31 May 2023.

The increase was primarily driven by an increase in feed and feed ingredients costs as we increased the sales volume of market hogs and poultry in the five months ended 31 May 2023.

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.

Pig segment

Our gross loss from the pig segment reduced by 57.8% from RMB671.6 million in the five months ended 31 May 2022 to RMB283.5 million in the five months ended 31 May 2023, respectively. Our gross profit margin from the pig segment was -19.5% and -5.7% for the five months ended 31 May 2022 and 2023, respectively. The improved gross profit margin for the pig segment for the five months ended 31 May 2023 was due to the increase in the average selling price of market hogs during that period.

Our gross loss from the market hogs sub-segment reduced by 52.4% from RMB624.6 million in the five months ended 31 May 2022 to RMB297.5 million in the five months ended 31 May 2023, primarily due to (i) the increase in the average selling price of market hogs from RMB1,623 per head in the five months ended 31 May 2022 to RMB1,823 per head in the five months ended 31 May 2023 due to the relatively low pig price for the first five months of 2022 as the supply of market hogs outweighted the demand, (ii) the increase in the sales volume of market hogs from 2.1 million heads to 2.7 million heads as we scaled up our production and

(iii) a decrease in cost of sales per head due to better cost management. Our gross profit margin of the market hogs sub-segment improved from -18.5% in the five months ended 31 May 2022 to -6.1% in the five months ended 31 May 2023, primarily due to the increase in the average selling price of market hogs as a result of the foregoing reasons.

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. We recorded gross loss for the first five months of 2023 due to the relatively low price of market hogs for the first five months of 2023 which was primarily due to:

(1) Abundant pig supply: There was a sustained recovery in pig production capacity in the second half of 2022, primarily driven by the pig cycle and expansion of large-scale farms. In the first quarter of 2023, the output volume of pigs reached 199.0 million, the highest quarterly volume since 2018. This increased supply has put downward pressure on pig prices. According to Frost & Sullivan, as pig supply stabilises gradually and market confidence is strengthened by the growing central frozen pork reserves in the second half of 2023, pig price is expected to rebound during the same period.

(2) Active market stocking and secondary fattening: In the second half of 2022, there was active stocking of pigs and secondary fattening activities, resulting in an increase in the weight of slaughtered pigs. This also added pressure on pork supply, with pork production up 1.9% compared to the same period last year. This further exacerbated the pressure on pork prices and had a negative impact on pig prices.

(3) Post-Spring Festival Seasonal Consumption Effect: Following the Spring Festival, there is a seasonal decrease in demand, particularly for preserved and cured meat products. This lower consumer demand in the first quarter contributed to lower pig prices.

For a discussion of how pig prices affect our results of operations, please refer to the section headed "Key Factors Affecting Our Results of Operations and Financial Conditions – Fluctuations in the selling prices and the sales volumes of our products". For a detailed discussion on factors affecting the market prices of pig products in China, please refer to the section headed "Industry Overview – Pig cycle".

Our gross profit from the breeding pig sub-segment increased by 88.1% from RMB4.2 million for the five months ended 31 May 2022 to RMB7.9 million for the five months ended 31 May 2023 mainly because of an increase in sales volume from 7.1 thousand heads for the five months ended 31 May 2022 to 11.3 thousand heads for the five months ended 31 May 2023 due to an increase in market demand during the same period. The gross profit margin increased from 26.9% in the five months ended 31 May 2022 to 32.4% in the five months ended 31 May 2023 primarily due to the decrease in the cost of sales per head of breeding pig due to better cost management.

We had a gross loss from our market piglets sub-segment of RMB51.2 million in the five months ended 31 May 2022 and a gross profit from our market piglets sub-segment of RMB4.7 million in the five months ended 31 May 2023. The change was mainly due to (i) the increase in the sales volume of our market piglets from 193.9 thousand heads in the five months ended 31 May 2022 to 244.8 thousand heads in the five months ended 31 May 2023 due to an increase in market demand during the same period and (ii) the increase of the average selling price of our market piglets from RMB257 per head to RMB459 per head due to lower supply of market piglets becoming available for the five months ended 31 May 2023 as compared with that in the five months ended 31 May 2022 and (iii) a decrease in cost of sales per head due to better cost management. Our gross profit margin of market piglets sub-segment changed from -102.6% in the five months ended 31 May 2022 to 4.2% in the five months ended 31 May 2023 mainly because of the increase of the average selling price of our market piglets as a result of the foregoing reasons.

Poultry segment

We had a gross profit for our poultry segment of RMB71.5 million in the five months ended 31 May 2022 and a gross loss for our poultry segment of RMB96.1 million in the five months ended 31 May 2023. Our gross profit margin from the poultry segment was 6.4% and -7.6% for the five months ended 31 May 2022 and 2023, respectively. The change was primarily due to the decreases of gross profit and gross profit margin of our yellow-feathered broilers sub-segment.

We had a gross profit for our yellow-feathered broilers sub-segment of RMB71.5 million in the five months ended 31 May 2022 and a gross loss for our yellow-feathered broiler sub-segment of RMB95.8 million in the five months ended 31 May 2023. The change was primarily due to an increase in the sales volume of our yellow-feathered broilers from 29.4 million birds in the five months ended 31 May 2022 to 34.6 million birds in the five months ended 31 May 2023 as we scaled up the production of yellow-feathered broilers, which was slightly offset by a decrease in average selling price of our yellow-feathered broiler from RMB36.8 per bird in the five months ended 31 May 2022 to RMB35.6 per bird in the five months ended 31 May 2023 driven by a reduction in consumer consumption of chicken, which led to an oversupply of yellow-feathered broilers in the five months ended 31 May 2022. Our gross profit margin of the yellow-feathered broilers sub-segment changed from 6.6% for the five months ended 31 May 2022 to -7.8% for the five months ended 31 May 2023, mainly because of the decrease in average selling price of yellow-feathered broilers for the foregoing reasons.

Our gross loss from chicks and eggs sub-segment remained relatively stable at RMB0.3 million in the five months ended 31 May 2022 and 2023 and the gross profit margin of our chicks and eggs sub-segment remained relatively stable for the same periods at -0.8% and -1.0%, respectively.

Ancillary products segment

We had a gross profit from the ancillary products segment of RMB2.9 million in the five months ended 31 May 2022 and a gross loss from the ancillary products segment of RMB3.3 million in the five months ended 31 May 2023 due to a decrease in the external sales of feed and feeding ingredients, which was primarily attributable to a significant decline in the price of soybean meal during the five months ended 31 May 2023. Our gross profit margin from the ancillary products segment was 11.2% and -4.0% for the five months ended 31 May 2022 and 2023, respectively.

Changes in fair value of biological assets

We recorded losses arising from changes in fair value of biological assets of RMB419.3 million and RMB1,202.4 million in the five months ended 31 May 2022 and 2023, respectively. The increased losses arising from changes in fair value of biological assets for the five months ended 31 May 2023 was primarily due to the decrease in appraisal value of the pigs as at 31 May 2023 arising from the decrease in market price.

Other net income

Our other net income increased by 111.0% from RMB57.3 million in the five months ended 31 May 2022 to RMB120.9 million in the five months ended 31 May 2023, which was primarily because (i) we recorded net gain on disposal of biological assets, net of insurance compensation recovered in the amount of RMB52.5 million in the five months ended 31 May 2023 as compared with a net loss on disposal of biological assets, net of insurance compensation recovered in the amount of RMB8.8 million in the five months ended 31 May 2022, primarily because (a) we recorded a decrease in disposals in the five months ended 31 May 2023 compared with the same period in 2022 due to an improvement of management and (b) the loss of disposal per hog for the five months ended 31 May 2023 was lower compared to that of the same period in 2022 and (ii) we recorded interest income in the amount of RMB19.7 million in the five months ended 31 May 2023 as compared with interest income in the amount of RMB4.5 million in the five months ended 31 May 2022 because of an increase in interest income from deposit of bank acceptance and bank deposits.

Selling expenses

Our selling expenses increased by 41.5% from RMB28.9 million for the five months ended 31 May 2022 to RMB40.9 million for the five months ended 31 May 2023, primarily due to an increase in transportation costs caused by an increase in sales volume of our pig and poultry products.

Administrative expense

Our administrative expenses increased by 26.4% from RMB387.1 million for the five months ended 31 May 2022 to RMB489.3 million for the five months ended 31 May 2023 which was primarily due to (i) the increase in our depreciation and amortisation in connection with our office buildings and equipments; (ii) the increase in pig death and pig price insurance purchased and accordingly, the total cost of insurance premium as we anticipated greater net price fluctuations of our pigs, and greater overall number of pig deaths, in line with an increase in the scale of our production; and (iii) the increase in our R&D costs as we carried out more R&D activities in connection with our breeding and feed production.

For details on our pig death insurance coverage, please refer to the section headed "– Other net income" above. With respect to our pig price insurance coverage, the insurance premium per hog is 4.0% - 8.5% of the insurance amount, with approximately 30% - 100% of the insurance premium borne by the Group and 65% of the insurance premium borne by the government. The insurance compensation amount for a price drop is derived by deducting the insured selling price from the actual selling price of the hogs, multiplied by the number of heads of hogs affected.

Provision for expected credit loss of trade and other receivables

Our provision for expected credit loss of trade and other receivables decreased by 94.8% from RMB5.8 million for the five months ended 31 May 2022 to RMB0.3 million for the five months ended 31 May 2023 because we had recovered the majority of our outstanding bad debts at the beginning of 2023.

Finance costs

Our finance costs increased by 15.9% from RMB163.2 million for the five months ended 31 May 2022 to RMB189.2 million for the five months ended 31 May 2023, which was primarily due to the increase in our borrowing as a result of the expansion of our breeding and farming scale.

Share of losses of associates

Our share of losses of associates changed from a loss of RMB4.2 million for the five months ended 31 May 2022 to nil for the five months ended 31 May 2023, primarily because the book value of our farming associates was adjusted to zero under the equity method.

Profit/(loss) before taxation

As a result of the foregoing, we had a loss before taxation of RMB1,548.3 million for the five months ended 31 May 2022 and a loss before taxation of RMB2,184.0 million for the five months ended 31 May 2023.

Income tax

Our income tax was RMB0.3 million and RMB0.4 million for the five months ended 31 May 2022 and 2023, respectively.

Profit/(loss) for the period

As a result of the foregoing, our profit/(loss) for the period changed from a net loss of RMB1,548.6 million for the five months ended 31 May 2022 to a net loss of RMB2,184.5 million for the five months ended 31 May 2023.

2022 as compared to 2021

Revenue

Our revenue increased by 51.9% from RMB9,901.6 million for 2021 to RMB15,037.0 million for 2022, mainly due to the growth of the revenue of our pig segment.

Pig segment

Our revenue of the pig segment increased by 63.9% from RMB7,168.2 million for 2021 to RMB11,745.1 million for 2022, mainly due to the growth of the revenue of the market hog sub-segment.

Our revenue of the market hog sub-segment increased by 84.1% from RMB6,257.7 million for 2021 to RMB11,522.3 million in 2022, mainly because of rising sales volume from 3.0 million heads in 2021 to 5.0 million heads for 2022 due to an overall increase in the scale of our operations as we ramped up our production in order to gain more market share and an increase in the average selling price of market hogs from RMB2,111 per head for 2021 to RMB2,317 per head in 2022 due to the decrease in supply of market hogs in line with the selective elimination of substandard breeding pigs which subsequently reduced the supply of fattening pigs. We strategically ramped up our pig production with an aim to carry out our long-term strategy to gain more market share. We expect the sales volume for our market hogs to continue to increase in the near future.

Our revenue of the breeding pig sub-segment decreased by 85.0% from RMB461.0 million in 2021 to RMB69.3 million in 2022, mainly because of (i) a decrease of the average selling price of breeding pigs from RMB5,067 per head in 2021 to RMB2,124 per head in 2022 in line with a decrease in market price as more breeding pigs became available; (ii) a decrease in sales volume from 91.0 thousand heads in 2021 to 32.6 thousand heads in 2022 due to a decrease in market demand in 2022; and (iii) our reduction of sales of breeding pigs as we needed more breeding pigs in order to ramp up our market hog production.

Our revenue of the market piglet sub-segment decreased by 66.3% from RMB449.2 million in 2021 to RMB151.2 million in 2022 mainly because of (i) a decrease of the average selling prices from RMB668 per head for 2021 to RMB354 per head for 2022 in line with a decrease in market price as more supply of market piglets became available on the market, (ii) a decrease in sales volumes from 672.5 thousand heads in 2021 to 427.0 thousand heads in 2022 due to a decrease in market demand in 2022; and (iii) our reduction of sales of market piglets in order to meet our own demand for market piglets as we scaled up our production of market hogs.

Poultry segment

Our revenue from the poultry segment increased by 22.8% from RMB2,618.1 million in 2021 to RMB3,215.3 million in 2022, mainly because of the increase in the revenue of the yellow-feathered broilers sub-segment.

Revenue of our yellow-feathered broilers sub-segment increased by 23.5% from RMB2,519.7 million in 2021 to RMB3,111.6 million in 2022, which was mainly due to (i) an increase in sales volume from 75.8 million birds in 2021 to 78.6 million birds in 2022 as a result of the increase of the scale of our business, and (ii) an increase in the average selling price of yellow-feathered broilers from RMB33.2 per bird in 2021 to RMB39.6 per bird in 2022 in line with an increase in market price of yellow-feathered broilers for 2022 as compared with that in 2021 primarily due to the decrease in the output volume of yellow-feathered broilers on the market in 2022 as compared with that in 2021 as a result of the reduction in output volume of yellow-feathered broilers by individual farmers and farming companies.

Our revenue of the chicks and eggs sub-segment increased by 5.4% from RMB98.4 million in 2021 to RMB103.7 million in 2022, which was mainly due to an increase in sales volume from 91.2 million units in 2021 to 97.4 million units in 2022.

Ancillary products segment

Our revenue of the ancillary products segment decreased by 33.6% from RMB115.3 million in 2021 to RMB76.6 million in 2022 because of the decrease in sales of feed ingredients as we reduced external sales in order to meet our own demand for feed.

Cost of sales

Our cost of sales increased by 41.9% from RMB9,137.5 million in 2021 to RMB12,968.8 million in 2022.

The increase was primarily driven by an increase in feed and feed ingredients costs as (i) we increased the sales volume of market hogs and poultry and (ii) the market price of feed and feed ingredients increased in 2022 as compared with that in 2021.

Gross profit and gross profit margin

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 6.4% 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.

We had a total gross loss of RMB597.2 million and a total gross profit of RMB2,068.2 million in the five months ended 31 May 2022 and the year ended 31 December 2022, respectively. Our overall gross profit margin was -13.0% and 13.8% in the five months ended 31 May 2022 and the year ended 31 December 2022, respectively. We recorded improved gross profit and gross profit margin for the year ended 31 December 2022 compared to the five months ended 31 May 2022 due to the significant increase in the average selling price of our market hogs for the year ended 31 December 2022 compared to the five months ended 31 May 2022.

Pig segment

Our gross profit from the pig segment increased by 128.0% from RMB734.3 million in 2021 to RMB1,673.9 million in 2022. Our gross profit margin from the pig segment was 10.2% and 14.3% for 2021 and 2022, respectively.

Our gross profit from the market hogs sub-segment increased by 418.2% from RMB327.0 million in 2021 to RMB1,694.5 million in 2022, primarily due to the increase in the average selling price of market hogs from RMB2,111 per head in 2021 to RMB2,317 per head in 2022 as less supply of market hogs was available, and the increase in the sales volume of market hogs from 3.0 million heads to 5.0 million heads as we scaled up our production. Our gross profit margin of the market hogs sub-segment increased from 5.2% in 2021 to 14.7% in 2022, primarily due to the increase in the average selling price of market hogs as a result of the foregoing reasons.

Our gross profit from the breeding pig sub-segment decreased by 91.0% from RMB306.0 million for 2021 to RMB27.5 million for 2022 mainly because of (i) more supply of breeding pigs leading to a lower average selling price of breeding pigs and (ii) a decrease in sales volume from 91.0 thousand heads for 2021 to 32.6 thousand heads for 2022 as we strategically reduced our sales of breeding pigs in order to increase our market hog production. The gross profit margin decreased from 66.4% in 2021 to 39.6% in 2022 primarily due to the decrease in the average selling price of breeding pigs as a result of more supply of breeding pigs becoming available on the market.

We had a gross profit for our market piglets sub-segment of RMB101.2 million in 2021 and a gross loss for our market piglets sub-segment of RMB49.1 million in 2022. The change was mainly due to the decrease in the sales volume of our market piglets from 672.5 thousand heads in 2021 to 427.0 thousand heads in 2022 as well as the decrease of the average selling price of our market piglets from RMB668 per head to RMB354 per head due to more supply of market piglets becoming available for 2022 as compared with that in 2021. Our gross profit margin of market piglets sub-segment changed from 22.5% in 2021 to -32.5% in 2022 mainly because of the decrease of the average selling price of our market piglets as a result of the foregoing reason.

We had a gross loss from the pig segment of RMB671.6 million in the five months ended 31 May 2022 and a gross profit of RMB1,673.9 million for the year ended 31 December 2022. Our gross profit margin from the pig segment was -19.5% and 14.3% for the five months ended 31 May 2022 and the year ended 31 December 2022, respectively. The change was due to the significant increase in the average selling price of market hogs from RMB1,623 per head in the five months ended 31 May 2022 to RMB2,317 per head in the year ended 31 December 2022 in line with improvements in the market.

Poultry segment

We had a gross profit for our poultry segment of RMB18.4 million in 2021 and a gross profit for our poultry segment of RMB385.6 million in 2022. Our gross profit margin from the poultry segment was 0.7% and 12.0% for 2021 and 2022, respectively. The change was primarily due to the increases of gross profit and gross profit margin of our yellow-feathered broilers sub-segment.

We had a gross profit for our yellow-feathered broilers sub-segment of RMB16.3 million in 2021 and a gross profit for our yellow-feathered broiler sub-segment of RMB383.5 million in 2022. The change was primarily due to (i) an increase in average selling price of our yellow-feathered broiler from RMB33.2 per bird in 2021 to RMB39.6 per bird in 2022 driven by a decrease in the output volume of yellow-feathered broilers in 2022 as compared with that in 2021 due to the reduction in output volume of yellow-feathered broilers by individual farmers and farming companies, and (ii) an increase in the sales volume of our yellow-feathered broilers from 75.8 million birds in 2021 to 78.6 million birds in 2022 as we scaled up the production of yellow-feathered broilers. Our gross profit margin of the yellow-feathered broilers sub-segment changed from 0.6% for 2021 to 12.3% for 2022, mainly because of the increase in average selling price of yellow-feathered broilers for the forgoing reasons.

Our gross profit from chicks and eggs sub-segment remained relatively stable at RMB2.0 million and RMB2.0 million in 2021 and 2022, respectively, and the gross profit margin of our chicks and eggs sub-segment remained relatively stable for the same periods at 2.1% and 2.0%, respectively.

We had a gross profit from the poultry segment of RMB71.5 million and RMB358.5 million for the five months ended 31 May 2022 and for the year ended 31 December 2022, respectively. Our gross profit margin from the poultry segment was 6.6% and 12.3% for the five months ended 31 May 2022 and the year ended 31 December 2022, respectively. The change was due to the increase in the average selling price of yellow-feathered broilers from RMB36.8 per bird in the five months ended 31 May 2022 to RMB39.6 per head in the year ended 31 December 2022 in line with improvements in the market.

Ancillary products segment

Our gross profit from the ancillary products segment decreased by 24.3% from RMB11.5 million in 2021 to RMB8.7 million in 2022 as we reduced the external sales of feed and feeding ingredients. Our gross profit margin from the ancillary products segment was 9.9% and 11.4% for 2021 and 2022, respectively.

Changes in fair value of biological assets

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.

Other net income

Our other net income increased by 8.3% from RMB102.4 million in 2021 to RMB110.9 million in 2022, which was primarily because we recorded net gain on disposal of biological assets, net of insurance compensation recovered in the amount of RMB66.3 million in 2022 as compared with a net loss on disposal of biological assets, net of insurance compensation recovered in the amount of RMB95.4 million in 2021. The change was primarily because we received more pig mortality compensation from insurance companies under our pig insurance policies for 2022.

Selling expenses

Our selling expenses increased slightly by 10.6% from RMB72.6 million for 2021 to RMB80.3 million for 2022, primarily due to an increase in transportation costs caused by an increase in sales volume of our pig and poultry products, which was partially offset by a decrease in our advertising and marketing expenses as we reduced our marketing activities as a part of our cost control efforts for 2022.

Administrative expense

Our administrative expenses increased by 19.0% from RMB889.6 million for 2021 to RMB1,058.2 million for 2022 which was primarily due to (i) the increase in our depreciation and amortisation in connection with our office buildings and equipments; (ii) the increase in our cost of insurances we purchased to cover the price drop and death of our pigs and poultry products as our production scaled up; and (iii) the increase in our R&D costs as we carried out more R&D activities in connection with our breeding and feed production.

Provision for expected credit loss of trade and other receivables

Our provision for expected credit loss of trade and other receivables increased by 125.4% from RMB5.9 million for 2021 to RMB13.3 million for 2022 as we made more provision for the advances we made to our family farm owners in line with an increase in the scale of breeding.

Finance costs

Our finance costs increased by 29.8% from RMB312.2 million for 2021 to RMB405.3 million for 2022, which was primarily due to the increase in our borrowing as a result of the expansion of our breeding and farming scale.

Share of losses of associates

Our share of losses of associates changed from a loss of RMB3.3 million for 2021 to a loss of RMB16.4 million for 2022, primarily attributable to the increase in the losses in connection with one of our farming associates due to the decrease in its sales volume in 2022.

Profit/(loss) before taxation

As a result of the foregoing, we had a loss before taxation of RMB3,170.7 million for 2021 and a profit before taxation of RMB910.4 million for 2022.

Income tax

Our income tax decreased by 66.0% from RMB2.0 million for 2021 to RMB680 thousand for 2022, which was primarily due to one of our subsidiaries receiving demolition compensation and thereby incurring RMB1.7 million of taxes payable in 2021.

Profit/(loss) for the year

As a result of the foregoing, our profit/(loss) for the year changed from a net loss of RMB3,172.7 million for 2021 to a net profit of RMB909.8 million for 2022.

2021 as compared to 2020

Revenue

Our revenue increased by 21.6% from RMB8,145.3 million for 2020 to RMB9,901.6 million for 2021, mainly due to the growth of the revenue of the pig segment.

Pig segment

Our revenue of the pig segment increased by 24.7% from RMB5,747.7 million for 2020 to RMB7,168.2 million for 2021, mainly due to the growth of the revenue of the market hog sub-segment.

Our revenue of the market hog sub-segment increased by 13.4% from RMB5,518.4 million for 2020 to RMB6,257.7 million for 2021, mainly because of an increase in sales volume from 1.3 million heads for 2020 to 3.0 million heads for 2021 due to an increase in the scale of our market hog production as we implemented our strategy to gain more market share, which was partially offset by a sharp decrease in the average selling price of market hogs from RMB4,304 per head for 2020 to RMB2,111 per head for 2021 due to (i) relatively high prices for 2020 driven by the shortage of market hogs as a large number of pigs were disposed of as a result of the outbreak of African Swine Fever; and (ii) the disruption of supply and demand of pigs as a result of the restriction on pig transportation due to outbreak of African Swine Fever.

Our revenue of the breeding pig sub-segment increased by 211.1% from RMB148.2 million for 2020 to RMB461.0 million for 2021, mainly because of an increase in sales volume from 23.3 thousand heads for 2020 to 91.0 thousand heads for 2021 which was due to our efforts to enhance the sales of breeding pigs as (i) we had sufficient breeding pigs for our own production, and (ii) we forecasted of a potential downturn in the market, which was partially offset by a decrease of the average selling price of breeding pigs from RMB6,369 per head to RMB5,067 per head.

Our revenue of the market piglet sub-segment increased by 456.6% from RMB80.7 million for 2020 to RMB449.2 million for 2021 mainly because of a significant increase in sales volume from 65.3 thousand heads for 2020 to 672.5 thousand heads for 2021, primarily as a result of our efforts to enhance the sales volume in response to our forecasts of a potential downturn in the market, which was partially offset by a decrease in the average selling price from RMB1,235 per head for 2020 to RMB668 per head for 2021 due to a decline in market price of market piglet.

Poultry segment

Our revenue from the poultry segment increased by 14.4% from RMB2,287.8 million for 2020 to RMB2,618.1 million for 2021, mainly because of the increase in the revenue of the yellow-feathered broilers sub-segment.

Revenue of our yellow-feathered broilers sub-segment increased by 16.6% from RMB2,161.8 million for 2020 to RMB2,519.7 million for 2021, which was primarily due to (i) the increase in the average selling price of yellow-feathered broilers from RMB29.9 per bird to RMB33.2 per bird in line with the market price and (ii) an increase in sales volume from 72.4 million birds for 2020 to 75.8 million birds for 2021 which was mainly due to the increase of the scale of our business.

Our revenue of the chicks and eggs sub-segment decreased by 21.9% from RMB126.0 million for 2020 to RMB98.4 million for 2021, mainly because the average selling price of birds/eggs decreased in line with the market price from RMB1.4 per bird/egg for 2020 to RMB1.1 per bird/egg for 2021.

Ancillary products segment

Our revenue of the ancillary products segment increased by 4.9% from RMB109.9 million for 2020 to RMB115.3 million for 2021 because of the increase in sales of feed ingredients.

Cost of sales

Our cost of sales increased by 83.4% from RMB4,981.5 million for 2020 to RMB9,137.5 million for 2021. The increase was primarily due to the increase in the feed and feed ingredients costs as (i) we increased the sales volume of market hogs and poultry and (ii) the market price of feed and feed ingredients increased for 2021 as compared with those for 2020.

Gross profit and gross profit margin

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.

Pig segment

Our gross profit from the pig segment decreased by 77.1% from RMB3,208.9 million for 2020 to RMB734.3 million for 2021. Our gross profit margin from the pig segment was 55.8% and 10.2% for 2020 and 2021, respectively. The decreases in our gross profit and gross profit margin for our pig segment were primarily due to the decreases in the gross profit and gross profit margin for our market hogs sub-segment.

Our gross profit from the market hogs sub-segment decreased by 89.3% from RMB3,043.5 million for 2020 to RMB327.0 million for 2021 primarily due to the decrease in the average selling price of market hogs from RMB4,304 per head for 2020 to RMB2,111 per head for 2021 as more supply of market hogs became available on the market, which was partially offset by the increase in the sales volume of market hogs from 1.3 million heads for 2020 to 3.0 million heads for 2021 as we scaled up our production for 2021 in order to gain more market share. Our gross profit margin of market hogs sub-segment decreased from 55.2% for 2020 to 5.2% for 2021, mainly due to (i) the decrease in selling price of market hogs due to the foregoing reason; and (ii) the increase in cost per head for market hogs for 2021 as compared with that for 2020.

Our gross profit from the breeding pig sub-segment increased by 171.5% from RMB112.7 million for 2020 to RMB306.0 million for 2021 mainly due to the increase in sales volume from 23,264 heads for 2020 to 90,974 heads for 2021 as a result of our increased selling efforts to sell breeding pigs in 2021 as we forecasted the market price of breeding pigs would fall in 2021, which was partially offset by the decrease in the average selling price of breeding pigs from RMB6,369 per head for 2020 to RMB5,067 per head for 2021 as more supply of breeding pigs became available in 2021. The gross profit margin for the breeding pig sub-segment decreased from 76.1% for 2020 to 66.4% for 2021 primarily due to the decrease in average selling price of breeding pigs due to the foregoing reason.

Our gross profit from the market piglets sub-segment increased by 93.1% from RMB52.4 million for 2020 to RMB101.2 million for 2021, mainly because of the increase in the sales volume of our market piglets from 65.3 thousand heads for 2020 to 672.5 thousand heads for 2021 as we increased our selling effort to sell market piglets as we forecasted the market price for market piglets would fall in 2021, which was partially offset by the decrease in average selling price of our market piglets from RMB1,235 per head for 2020 to RMB668 per head for 2021 as more supply of market piglets became available in 2021. Our gross profit margin of market piglets sub-segment decreased from 65.0% for 2020 to 22.5% for 2021 mainly because of the decrease in the selling price of our market piglet.

Poultry segment

We recorded a gross loss for our poultry segment in the amount of RMB49.3 million for 2020 and a gross profit in the amount of RMB18.4 million for 2021. Our gross profit margin from the poultry segment was -2.2% and 0.7% for 2020 and 2021, respectively, mainly due to the improvement of gross profit and gross profit margin for our yellow-feathered broiler sub-segment. We recorded a gross loss and gross loss margin for our poultry segment in 2020 due to the impact of the COVID-19 pandemic on our yellow-feathered broilers sub-segment, the details of which are set forth below.

We had a gross loss for our yellow-feathered broilers sub-segment of RMB50.6 million for 2020 and a gross profit of RMB16.3 million for 2021. Such gross loss in 2020 was attributable to the impact of the COVID-19 pandemic, which resulted in the closure of wholesale markets and travel restrictions and accordingly a significant decline in consumer demand from households and commercial enterprises, an oversupply of our yellow-feathered broilers, and a decline in average market selling price of yellow-feathered broilers. The change from a position of gross loss in 2020 to a position of gross profit in 2021 was primarily due to (i) an increase in the average selling price of yellow-feathered broilers from RMB29.9 per bird for 2020 to RMB33.2 per bird for 2021 in line with the market price and (ii) an increase in sales volume from 72.4 million birds for 2020 to 75.8 million birds for 2021 which was mainly due to the increase of scale of our business. Our gross profit margin of yellow-feathered broilers sub-segment changed from -2.3% for 2020 to 0.6% for 2021, mainly because of the increase in average selling price of yellow-feathered broilers in line with the market price.

Our gross profit from the chicks and eggs sub-segment changed from RMB1.3 million for 2020 to RMB2.0 million for 2021 mainly because of an increase of the average selling price of chicks and eggs in line with the market price.

Ancillary products segment

Our gross profit from the ancillary products segment increased by 167.4% from RMB4.3 million for 2020 to RMB11.5 million for 2021. Our gross profit margin from the ancillary products segment was 3.9% and 9.9% for 2020 and 2021, respectively.

Changes in fair value of biological assets

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, and we recorded losses of RMB2,753.5 million for 2021, which was 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 pig and poultry products in 2021.

Other net income

Our other net income increased by 31.3% from RMB78.0 million for 2020 to RMB102.4 million for 2021, which was primarily due to the net gains in change in fair value of derivative financial instruments of RMB109.6 million for 2021 in connection with our purchase of financial instruments to hedge our exposure to changing pig prices. Please refer to the section headed "Business – Supplier, Raw material and Inventory – Hedging" for more information on our hedging activities.

Selling expenses

Our selling expenses increased slightly by 3.6% from RMB70.1 million for 2020 to RMB72.6 million for 2021, which was mainly due to the increase in staff costs as we increased the number of our sales personnel in 2021.

Administrative expense

Our administrative expenses increased by 27.0% from RMB700.3 million for 2020 to RMB889.6 million for 2021 which was primarily due to (i) the increase in our depreciation and amortisation in connection with our office buildings and office equipments; (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 as we (a) carried out more R&D activities in connection with our breeding and feed production; and (b) increased compensation for our R&D personnel.

Provision for expected credit loss of trade and other receivables

Our provision for expected credit loss of trade and other receivables increased from RMB2.2 million for 2020 to RMB5.9 million for 2021 in line with an overall increase in the scale of our operations and the corresponding increase of project deposit and advance payment.

Finance costs

Our finance costs increased by 100.6% from RMB155.6 million for 2020 to RMB312.2 million for 2021, which was primarily due to the increase in our borrowing as well as an increase in the interest rate for our borrowings as a result of the expansion of our breeding and farming scale.

Share of losses of associates

Our share of losses of associates changed from RMB0.3 million for 2020 to RMB3.3 million for 2021, primarily attributable to the increase in losses of one of our farming associates due to the low average selling price of pigs in 2021.

Profit/(loss) before taxation

As a result of the foregoing, our profit before taxation decreased by 187.9% from RMB3,609.0 million for 2020 to loss before taxation of RMB3,170.7 million for 2021.

Income tax

Our income tax increased significantly by 200.3% from RMB666 thousand for 2020 to RMB2.0 million for 2021, which was primarily due to one of our subsidiaries receiving demolition compensation and thereby incurring RMB1.7 million of payable current taxes in 2021.

Profit/(loss) for the year

As a result of the foregoing, our profit for the year changed from a net profit of RMB3,608.4 million for 2020 to a net loss of RMB3,172.7 million for 2021.

CURRENT ASSETS AND CURRENT LIABILITIES

We had net current assets of RMB1,828.8 million, net current liabilities of RMB258.2 million, net current assets of RMB130.2 million, net current liabilities of RMB2,683.8 million and net current liabilities of RMB1,719.7 million as at 31 December 2020, 2021, and 2022, 31 May 2023 and 30 September 2023, respectively. We recorded net current liabilities of RMB1,719.7 million as at 30 September 2023, which represented an improvement from our net current liabilities position of RMB2,683.8 million as at 31 May 2023. Such improvement was primarily due to (i) an increase in our pig and poultry prices, which led to an increase in our biological assets, which led to an increase in the valuation of our biological assets during the same period and (ii) an increase in our prepayments, deposits and other receivables as we scaled up our business during this period. We recorded net current liabilities of RMB2,683.8 million as at 31 May 2023, primarily due to (i) 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; and (ii) the decrease in our cash and cash equivalents as we used more cash in our business operations. We recorded net current liabilities of RMB258.2 million as at 31 December 2021 primarily due to (i) an increase in the overall scale of breeding and changes in standards for collecting payments from customers, and accordingly an increase in our other payables and an overall increase in current liabilities; and (ii) the valuation of our biological assets, which occurred when the appraisal value was particularly low at the end of 2021, resulting in a decrease in our current assets. In order to avoid incurring net current liabilities in the future, we plan to (i) focus on adjusting our financing structure by replacing short-term borrowings with long-term borrowings to the extent possible and (ii) utilise 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, which would lower our current liabilities by reducing current borrowings from banks and other financial institutions repayable within one year. The following table sets out a breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2020	**2021**	**2022**	**2023**	**2023**
			(RMB'000)		
					(unaudited)
Current assets					
Inventories	444,081	570,128	707,180	529,988	603,015
Current biological assets	3,244,529	3,166,041	4,462,752	3,002,241	3,998,097
Trade receivables	1,591	5,739	13,434	15,194	16,341
Prepayments, deposits and other receivables	142,095	235,284	413,418	424,752	582,467
Financial assets at fair value through profit or loss ("FVTPL")	655,198	51,783	352,721	393,653	795
Derivative financial instruments	–	38,746	–	16,139	60,382
Cash and cash equivalents and restricted deposits	1,837,832	1,997,142	3,265,108	2,705,014	2,857,448
	6,325,326	6,064,863	9,214,613	7,086,981	8,118,545

	As at 31 December			As at 31 May	As at 30 September
	2020	2021	2022	2023	2023
			(RMB'000)		
					(unaudited)
Current liabilities					
Interest-bearing borrowings	2,445,481	3,214,308	4,455,510	4,994,910	4,689,438
Trade and bills payables	628,362	1,201,195	1,488,010	1,706,507	1,894,976
Accruals and other payables	1,378,031	1,835,826	3,060,906	2,959,550	3,170,218
Derivative financial instruments	–	342	2,485	25,743	4,611
Lease liabilities	44,265	71,264	76,925	83,324	78,460
Current taxation	383	118	560	796	579
	4,496,522	6,323,053	9,084,396	9,770,830	9,838,282
Net current assets/(liabilities)	1,828,804	(258,190)	130,217	(2,683,849)	(1,719,737)

Our net current liabilities decreased from RMB2,683.8 million as at 31 May 2023 to RMB1,719.7 million as at 30 September 2023, the improvement was primarily due to (i) an increase in the valuation of our biological assets due to an increase in our biological assets and an increase in the pig and poultry prices during the same period and (ii) an increase in our prepayments, deposits and other receivables as we scaled up our business during this period.

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 relatively low pig and poultry prices as at 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.

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.

During the Track Record Period, our Group recorded net current liabilities mainly due to the low market prices of pigs and poultry and unfavorable market conditions. However, we believe we can mitigate the negative impact of having recorded net current liabilities on our business by implementing measures 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. We expect our net current liabilities position will improve with the recovery of the pig and poultry prices.

DISCUSSION OF CERTAIN KEY STATEMENT OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Our property, plant and equipment include the pig farms, chicken farms and ancillary structures required for breeding and farming, and the machines and equipment purchased for the construction or operations of our breeding farms and environmental protection.

Our net book value of other property, plant and equipment amounted to RMB6,197.8 million, RMB8,694.7 million, RMB9,095.9 million and RMB9,346.7 million as at 31 December 2020, 2021 and 2022, and 31 May 2023, respectively. Our property, plant and equipment increased significantly as at 31 December 2021 as we expanded our production capacities in 2021 by constructing more pig and chicken farms and feed mills. Our property, plant and equipment remained relatively stable as at 31 December 2022 as compared with that as at 31 December 2021 because we slowed down the construction of our production facilities in 2022. Our property, plant and equipment increased as at 31 May 2023 as compared with that as at 31 December 2022 in line with the construction of more production facilities in connection with our business expansion.

Intangible assets

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

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	(RMB'000)			
Software	1,856	2,508	3,166	2,824
Total	1,856	2,508	3,166	2,824

Our intangible assets include the right of use of the office or breeding system software, such as Foidn breeding and analysis software and JDE enterprise resource planning management software.

Our intangible assets increased from RMB1.9 million as at 31 December 2020 to RMB2.5 million as at 31 December 2021 and further to RMB3.2 million as at 31 December 2022 and further to RMB2.8 million as at 31 May 2023 due to our purchase of new office software.

Goodwill

Our goodwill arose from the acquisition of Guangdong Wizagricultural Science & Technology Co., Ltd. The cost and carrying amount of our goodwill was RMB14.7 million as at each of the dates of 31 December 2020, 2021 and 2022 and 31 May 2023.

For the purpose of the impairment test, goodwill acquired in a business combination or intangible assets not subject to amortisation is allocated to our cash-generating units ("CGU") in sales of our poultry segment. The recoverable amount of the CGU is determined based on value-in-use calculations. As at 31 December 2020, 2021 and 2022 and 31 May 2023, these calculations used cash flow projections based on financial budgets approved by management covering a five-year period and cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%. For prudence, the management forecast the annual growth rates of revenue during the five-year forecast period to be nil. The cash flows are discounted using a discount rate of 14.42%, 12.93%, 12.00% and 13.19% as at 31 December 2020, 2021 and 2022, and 31 May 2023, respectively. The discount rates used reflect specific risks relating to the relevant segments.

	At 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
Annual growth rate of revenue during five-year forecast period	0%	0%	0%	0%
Pre-tax discount rate	14.42%	12.93%	12.00%	13.19%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the CGU as at 31 December 2020, 2021 and 2022 and 31 May 2023 is RMB378,976,000, RMB351,516,000, RMB314,339,000 and RMB239,370,000, respectively.

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2020, 2021 and 2022 and 31 May 2023:

	At 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
Decrease in annual sales growth rate	32.5 percentage points	34.2 percentage points	28.0 percentage points	18.5 percentage points
Increase in pre-tax discount rate	26.4 percentage points	20.0 percentage points	14.1 percentage points	12.5 percentage points

As a result of the above impairment tests, the directors of the Company are of the view that a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount as at 31 December 2020, 2021 and 2022 and 31 May 2023.

Inventories

Our inventories comprise raw materials we used for feed production, finished goods and spare parts and consumables. The following is a breakdown of balance of our inventories as at the dates indicated:

	As at 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
		(RMB'000)		
Raw materials	372,613	479,186	614,446	432,241
Finished goods	8,221	1,746	1,778	3,188
Spare parts and consumables	63,247	89,196	90,956	94,559
Total	444,081	570,128	707,180	529,988

We adopt stringent inventory control and maintain low level of inventory. We periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. We manage our inventory levels principally based on the anticipated demand.

Balance of inventories increased from RMB444.1 million as at 31 December 2020 to RMB570.1 million as at 31 December 2021 and further to RMB707.2 million as at 31 December 2022 primarily because we increased stock of our raw materials, particularly our feed and feed ingredients, and veterinary medicine as a result of our business growth. Balance of inventories decreased from RMB707.2 million as at 31 December 2022 to RMB530.0 million as at 31 May 2023 primarily because (i) we typically increase our stock of raw materials at the end of the year in preparation of the Spring Festival and (ii) raw materials such as soybean meal and corn had inflated prices at the end of 2022, and these gradually lowered to normal prices in the five months ended 31 May 2023.

The following table sets out the ageing analysis of the inventories:

Ageing analysis	**As at 31 December**			**As at 31 May**
	2020	**2021**	**2022**	**2023**
		(RMB'000)		
Within 1 year	444,081	570,128	707,180	529,988
1 to 2 years	–	–	–	–
2 to 3 years	–	–	–	–
Over 3 years	–	–	–	–
Total	444,081	570,128	707,180	529,988

The following table sets out the average inventories turnover day(s) for the Track Record Period:

	For the year ended 31 December			**For the five months ended 31 May**
	2020	**2021**	**2022**	**2023**
Average inventories turnover day(s)	25.7	20.3	18.0	13.8

Note: Average inventories turnover day(s) for each of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023 are equal to the average inventories divided by cost of sales and multiplied by the number of days in the relevant year/period. Average inventories is equal to the average of inventory at the beginning of the year/period and inventory at the end of the year/period.

The average inventories turnover day(s) decreased from 25.7 days for 2020 to 20.3 days for 2021 and further decreased to 18.0 days for 2022 and further decreased to 13.8 days for the five months ended 31 May 2023, primarily because (i)_we managed our inventories more efficiently and as a result, the feed in our inventories increased at a slower pace as compared with the increase in the stock volume of our pigs and yellow-feathered broilers and (ii) the cost of feed decreased in the five months ended 31 May 2023 compared to that of the same period in 2022.

As at 30 September 2023, RMB527.6 million or 99.6% of our inventories as at 31 May 2023 had been subsequently utilised or consumed.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly consist of advances to contract farmers, deposits, loans and advances to local government, prepayments for purchase of inventories, prepaid expense and others. Others primarily consists of value added tax recoverable. The following table sets out a breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
		(RMB'000)		
Advances to contract farmers	29,118	34,520	43,451	45,383
Deposits	22,655	21,750	55,335	52,736
Loans and advances to local government	17,447	26,846	16,852	10,516
Prepayments for purchase of inventories				
– Related parties	56	1	–	–
– Third parties	57,461	110,732	231,890	213,257
Prepaid expense	10,721	27,839	27,131	36,826
Prepayments for costs incurred in connection with the proposed initial [**REDACTED**] of the Company's shares	–	–	15,681	28,545
Others	4,637	13,596	23,078	37,489
Total	142,095	235,284	413,418	424,752

Our prepayments, deposits and other receivables remained relatively stable at RMB413.4 million and RMB424.8 million as at 31 December 2022 and 31 May 2023, respectively.

Our prepayments, deposits and other receivables increased by 75.7% from RMB235.3 million as at 31 December 2021 to RMB413.4 million as at 31 December 2022, primarily attributable to the expansion of our operations resulted in the increases in (i) prepayments for purchase of feed, veterinary medicine and feed ingredients, and (ii) deposits in connection with guarantees paid to acquire a parcel of land for our feed mill.

Our prepayments, deposits and other receivables increased by 65.6% from RMB142.1 million as at 31 December 2020 to RMB235.3 million as at 31 December 2021, primarily attributable to increases in (i) prepayments for purchase of feed, veterinary medicine and feed ingredients as a result of our business growth, and (ii) deductible input value-added tax.

Our prepayments, deposits and other receivables – Others increased during the Track Record Period due to the increase in value added tax recoverable as a result of equipment purchased by certain of our subsidiaries for the setting up of their business operations.

As at 30 September 2023, RMB260.9 million or 61.5% of our total prepayments, deposits and other receivables as at 31 May 2023 had been subsequently settled.

Trade receivables

Our trade receivables mainly include receivables in connection with the sales of our ancillary products and a small amount of receivables in connection with sales of our pigs and poultry. The following table sets out an ageing analysis of our trade receivables, based on the invoice date and net of allowance for doubtful debts, as at the dates indicated:

	As at 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
		(RMB'000)		
Within one year	1,435	5,705	9,959	14,016
One to two years	154	29	3,473	1,052
Two to three years	2	5	2	126
Total	1,591	5,739	13,434	15,194

As at 30 September 2023, RMB9.6 million or 63.3% of our total trade receivables as at 31 May 2023 had been subsequently settled.

Our policy for expected credit loss on trade receivables is based on our estimated rate of credit loss which requires the use of judgement and estimates. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. We do not provide credit period to our customers in the contracts.

As our business is mainly based on payment on delivery, our Directors considered that an analysis of the average turnover days of trade receivable was not material.

Interest-bearing borrowings

Our interest-bearing borrowings mainly include bank loans, government loans and loans from discounted bills.

We had loans from discounted bills amounting to RMB408.0 million, RMB800.0 million, RMB847.0 million and RMB747.0 million as at 31 December 2020, 2021 and 2022 and 31 May 2023, respectively. The lenders of such loans from discounted bills were banks which are all licensed financial institutions. To the best knowledge of our Directors, the bills were supported by genuine transactions of the Group and the Group had not encountered any difficulties in obtaining adequate financing from the financial institutions on acceptable terms during the Track Record Period and up to the Latest Practicable Date.

Trade and bills payables

Our trade and bills payables primarily related to feed, veterinary medicine and contract farming fees. Our suppliers generally grant a fixed credit limit for our purchases and we settle the part of the purchase amount which is over the credit limit.

Our trade and bills payables increased by 23.9% from RMB1,201.2 million as at 31 December 2021 to RMB1,488.0 million as at 31 December 2022, and further by 14.7% to RMB1,706.5 million as at 31 May 2023, primarily due to an increase in our business scale.

Our trade and bills payables increased by 91.2% from RMB628.4 million as at 31 December 2020 to RMB1,201.2 million as at 31 December 2021 which was primarily due to an increase in our business scale, an expansion of breeding and accordingly an increase in the purchase of raw materials.

Payment arrangements with suppliers include payment on delivery and the general credit period of seven to 45 days. We usually settle our outstanding fees with our contract farmers within six months for our pig segment and three months for our poultry segment.

The following table sets out an ageing analysis of our trade and bills payables, based on invoice date, as at the dates indicated:

	As at 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
	(RMB'000)			
Within one year	620,144	1,187,379	1,457,579	1,680,219
One to two years	7,349	11,276	21,610	17,249
Two to three years	118	2,323	6,850	6,654
Over three years	751	217	1,971	2,385
Total	628,362	1,201,195	1,488,010	1,706,507

As at 30 September 2023, RMB1,138.0 million or 66.7% of our total trade and bills payables as at 31 May 2023 had been subsequently settled.

The following table sets out the average trade and bills payables turnover days for the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
Average trade and bills payables turnover day(s)	37.4	36.5	37.8	35.5

Note: Average trade and bills payables turnover day(s) for each of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023 are equal to the average trade and bills payables divided by costs of sales and multiplied by the number of days in the relevant year/period. Average trade and bills payables is equal to the average of trade and bills payables at the beginning of the year/period and trade and bills payables at the end of the year/period.

Average trade and bills payables turnover days remained relatively stable during the Track Record Period, at 37.4 days, 36.5 days, 37.8 days and 35.5 days for 2020, 2021, 2022 and the five months ended 31 May 2023, respectively. Average trade and bills payables turnover days increased from 36.5 days for 2021 to 37.8 days for 2022 primarily due to an improvement in our bargaining power that led to longer turnover days to upstream suppliers, in particular the medical products suppliers. Average trade and bills payables turnover days decreased from 37.8 days for 2022 to 35.5 days for the five months ended 31 May 2023 primarily as we settled our outstanding trade and bills payables more quickly during this period.

Accruals and other payables

Our accruals and other payables consist of payables for staff related costs, deposit from contract farmers and other guarantees to third-party contractors, other tax payables, interest payable, payables relating to purchase of property, plant and equipment, and contract liabilities. The following table sets out a breakdown of our accrued expenses and other payables as at the dates indicated:

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	(RMB'000)			
Payables for staff related costs	240,423	178,561	233,144	180,093
Deposits received	737,103	1,283,210	2,396,340	2,457,256
Other taxes payable	3,859	4,710	7,621	6,621
Interest payable	4,737	8,150	7,962	30,170
Payables relating to purchase of property, plant and equipment				
– related parties	1,647	1,645	–	–
– third parties	295,352	242,144	233,522	130,171
Contract liabilities	46,239	35,273	68,505	56,749
Interest-free loans	13,000	14,571	34,129	28,329
Others	35,671	67,562	79,683	70,161
Total	1,378,031	1,835,826	3,060,906	2,959,550

Our accruals and other payables remained relatively stable at RMB3,060.9 million and RMB2,959.6 million as at 31 December 2022 and 31 May 2023, respectively.

Our accruals and other payables increased by 66.7% from RMB1,835.8 million as at 31 December 2021 to RMB3,060.9 million as at 31 December 2022 primarily attributable to increases in (i) deposits received from farmers, due to (a) an increase in our business scale particularly with respect to our number of pigs raised under our family farm model, and (b) an increase in the deposit rate used and (ii) borrowings.

Our accruals and other payables increased by 33.2% from RMB1,378.0 million as at 31 December 2020 to RMB1,835.8 million as at 31 December 2021 primarily attributable to increases in (i) deposits received from farmers due to an increase in our business scale, particularly with respect to our number of pigs raised under our family farm model, and furthermore, an increase in the deposit rate used, (ii) interest payable due to the increase in our borrowing of bank loans and (iii) others due to an increase in the collection of trade union funds related to the expansion of our business scale and increases in overall employee wages and various accrued expenses.

The following table sets for a breakdown of deposits we received during the Track Record Period.

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	(RMB'000)			
Deposit from Suppliers	48,409	78,808	82,890	89,352
Sales Deposit				
– Deposit from broiler dealers	1,292	2,588	2,577	2,717
– Deposit from pig dealers	7,605	17,174	47,938	54,547
	8,897	19,763	50,516	57,264
Deposit from farm owners				
– Deposit from broiler farm owners	234,912	286,520	306,439	280,407
– Deposit from pig farm owners	444,884	898,119	1,956,585	2,030,233
	679,796	1,184,639	2,263,024	2,310,640
Total	737,103	1,283,210	2,396,430	2,457,256

We received deposits from our suppliers for the purposes of guaranteeing the quality of the goods and services provided, farm owners, pig and broiler dealers during the Track Record Period. Our total deposits increased from RMB737.1 million in 2020 to RMB1,283.2 million in 2021 and further to RMB2,396.3 million in 2022 and further to RMB2,457.3 million in the five months ended 31 May 2023. The increase was primarily driven by the increase in deposits we received from our pig farm owners which increased from RMB444.9 million in 2020 to RMB898.1 million in 2021 and further to RMB1,956.6 million in 2022 and further to RMB2,030.2 million in the five months ended 31 May 2023. The deposit from our pig farm owners increased during the Track Record Period primarily due to the fact that (i) we increased the number of pigs raised under our family farm model in order to expand our business scale; and (ii) we increased the deposit amount for pig dealers during the Track Record Period. For example, the deposit amount for market hogs in the No.1 Family Farms increased from RMB400.0 per head to RMB1,000.0 per head and the deposit amount for sows in the No.2 Family Farms increased from RMB4,000.0 per head to RMB10,000.0 per head.

Contract Liabilities

Our contract liabilities mainly comprise advances from customers who are third parties, while the underlying goods or services are yet to be provided. Our contract liabilities decreased from RMB46.2 million as at 31 December 2020 to RMB35.3 million as at 31 December 2021 due to a decrease in the average selling price of market hogs in 2021, and subsequently increased to RMB68.5 million as at 31 December 2022 due to the increase in the average selling price of market hogs in 2022, and subsequently decreased to RMB56.7 million as at 31 May 2023 due to the decrease in average selling price of market hogs in the five months ended 31 May 2023.

As at 30 September 2023, RMB44.0 million or 77.5% of our contract liabilities as at 31 May 2023 had been subsequently recognised as revenue.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss are primarily comprised of wealth management products issued by commercial banks and financial institutions in China and unlisted equity investments. Our financial assets at fair value through profit or loss decreased from RMB655.2 million as of 31 December 2020 to RMB51.8 million as of 31 December 2021 due to a decrease in our structured deposits purchased in order to maintain a sufficient working capital despite adverse market conditions. Our financial assets at fair value through profit or loss increased from RMB51.8 million as of 31 December 2021 to RMB352.7 million as of 31 December 2022 due to an increase in our purchase of structured deposits in line with an improvement in market conditions and our profitability. Our financial assets at fair value through profit or loss increased slightly from RMB352.7 million as of 31 December 2022 to RMB393.7 million as of 31 May 2023 due to a slight increase in our purchase of our RMB wealth management products.

Derivative Financial Instruments

Our derivative financial instruments are primarily comprised of commodity futures contracts, insurance products linked to pig futures and over-the-counter options contracts. We engage in hedging transactions with (i) commodity futures contracts to hedge our exposure to sharp fluctuations in spot prices of commodity raw materials such as soybean meal, soybean oil, corn and wheat, with the main counterparties being anonymous investors in the futures market, and such transactions are entered into by way of an anonymous matchmaking mechanism, and (ii) insurance products linked to pig futures to hedge our exposure to sharp fluctuations in the selling price of pigs, with the main counterparties being the insurance companies which issue the insurance products. We use our over-the-counter options contracts for phased hedging and management of our combined risk exposure from our use of commodity futures and insurance products linked to pig futures, with the counterparty being the risk management subsidiaries of futures companies. Pursuant to such transactions, we propose our demand for options projects. In order to manage our risk associated with dealing with our derivative financial instruments, we enter into transactions using the above derivative financial instruments under the circumstances of reasonably high breeding profits and delivery profits, and we also regularly conduct market research in order to examine the risk of a potential decline in the prices of pigs and commodity raw materials. Please refer to the section headed "Investment Risk Management" for details of our investment management policy. We are not dependent on entering into transactions with our derivative financial instruments in order to secure our orders. Our derivative financial assets increased from nil as of 31 December 2020 to RMB38.7 million as of 31 December 2021 and our derivative financial liabilities decreased from nil as 31 December 2020 to RMB0.3 million as of 31 December 2021 as we began to engage in hedging transactions with derivative financial instruments in 2021. Our derivative financial assets changed from RMB38.7 million as of 31 December 2021 to nil as of 31 December 2022 and further changed to RMB16.1 million as of 31 May 2023 and our derivative financial liabilities changed from RMB0.3 million as of 31 December 2021 to RMB2.5 million as of 31 December 2022 and further changed to RMB25.7 million as of 31 May 2023 in line with fluctuations in the futures trading market in 2022 which impacted the fair value of our derivative financial instruments. For details, please refer to the section headed "– Principal components of consolidated statements of profit or loss and other Comprehensive income – Other net income".

As at 31 December 2022 and 31 May 2023, we recorded derivative assets of nil and RMB16.1 million and derivative liabilities of RMB2.5 million and RMB25.7 million, respectively, which are expected to be settled within one to nine months from the date of the document.

We have in place detailed investment policies and internal control procedures in respect of our investments in wealth management products and futures and derivatives products, and have dedicated investment teams in charge of such investments, under the supervision of the Board.

Investment Risk Management

We have adopted an investment management policy regarding the supervision and approval process for our investments in futures and derivatives products and wealth management products, as further described below.

Futures and derivatives products

Our futures and derivatives business comprises our trading in futures and options contracts. We have adopted detailed futures and derivatives product management procedures to control our risk exposure to the trading of futures and derivatives products and established our futures and derivatives business team and settlement risk control team, to jointly monitor and execute our futures and derivatives products trading. Our futures and derivatives business team regularly conducts market research to guide our trading of futures and derivatives products. This team is primarily responsible for (i) closely monitoring the performance of our futures and derivatives products and executing trading strategies, (ii) preparing industry research framework and organising data on a daily, weekly, and monthly basis, (iii) tracking the supply and demand situation of the industry, and (iv) acquiring additional market information by communicating with other industry participants and attending industry conferences to predict price movements and advise on trading strategies accordingly. Our settlement risk control team works alongside our futures and derivatives business team to carry out fund allocation and risk assessment. This team is primarily responsible for (i) implementing an early warning system for any investment proposal in futures and derivatives products that requires a margin, (ii) maintaining the futures and derivatives fund settlement management and internal control management system for capital risks, and (iii) identifying internal control deficiencies and related risks. Our futures and derivatives business team and settlement risk control team are jointly supervised by our futures and derivatives leadership team and the Board when making investment decisions. As specified in our internal policy, generally all investment proposals in futures and derivatives products must be reported to our Board, which will then review the feasibility analysis report, investment proposal and other relevant documents for the proposed transaction for approval.

We have further adopted specific post-investment controls to monitor the value and trading risk of our futures and derivatives products. Our futures and derivatives team is required to monitor the values and trading positions of our futures and derivatives products, the floating gain/loss and other relevant data on a daily basis. If the loss in the total value of the trading positions of our futures and derivatives products exceeds the limit set by us before the trading position of our futures and derivatives products are opened, our futures and derivatives business team is required to immediately report to the leader of our futures and derivatives leadership team, who is allowed to close the position if necessary. In addition, our settlement risk control team is also responsible for the risk management related to futures and derivatives products including (i) monitoring the actual and floating gain/loss of the positions opened; (ii) reporting to the Board in case of any excess positions and/or abnormality in price; and (iii) regularly obtaining updates in relation to business development and the credit standing of the futures and derivatives contracts brokers and reporting the same to the Board.

The head of our futures and derivatives leadership team has over ten years of experience in securities and futures investment. He graduated with a postgraduate degree in financial mathematics, majoring in mathematics and applied mathematics, from Sichuan University in June 2012. From 2012 to 2020, he served as an investment analyst in the investment consulting department of West China Futures, an investment manager in the asset management subsidiary of West China Futures and a manager of the trading business department in the risk management subsidiary of West China Futures. He was awarded as an excellent futures specialist of Dalian Commodity Exchange in 2021. He joined the Company in October 2020 and has served as the futures and derivatives manager and head of the futures and derivatives management office.

Wealth management products

We only purchase wealth management products offered by licensed financial institutions that are considered low-risk and offer higher rates of return as compared with time deposits. Our investment team is in charge of overseeing the purchase and management of wealth management products, including agreed deposits, structured deposits, time deposits, call deposits, large-denomination certificates of deposit and treasury bonds. The team is led by Ms. Zhou Zhexu, who is responsible for investments in wealth management products, and also includes (i) members from our executive management team (including relevant officers from business operation, finance, business administration, human resources, risk management and legal departments) and (ii) market research analysts and trade execution personnel with deep industry knowledge and investment experience. Ms. Zhou has an associate degree in civil engineering and a master's degree in asset management and finance, and has more than seven years of experience in financial accounting and management. Please refer to the section headed "Directors, Supervisors and Senior Management – Senior Management" for more information regarding the experience and qualification of Ms. Zhou.

In relation to the level 3 valuation of our RMB wealth management products, our Directors adopted the following procedures: (i) reviewed the terms of the relevant agreements; (ii) reviewed the fair value measurement of the financial instruments in the Accountants' Report set out in Appendix I to this document, taking into account of the valuation techniques and assumptions of unobservable inputs and determine if the fair value measurement of level 3 investments is in compliance with the applicable IFRS and (iii) reviewed the relevant fair value measurement assessment presented by our finance personnel and carefully considered all information available and considered various applicable valuation techniques in determining the valuation of the wealth management products. Based on the above-mentioned work, our management is satisfied with the categorization within level 3 of fair value measurement pursuant to the SFC's "Guidance note on directors' duties in the context of valuations in corporate transactions."

Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques, significant unobservable inputs and the relationship of unobservable inputs to fair value of level 3 measurements are disclosed in note 35(d) to the Accountants' Report included in Appendix I to this document. The Reporting Accountants have performed their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

The Joint Sponsors have conducted relevant due diligence work, including (i) understanding from the Company the work they have performed in relation to the valuation of the financial assets at fair value through profit or loss categorized within level 3 of fair value measurement for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole and the relevant accounting treatments; (ii) understanding from the Reporting Accountants in respect of their work performed in accordance with HKSIR200 in connection with the fair value measurements of these financial assets; and (iii) reviewing the relevant notes included in the Accountants' Report set forth in Appendix I to this document and the Reporting Accountants' opinion on the historical financial information as a whole for the Track Record Period. Based upon the due diligence work conducted by the Joint Sponsors as stated above, and having considered the views of the Directors and the work performed by the Reporting Accountants, nothing material has come to the attention of the Joint Sponsors that indicates that the appropriate steps have not been taken by the Company in carrying out the valuation of the financial assets at fair value through profit or loss categorized within level 3 of fair value measurement.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Our investment strategy related to the wealth management products aims to minimise the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefits of our shareholders. Before proceeding with any investment proposal, our investment team assesses our cash flow levels, operational needs, liquidity and capital expenditures. We make our investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including the macroeconomic environment, general market conditions, our past experience with the financial institutions providing the wealth management products, the underlying assets of the wealth management products, the expected profit or potential loss of such investment, and other material terms of the wealth management products. Members of the financial department will propose, analyse and evaluate potential investment in wealth management products based on the above factors. The resultant report will be submitted to the fund department for review and approval by the chief financial officer and other members of the fund department.

Please refer to the section headed "Business – Risk Management" for more details on our overall investment policies, strategies and control procedures, as well as those related to investments in wealth management products and futures and derivatives products specifically. Our investments in wealth management and futures and derivatives products will also comply with Chapter 14 of the Listing Rules after the [**REDACTED**].

CAPITAL EXPENDITURE

The following sets forth our capital expenditure for the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
			(RMB'000)		
				(unaudited)	
Investing activities					
Payment for the purchase of property, plant and equipment	2,944,567	2,229,663	1,013,880	426,111	504,523
Total	2,944,567	2,229,663	1,013,880	426,111	504,523

Our capital expenditure primarily comprised of expenditures for the construction and upgrades of our production and ancillary facilities during the Track Record Period. Our capital expenditure was relatively high in 2020 and 2021 as we expanded our production capacities by building more pig and chicken farms. We built less pig and chicken farms in 2022 as we were leveraging our capacity added in 2020 and 2021 for our production, and as a result, our capital expenditure dropped significantly in 2022. Our capital expenditure remained relatively stable for the five months ended 31 May 2023 as compared to that of the same period in 2022.

We expect to fund our future capital needs mainly by cash generated from our operating activities, bank loans as well as the [**REDACTED**] from the [**REDACTED**]. Please refer to the section headed "Future Plans and [**REDACTED**]".

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments primarily related to the purchase of property, plant and equipment in connection with our production. The following table sets forth our capital commitments outstanding but not provided for in our consolidated financial statements as at the dates indicated:

	As at 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
	(RMB'000)			
Contracted for	1,104,512	1,256,395	873,270	735,819
Authorised but not contracted for	355,150	273,684	286,681	350,218
	1,459,662	1,530,079	1,159,951	1,086,037

CONTINGENT LIABILITIES

During the Track Record Period, we had contingent liabilities of RMB76.9 million as at 31 December 2020, which reflects the outstanding amount of certain bank loans made to contract farmers which we had guaranteed. We do not consider it probable that a claim will be made against us under any of the guarantees as at 31 December 2020. We did not have contingent liabilities as at 31 December 2021, 31 December 2022, 31 May 2023 and the Latest Practicable Date.

RELATED PARTIES TRANSACTIONS

Guarantees provided by related parties

During the Track Record Period, our related parties provided guarantees to our loans from financial institutions. As of 31 December 2020, 2021 and 2022 and 31 May 2023, the guarantees provided by related parties amounted to RMB3,214.4 million, RMB3,755.1 million, RMB4,038.6 million and RMB4,312.7 million, respectively. For the outstanding amount of loan as at the Latest Practicable Date, the guarantee provided by related parties to us amounted to RMB4,312.7 million. The guarantees provided by the related parties will be released before [**REDACTED**].

Related party transactions

We enter into transactions with our related parties from time to time. During the Track Record Period, we had entered into a number of related party transactions in relation to the sales and purchases of products and services. Please refer to note 38 of the Accountants' Report set out in Appendix I to this document for details.

Our Directors confirm that all transactions with related parties described in note 38 of the Accountants' Report set out in Appendix I to this document were conducted in the ordinary course of business on an arm's length basis and with on normal commercial terms and/or on terms not less favourable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

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 market 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 31 May
	2020	**2021**	**2022**	**2023**
		(RMB'000)		
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	5,680,951	4,084,095	5,409,113	4,114,021

The volumes of our biological assets are summarised as follows:

		As at 31 December			As at 31 May
		2020	**2021**	**2022**	**2023**
Commodity stocks – Hogs					
– Piglets	(Heads)	269,279	440,253	484,102	560,072
– Nursery market hogs	(Heads)	130,549	220,688	181,600	206,861
– Growers	(Heads)	1,126,065	2,283,389	2,750,451	2,804,247
Commodity stocks – Poultry					
– Eggs	(Pieces)	10,029,818	11,297,319	11,444,154	12,564,815
– Commodity chicks	(Birds)	53,072	–	1,175	21,012
– Broilers	(Birds)	16,435,672	20,728,458	24,926,738	26,623,245
Breeding stocks – Hogs					
– Sows and Boars	(Heads)	214,455	270,193	307,522	337,352
– Gilts and Studs	(Heads)	199,290	43,738	75,549	90,116
Breeding stocks – Poultry					
– Mature Breeders	(Birds)	827,316	924,418	992,176	1,106,478
– Immature Breeders	(Birds)	844,106	786,370	837,711	632,751

Our biological assets were independently valued by the Valuer. The Valuer is an independent professional valuer not connected with us, and has appropriate and extensive experience in the valuation of biological assets.

Information about the independent valuer of our biological assets

We have engaged JLL, an independent valuer, to determine the fair value of our biological assets as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 May 2023 (the "Valuation Date(s)") respectively. The key valuers of the JLL team include Mr. Simon Chan and Professor Tan Zhankun.

Mr. Simon Chan, executive director at JLL, is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow of CPA Australia. He is also a Certified Valuation Analyst (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA), a member of Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Simon oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Simon oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of China Modern Dairy Holdings Ltd (stock code: 1117.HK), AustAsia Group Ltd. (stock code: 2425.HK), YuanShengTai Dairy Farm Limited (stock code: 1431.HK), Shandong Fengxiang Co., Ltd. (stock code: 9977.HK) and WH Group Limited (stock code: 288.HK). He also led the valuation of other biological assets, such as market hogs, trees, rabbits and chickens, for financial reporting purpose of Hong Kong listed companies including Chenming Paper (stock code: 1812.HK), China Mengniu Dairy Company Limited (stock code: 2319.HK) and China Kangda Food Company Limited (stock code: 834.HK), as well as numerous private companies.

Appointment of expert

The Valuer appointed an expert consultant, Professor Tan Zhankun (譚占坤), to assist in the valuation. Professor Tan Zhankun, with a PhD degree, is the Associate Professor of Animal Husbandry, the Deputy Director of Animal Science Teaching and Research office in Tibet Agriculture and Animal Husbandry University (西藏農牧學院), and a member of the Tibet Animal Husbandry and Veterinary Medicine Society (西藏自治區畜牧獸醫學會). He is mainly engaged in the teaching and research of animal nutrition and feed science. JLL determined Professor Tan to be suitably qualified given his expertise and past experience. JLL is satisfied that the basis of advice presented by Professor Tan Zhankun and believes it is reasonable.

Based on market reputation and relevant background research, our Directors and the Joint Sponsors are satisfied that JLL is independent from us and is competent in conducting a valuation on our biological assets.

Valuation methodology

In arriving at the assessed value, two generally accepted approaches have been considered, namely, the market approach and the replacement cost approach.

Market approach considers prices recently paid for similar assets, with adjustments made to selling 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.

Replacement cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current selling prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The replacement cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The following valuation methods were adopted:

Piglets

The replacement 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 stock 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 finisher as the market hogs (for production of pork products). The fair value of nursery pigs and growers were derived by obtaining the selling 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 selling prices of the gilts and studs for different species by their corresponding quantities.

Sows and boars

The replacement cost approach was adopted for valuing sows and boars. As there were no actively trading markets for mature breeding stock at specific ages, the selling prices for new breeding stock (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.

Fertile eggs, and commodity chicks

The fair value of the fertile eggs and commodity chicks were derived through the market approach, by multiplying the selling 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 selling 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 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 selling prices for the day-old chicks and the culled breeders were obtained. The feeding costs for rearing the chicken 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)

Key assumptions and inputs

The key inputs and assumptions include the following:

Quantity

The valuation has relied on the figures and information provided by our Group for the biological assets as at the Valuation Dates.

Selling Prices

The selling price is based on the transacted prices of nursery market hogs, growers, gilts, studs, fertile eggs, commodity chicks, broilers, day-old chicks and culled breeders observed at or near the Valuation Dates in the respective market. We operate our business across different provinces, and each province has its own specific supply and demand dynamics because of differences in factors such as local sow supply, rearing cost (in particular feeding cost), and transportation cost and consumption habits. These factors lead to different selling prices for market hogs or broilers that we produced and sold in different locations on the same date. Hence the selling price assumption adopted for biological assets in the valuation process is displayed as a range of price across the markets in which we operate.

Set forth below are the range of market price by types of biological assets adopted in the valuation process as well as the actual historical results:

	Assumptions used	**As at 31 December 2020**
Current biological assets		
– Piglets	Replacement cost	RMB278 to RMB447 per head
– Nursery Market hogs and Growers	Market price	RMB34 to RMB37 per kilogram
– Fertile Eggs	Market price	RMB0.80 per piece
– Commodity Chicks	Market price	RMB2.78 to RMB5.11 per bird
– Broilers	Market price	RMB11 to RMB19 per kilogram
– Mature Chicken Breeders	Replacement cost	RMB26 to RMB107 per bird
– Immature Chicken Breeders	Replacement cost	RMB14 to RMB87 per bird
Non-current biological assets		
– Sows and Boars	Replacement cost	RMB5,400 to RMB12,700 per head
– Gilts and Studs	Market price	RMB4,600 to RMB11,900 per head

	Assumptions used	**As at 31 December 2021**
Current biological assets		
– Piglets	Replacement cost	RMB276 to RMB580 per head
– Nursery market hogs and Growers	Market price	RMB16 to RMB18 per kilogram
– Fertile Eggs	Market price	RMB1.2 per piece
– Commodity Chicks	Market price	N/A
– Broilers	Market price	RMB12 to RMB22 per kilogram
– Mature Chicken Breeders	Replacement cost	RMB6.91 to RMB98 per bird
– Immature Chicken Breeders	Replacement cost	RMB3.14 to RMB77 per bird
Non-current biological assets		
– Sows and Boars	Replacement cost	RMB2,770 to RMB7,790 per head
– Gilts and Studs	Market price	RMB1,320 to RMB6,000 per head

	Assumptions used	**As at 31 December 2022**
Current biological assets		
– Piglets	Replacement cost	RMB275 to RMB374 per head
– Nursery market hogs and Growers	Market price	RMB19 to RMB21 per kilogram
– Fertile Eggs	Market price	RMB1.42 per piece
– Commodity Chicks	Market price	RMB1.35 per bird
– Broilers	Market price	RMB11 to RMB23 per kilogram
– Mature Chicken Breeders	Replacement cost	RMB15 to RMB87 per bird
– Immature Chicken Breeders	Replacement cost	RMB3.25 to RMB63 per bird
Non-current biological assets		
– Sows and Boars	Replacement cost	RMB2,650 to RMB11,490 per head
– Gilts and Studs	Market price	RMB1,200 to RMB9,700 per head

	Assumptions used	**As at 31 May 2023**
Current biological assets		
– Piglets	Replacement cost	RMB278 to RMB347 per head
– Nursery market hogs and Growers	Market price	RMB14 to RMB15 per kilogram
– Fertile Eggs	Market price	RMB1.57 per piece
– Commodity Chicks	Market price	RMB0.7 per bird
– Broilers	Market price	RMB12 to RMB19 per kilogram
– Mature Chicken Breeders	Replacement cost	RMB14 to RMB91 per bird
– Immature Chicken Breeders	Replacement cost	RMB1.26 to RMB79.68 per bird
Non-current biological assets		
– Sows and Boars	Replacement cost	RMB3,250 to RMB11,490 per head
– Gilts and Studs	Market price	RMB1,800 to RMB9,700 per head

Assumptions for Pig Segment

In valuing the fair value of nursery market hogs and growers, key assumptions and parameters including mortality rate, age for sale, weight and cost to complete were considered:

Mortality Rate

As there is the probability that the market hogs might be dead due to diseases, epidemics, accidents or natural forces during rearing cycle, the mortality since the Valuation Date until complete and sold has been taken into consideration. The mortality rate from weaning to the stage of finisher was with reference to the historical actual mortality rate.

Age for sale

With reference to the historical sales records and to the best estimation of the management, nursery market hogs and growers are to be sold as the market hogs when they reach a certain age.

Weight

The average body weight of the market hogs when they are sold is determined based on our operating and rearing experience.

Cost to Complete

The costs required to feed nursery market hogs and growers since the Valuation Date until they were sold were incorporated and were estimated based on the historical average costs. The costs include feed cost, veterinary medicine and vaccination, staff costs and production overheads.

In valuing the fair value of sows and boars, key assumptions and parameters including parity, service lives and residual value were considered:

Parity

To the best estimation of the management, sows normally give birth to piglets for six times at most and would be culled and sold at residual value. The value of sows is depreciated on straight-line basis over the six parities based on the price of new breeding stock (mature biological physical condition).

Service Lives

To the best estimation of the management, boars normally used for mating for 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 stock (mature biological physical condition).

Residual Value

To the best estimation of the management, the residual value of sows and boars at the maximum parities or at the end of service lives is assumed to be RMB800 per head.

Assumptions for Poultry Segment

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.

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, the mortality since the Valuation Date(s) until complete and sold has been taken into consideration. The mortality rate for the broilers was with reference to the historical actual mortality rate.

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.

Weight

The average body weight of the broilers when they are sold was determined based on our operating and rearing experience.

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.

In valuing the fair value of immature/mature chicken breeders, the following key assumptions and parameters were considered:

Service Lives

To the best estimation of the management, mature chicken breeders normally used for mating until the age of 66 weeks at most and would be culled and sold at residual value. The value of male mature chicken breeders is depreciated on straight-line basis over the service lives, while the value of female mature chicken breeders is depreciated on units-of-production basis over the service lives.

Other Assumptions

The Valuer assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. The Valuer also assumed that the historical trend and data will be maintained and there will be no material change in the existing political, legal, technological, fiscal or economic condition that may adversely affect the business of the Company.

The Valuer confirmed that they have conducted their 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. The Valuer 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. The Valuer is of the opinion that the valuation procedures we employed provide a reasonable basis for their opinion.

The Reporting Accountants have performed their work on the historical financial information (as defined in the Accountants' Report in Appendix I to this document) in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Report on Historical Financial Information in Investment Circular ("HKSIR 200"). As part of their work on the Historical Financial Information, the Reporting Accountants have considered the results of audit procedures performed in connection with the valuation techniques and key inputs used in valuation of the biological assets. They have satisfied themselves in respect of the valuation technique chosen and the key inputs used in the valuation for the purpose of forming an opinion on the Historical Financial Information as a whole.

The Joint Sponsors held various discussions with JLL in relation to its valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process and reviewed the qualification and relevant valuation experience of JLL and its professional valuers. In addition, the Joint Sponsors discussed with our management and the Reporting Accountants with respect to the techniques chosen and the inputs used in the valuations. The Joint Sponsors further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. In addition, the Joint Sponsors have discussed with the Reporting Accountants regarding the valuation of biological assets compiled by the Valuer and noted that the Reporting Accountants had considered the audited procedures performed in accordance with the relevant auditing standards. Given the above, the Joint Sponsors are satisfied that the valuation techniques chosen and the inputs used in the valuation technique are appropriate and reasonable.

Sensitivity analysis

A significant increase/decrease in the estimated selling price and replacement cost in isolation would result in a significant increase/decrease in the fair value of the biological assets. As at 31 December 2020, 2021 and 2022 and 31 May 2023, if transaction price increases by 10%, the estimated fair value of biological assets would have increased by 9.9% or RMB564 million, 10.5% or RMB430 million, 9.8% or RMB533 million and 15.2% or RMB627 million, respectively, and if transaction price decreases by 10%, the estimated fair value of biological assets would have decreased by 9.8% or RMB557 million, 12.0% or RMB490 million, 10.2% or RMB552 million, and 13.7% or RMB562 million, respectively.

Stock take and internal control

Stock-take

We have established a standard protocol for all our farms for stock take consisting of periodic and random stock take to ensure the physical existence of our biological assets and accuracy of relevant data and information. Each of our farms is required to perform a full stock take on a monthly basis to ensure the relevant information such as headcount gender and age-grouping, health and breeding status are accurately reflected in our information management system and submit a stock-take report to the internal audit department at our headquarters. Farm managers, staff of the finance department and their supervisors, staff of the internal audit department and directors of relevant departments conduct the monthly stock-take on-site, and confirm the result in writing.

Internal Control and Management System

We have devised a comprehensive policy for biological asset management. Our biological asset management policy covers among other things, the relevant accounting policies, transferring among age groups, purchase and disposal of biological assets, breeding, record keeping and stock take.

For our Family Farms, the respective quantities of livestock entering the farms and that of dead livestock are recorded electronically in our enterprise management software JDE. The production administrator also fills in an inventory form and submits this to the service department for record. Staff at the respective Family Farms submit a copy of the inventory list to our headquarters on a monthly basis.

For our Self-operated Farms, signed written reports prepared by warehouse management detailing the quantity of recorded inventory and actual inventory and any reasons for discrepancies between recorded and actual inventory are submitted to our finance department on a monthly basis, and on-site inventory checks are conducted by our finance department on an annual basis.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds in the past have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our working capital needs, and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the [**REDACTED**] from the [**REDACTED**] to finance a portion of our liquidity requirements.

Cash flows

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
	(RMB'000)			
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

Net cash generated from operating activities

For 2020, 2021 and 2022, and the five months ended 31 May 2023, the respective differences between our profit before taxation and our cash generated from operations were mainly due to the changes in working capital, including in particular the change of current biological assets and trade and bills payables, changes in fair value of biological assets, depreciation charge on property, plant and equipment, finance costs and government grant.

For the five months ended 31 May 2023, our net cash generated from operating activities was RMB63.1 million, mainly reflecting loss before taxation of RMB2,184.0 million, added back by finance costs of RMB189.2 million, decrease of accruals and other payables of RMB45.4 million and increase in trade and bills payables of RMB218.5 million, which was partially offset by loss from changes in fair value of biological assets of RMB1,202.4 million and decrease of biological assets of RMB193.0 million.

For 2022, our net cash generated from operating activities was RMB2,191.7 million, mainly reflecting profit before taxation of RMB910.4 million, added back by finance costs of RMB405.3 million, increase of accruals and other payables of RMB1,235.5 million and increase in trade and bills payables of RMB286.8 million, which was partially offset by gains from changes in fair value of biological assets of RMB304.8 million and increase of biological assets of RMB802.6 million.

For 2021, our net cash generated from operating activities was RMB406.5 million, mainly reflecting loss before taxation of RMB3,170.7 million, added back by finance costs of RMB312.2 million, increase of accruals and other payables of RMB507.6 million and increase in trade and bills payables of RMB572.8 million, which was partially offset by loss from changes in fair value of biological assets of RMB2,753.5 million and increase of biological assets of RMB823.5 million.

For 2020, our net cash generated from operating activities was RMB1,671.5 million, mainly reflecting profit before taxation of RMB3,609.0 million, added back by finance costs of RMB155.6 million, increase of accruals and other payables of RMB422.5 million and increase in trade and bills payables of RMB236.2 million, which was partially offset by gains from changes in fair value of biological assets of RMB1,295.7 million and increase of biological assets of RMB1,338.2 million.

Net cash used in investing activities

During the Track Record Period, our cash used in investing activities include the payment for purchase of breeding stock and property, plant and equipment.

During the Track Record Period, our cash generated from investing activities include government grants received and proceeds from disposal of property, plant and equipment.

For 2020, 2021 and 2022, and the five months ended 31 May 2023, we recorded net cash used in investing activities of RMB3,775.8 million, RMB1,760.4 million, RMB1,246.4 million and RMB585.6 million, respectively, which mainly reflected the cash used in the expansion of pig and poultry farms.

Net cash generated from financing activities

During the Track Record Period, our cash generated from financing activities include proceeds from borrowings and issue of ordinary shares, while our cash used in financing activities include dividends paid, repayment of interest-bearing borrowings, other interest paid, capital element of lease rentals paid and interest element of lease rentals paid.

For the five months ended 31 May 2023, we recorded net cash used in financing activities of RMB79.0 million, which was primarily due to repayment of interest-bearing borrowings of RMB2,215.6 million, capital element of lease rentals paid of RMB61.6 million, interest element of lease rentals paid of RMB71.2 million and other interests paid of RMB106.1 million, partially offset by the proceeds from interest-bearing borrowings of RMB2,356.1 million.

For 2022, we recorded net cash generated from financing activities of RMB89.0 million, which was primarily due to the proceeds from interest-bearing borrowings of RMB4,396.0 million, partially offset by the repayment of interest-bearing borrowings of RMB3,468.4 million.

For 2021, we recorded net cash generated from financing activities of RMB1,451.0 million, which was primarily due to the proceeds from interest-bearing borrowings of RMB4,384.3 million, partially offset by the repayment of interest-bearing borrowings of RMB2,575.6 million.

For 2020, we recorded net cash generated from financing activities of RMB3,149.5 million, which was primarily due to the proceeds from interest-bearing borrowings of RMB3,871.1 million, partially offset by the repayment of interest-bearing borrowings of RMB724.4 million.

INDEBTEDNESS

As at 30 September 2023, the latest practicable date for the purpose of the indebtedness statement, we had outstanding indebtedness of RMB9,197.0 million, which comprised borrowings and lease liabilities. Our Directors confirmed that, as at the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no material breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirmed that we did not experience any unusual difficulty to obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings during the Track Record Period and up to the Latest Practicable Date.

The table below sets out the breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2020	2021	2022	2023	2023
			(RMB'000)		
					(unaudited)
Current					
Bank Loans					
– guaranteed	1,831,307	2,356,464	2,910,819	3,207,330	2,783,870
– secured	–	–	–	387	7,325
– unguaranteed and unsecured	196,200	–	346,109	564,686	515,459
Subtotal	2,027,507	2,356,464	3,256,927	3,772,403	3,306,654
Other Loans					
– guaranteed	200,000	603,077	429,805	329,781	752,988
– secured	75,000	100,000	357,000	300,000	300,000
– guaranteed and secured	142,974	150,000	200,000	257,000	–
– unguaranteed and unsecured	–	4,766	211,777	335,726	329,796
Subtotal	417,974	857,844	1,198,582	1,222,507	1,382,784
Leases liabilities	44,265	71,264	76,925	83,324	78,460
Total	2,489,746	3,285,572	4,532,435	5,078,234	4,767,898
Non-Current					
Bank Loans					
– guaranteed	1,037,596	599,634	201,859	235,504	347,914
– secured	–	–	–	130,613	204,675
– unguaranteed and unsecured	570,328	1,825,343	1,743,540	1,309,916	1,234,691
Subtotal	1,607,924	2,424,976	1,945,400	1,676,033	1,787,280
Other Loans					
– guaranteed	–	45,877	296,071	283,114	344,880
– secured	–	–	–	–	–
– guaranteed and secured	2,531	–	–	–	–
– unguaranteed and unsecured	103,494	282,998	198,801	82,251	49,082
Subtotal	106,025	328,875	494,872	365,365	393,962
Leases liabilities	1,248,376	2,009,819	2,047,050	2,217,329	2,247,902
Total	2,962,325	4,763,670	4,487,321	4,258,727	4,429,144

Borrowings

The interest-bearing borrowings were repayable as follows as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2020	2021	2022	2023	2023
			(RMB'000)		
					(unaudited)
Within 1 year or on demand	2,445,481	3,214,308	4,455,510	4,994,910	4,689,438
After 1 year but within 2 years	738,451	906,712	1,186,842	931,100	1,134,453
After 2 years but within 5 years	837,212	1,576,038	1,167,981	970,635	931,168
After 5 years	138,286	271,101	85,448	139,663	115,621
Total non-current loans	1,713,949	2,753,851	2,440,271	2,041,398	2,181,242
	4,159,430	5,968,159	6,895,781	7,036,308	6,870,680

As at 31 December 2020, 2021 and 2022, 31 May 2023 and 30 September 2023, we had total outstanding borrowings of RMB4,159.4 million, RMB5,968.2 million, RMB6,895.8 million, RMB7,036.3 million and RMB6,870.7 million, respectively.

During the Track Record Period, we primarily used bank loans and other loans to supplement our liquidity, daily production and operations and construct new farms. Our total bank loans and other loans fluctuated from RMB4,159.4 million as at 31 December 2020 to RMB5,968.2 million, RMB6,895.8 million, RMB7,036.3 million and RMB6,870.7 million as at 31 December 2021, 31 December 2022, 31 May 2023 and 30 September 2023, respectively, primarily because we borrowed more bank loans to fund the construction of our new farms to expand our business. The interest rates of our bank loans ranged from 2.05% to 6.18% as at 31 December 2020, from 3.55% to 6.18% as at 31 December 2021, from 2.10% to 5.98% as at 31 December 2022, from 2.1% to 5.7% as at 31 May 2023 and from 2.85% to 5.7% as at 30 September 2023. The interest rates of our other loans ranged from 2.45% to 8.50% as at 31 December 2020, from 2.64% to 8.5% as at 31 December 2021, from 1.90% to 8.50% as at 31 December 2022, from 1.7% to 8.5% as at 31 May 2023, and from 1.7% to 8.5% as at 30 September 2023.

Some of our loans were guaranteed by our related parties. All such guarantees provided by related parties will be released before the [**REDACTED**]. Our Company and certain members of our Group entered into various loan agreements with financial institutions to obtain loan financing for our Group. The terms of such loan agreements outstanding as at 31 May 2023 contain customary affirmative and negative loan covenants, such as restriction on use of loans, restriction on external guarantee, continuing reporting obligations, maintaining asset to liability ratio at a maximum level ranging from 65% to 100%, current ratio at a minimum level ranging from 0.05 to 1, current assets and net assets at a minimum of RMB2.7 million and RMB5.0 million respectively, for one subsidiary, and current assets and net assets at a minimum of RMB200.0 million at the Company level. A small portion of our loan agreements also mandate that consecutive net loss and/or consecutive negative net operating cash flow shall not be recorded for a relevant period of two to three years.

To efficiently manage and utilise the Group's funds, the Company has centralised the Group's funds at the Company level and as a result, the asset to liability ratios for 11 of our subsidiaries did not fulfil the covenants agreed upon between them and the lending banks during certain periods in the Track Record Period and as at 31 May 2023. However, the Company maintains close and regular communication with lending banks and regularly informs them of the financial position of the Company and its subsidiaries in accordance with the relevant provisions. Therefore, we do not anticipate to make any early repayment of the outstanding loan of these subsidiaries within one year from 31 May 2023. Therefore, we do not need to reclassify the loan amounts from non-current liabilities to current liabilities in Appendix I - Accountants' Report. During the Track Record Period and up to the Latest Practicable Date, (i) we did not receive any notice from any lending bank requiring us to take any action to secure its loan or early repay the relevant loan in the event that our subsidiary has not fully fulfiled the financial covenants set out in its loan agreement; (ii) during the Track Record Period, the Group has been duly compliant with its obligation in respect of the payments of interests and principals under the relevant loan agreements; and (iii) we were not aware of any restrictions that will limit our ability to obtain new loans or drawdown on our unutilized credit facilities as a result of such non-fulfilment of the financial covenants. As advised by the Company's PRC Legal Adviser, based on the above and the relevant lending banks' confirmations, relevant lending banks will not claim against the relevant subsidiaries for their past non-fulfilment of financial covenants. At the same time, the PRC government has promulgated policies with guidance to financial institutions to provide financial support to hog farms and slaughtering and processing enterprises, and provide that they shall not arbitrarily restrict loans, withdraw loans or terminate loans. After considering (i) the above opinions of the Company's PRC Legal Adviser; and (ii) the above preferential government policies, our Directors believe that our subsidiaries' non-fulfilment of the asset to liability covenants contained in their loan agreements during the Track Record Period will not have a negative impact on our business operations.

As at the Latest Practicable Date, the Company and its subsidiaries had been fully in compliance with the relevant financial covenants. To reach the aforementioned full compliance, the Company had taken the following measures by late July 2023 including (i) directly injecting capital into the Company's subsidiaries and reduction of liabilities where necessary until the subsidiaries have fulfiled their respective asset to liability covenant; (ii) entering into a supplemental agreement with lending bank for one of the subsidiaries to remove the asset to liability covenant from the original loan agreement; (iii) voluntary early repayment in full of a loan for one subsidiary; and (iv) providing funding to a subsidiary by the Company through shareholder loan to fulfil the relevant subsidiary's asset to liability covenant in the relevant loan agreement. We have further strengthened our internal control measures to ensure that we can fulfil the financial covenants of members of the Group while ensuring effective fund management at the same time. At the Group level, a specific personnel is appointed to collate loan agreements, extract restrictive covenants from the loan agreements, prepare control sheets and periodically review the financial statements, financial ratios and restrictive covenants of members of the Group, in accordance with the loan agreements (usually on a quarterly and/or semi-annual and/or annual basis). When we are aware of any potential non-fulfilment of the financial indicators or restrictive covenants, we will adopt measures to ensure fulfilment of the relevant requirements.

Our Directors confirm that we have not defaulted in the repayment of any bank loans or other loans during the Track Record Period. To the best knowledge of our Directors, for our loans at the Company level and subsidiary level, we did not breach any material covenant in such loan agreements which would have a material negative impact on our business during the Track Record Period and up to the Latest Practicable Date and have not triggered any cross-default provisions which would have a material negative impact on our business during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we did not experience any difficulty in obtaining bank loans.

As at 30 September 2023, we had total available credit facility of RMB10,783.0 million and the unutilised portion of the credit facility was RMB4,686.3 million. In general, we are able to utilise our banking facilities by following the customary procedures of the relevant lending banks.

Lease liabilities

We lease various properties in the PRC mainly as our pig and chicken farms and ancillary production facilities, and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. We had lease liabilities of RMB1,292.6 million, RMB2,081.1 million, RMB2,124.0 million, RMB2,300.7 million and RMB2,326.4 million as at 31 December 2020, 2021 and 2022, 31 May 2023 and 30 September 2023, respectively. The following table sets out a breakdown of our current and non-current lease liabilities as at the dates indicated.

	As at 31 December			As at 31 May	As at 30 September
	2020	**2021**	**2022**	**2023**	**2023**
			(RMB'000)		
					(unaudited)
Current					
Leases liabilities	44,265	71,264	76,925	83,324	78,460
Non-current					
Leases liabilities	1,248,376	2,009,819	2,047,050	2,217,329	2,247,902
Total lease liabilities	1,292,641	2,081,083	2,123,975	2,300,653	2,326,362

Except as disclosed above, during the Track Record Period and up to the close of business on 31 May 2023, being the date for the purpose of the indebtedness statement, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured. Our Directors confirm that there had been no material adverse change in our indebtedness since 31 May 2023 and up to the date of this document.

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[(1)]	50.4%	-76.8%	18.0%	-182.3%
Return on total assets[(2)]	24.0%	-20.1%	4.7%	-30.2%
Current ratio[(3)]	1.4	1.0	1.0	0.7
Quick ratio[(4)]	1.3	0.9	0.9	0.7
Gearing ratio[(5)]	76.1%	194.8%	178.1%	320.2%
Debt to equity ratio[(6)]	50.5%	146.4%	113.6%	227.4%
Interest coverage[(7)]	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.

(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.

Return on equity

Our return on equity changed from 50.4% for 2020 to -76.8% for 2021, which was mainly due to a slump in the pig market and a decrease in our net profit for 2021.

Our return on equity changed from -76.8% for 2021 to 18.0% for 2022, which was mainly due to a large increase in the average selling price of pigs and a resulting increase in our net profit for 2022.

Our return on equity changed from 18.0% for 2022 to -182.3% for the five months ended 31 May 2023, which was mainly due to a slump in the pig market and accordingly, a significant decrease in the average selling price of pigs and change from profit to a significant net loss for the five months ended 31 May 2023.

Return on total assets

Our return on total assets changed from 24.0% for 2020 to -20.1% for 2021, which was mainly due to a slump in the pig market and a decrease in our net profit for 2021.

Our return on total assets changed from -20.1% for 2021 to 4.7% for 2022, which was mainly due to a large increase in the average selling price of pigs and a resulting increase in our net profit for 2022.

Our return on total assets changed from 4.7% for 2022 to -30.2% for the five months ended 31 May 2023, which was mainly due to a slump in the pig market and accordingly, a significant decrease in the average selling price of pigs and change from profit to a significant net loss for the five months ended 31 May 2023.

Current ratio

Our current ratio decreased from 1.4 for 2020 to 1.0 for 2021, which was mainly due to (i) an increase in trade and bills payables by 91.2% from RMB628.4 million as at 31 December 2020 to RMB1,201.2 million as at 31 December 2021, which was primarily due to an increase in business scale, an expansion of breeding and an resulting increase in the purchase of raw materials; (ii) an increase in interest-bearing borrowings by 31.4% from RMB2,445.5 million as at 31 December 2020 to RMB3,214.3 million as at 31 December 2021 as we increased our business scale with increasing working capital; and (iii) an increase in accruals and other payables by 33.2% from RMB1,378.0 million as at 31 December, 2020 to RMB1,835.8 million as at 31 December 2021 primarily attributable to increases in (a) deposits received from farmers due to an increase in business scale, and (b) interest payable as we had more bank borrowings for 2021.

Our current ratio remained stable from 1.0 for 2021 to 1.0 for 2022, which was primarily because of (i) an increase in our current biological assets by 41.0% from RMB3,166.0 million as at 31 December 2021 to RMB4,462.8 million as at 31 December 2022 as we expanded our business scale with increasing stock volume, (ii) an increase in interest-bearing borrowings by 38.6% from RMB3,214.3 million as at 31 December 2021 to RMB4,455.5 million as at 31 December 2022, (iii) an increase in trade and bills payables by 23.9% from RMB1,201.2 million as at 31 December 2021 to RMB1,488.0 million as at 31 December 2022 and (iv) an increase in our accruals and other payables by 66.7% from RMB1,835.8 million as at 31 December 2021 to RMB3,060.9 million as at 31 December 2022, all of which were primarily attributable to the expansion of our business scale.

Our current ratio decreased from 1.0 for 2022 to 0.7 for the five months ended 31 May 2023, which was primarily because of (i) a decrease in our current biological assets by 32.7% from RMB4,462.8 million as at 31 December 2022 to RMB3,002.2 million as at 31 May 2023, which was primarily due to a decrease in pig prices and accordingly a decrease in appraisal value of our biological assets; (ii) a decrease in our cash and cash equivalents by 21.2% from RMB2,843.3 million as at 31 December 2022 to RMB2,241.8 million as at 31 May 2023, which was primarily due to an increase in cash used for operating losses in line with the downturn in the market; and (iii) an increase in our interest-bearing borrowings by 12.1% from RMB4,455.5 million as at 31 December 2022 to RMB4,994.9 million as at 31 May 2023, as we increased our cash flow reserves to boost our working capital.

Quick ratio

Our quick ratio decreased from 1.3 for 2020 to 0.9 for 2021, which was mainly due to the above-mentioned reasons for the change of current ratio as at 31 December 2021 as compared with that as at 31 December 2020.

Our quick ratio remained stable from 0.9 for 2021 to 0.9 for 2022, which was primarily due to the above-mentioned reasons for current ratio remaining at a stable level as at 31 December 2022 as compared with that as at 31 December 2021.

Our quick ratio decreased from 0.9 for 2022 to 0.7 for the five months ended 31 May 2023, which was primarily due to the above-mentioned reasons for the change of current ratio as at 31 May 2023 as compared with that as at 31 December 2022.

Gearing ratio

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.

Our gearing ratio decreased from 194.8% for 2021 to 178.1% for 2022, which was mainly due to the increase in total equity by 22.5% from RMB4,132.7 million for 2021 to RMB5,063.8 million for 2022 as a result of an increase in retained earnings for 2022.

Our gearing ratio increased from 178.1% for 2022 to 320.2% for the five months ended 31 May 2023, which was mainly due to a decrease in total equity by 42.4% from RMB5,063.8 million as at 31 December 2022 to RMB2,915.8 million as at 31 May 2023 as a result of a decrease in retained earnings for the five months ended 31 May 2023.

Debt to equity ratio

Our debt to equity ratio increased from 50.5% for 2020 to 146.4% for 2021, which was mainly due to the above-mentioned reasons for the change of gearing ratio as at 31 December 2021 as compared with that as at 31 December 2020.

Our debt to equity ratio decreased from 146.4% for 2021 to 113.6% for 2022, which was mainly due to the above-mentioned reasons for the change of gearing ratio as at 31 December 2022 as compared with that as at 31 December 2021.

Our debt to equity ratio increased from 113.6% for 2022 to 227.4% for the five months ended 31 May 2023, which was mainly due to above-mentioned reasons for the change of current ratio as at 31 May 2023 as compared with that as at 31 December 2022.

Interest coverage

Our interest coverage changed from 24.2 for 2020 to -9.2 for 2021, as our operating profit for 2021 was negative.

Our interest coverage changed from -9.2 for 2021 to 3.2 for 2022, which was mainly due to an increase in the selling price of pigs and a resulting increase in our net profit for 2022.

Our interest coverage changed from 3.2 for 2022 to -10.5 for the five months ended 31 May 2023, which was mainly due to a slump in the pig market and accordingly, a significant decrease in the average selling price of pigs and a decrease in our net profit for the five months ended 31 May 2023.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet commitments and arrangements.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument fluctuates because of changes in market interest rates. Floating rate instruments expose us to cash flow interest rate risk, whereas fixed rate instruments expose us to fair value interest rate risk. Our interest rate risk arises primarily from interest-bearing borrowings.

Credit risk

Our credit risk is primarily attributable to our trade and other receivables. We have an internal team responsible for determining credit limits, credit approvals and monitoring of procedures to ensure follow-up actions are taken to recover overdue debts. We also review the recoverable amount of each individual debt at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts. We have no significant concentration of credit risk on trade and bills and other receivables, with exposure spread over a large number of counterparties and customers. Our credit risk on bank deposits is limited because our counterparties are financial institutions with good credit standing.

Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet our obligations as they become due. We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash and cash equivalents.

DIVIDENDS

In 2020, we declared cash dividends of RMB80 million to our 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, the 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 RMB[**REDACTED**] will be directly attributable to the issue of our H Shares and will be deducted from capital reserve upon [**REDACTED**]. The difference of RMB[**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 RMB[**REDACTED**], of which RMB[**REDACTED**] was charged to our consolidated statement of profit or loss and other comprehensive income in 2022 and RMB[**REDACTED**] will be deducted from equity. We expect to incur additional [**REDACTED**] after 31 May 2023, of which RMB[**REDACTED**] is expected to be charged to our consolidated statement of profit or loss and other comprehensive income and RMB[**REDACTED**] is directly attributable to the issue of the shares 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 discretional 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 non-[**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.

[**REDACTED**]

The following is an illustrative and [**REDACTED**] of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on the [**REDACTED**] attributable to the owners of the Company as at 31 May 2023 as if the [**REDACTED**] had taken place on 31 May 2023.

The [**REDACTED**] has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [**REDACTED**] been completed as at 31 May 2023 any future date.

	[REDACTED] attributable to equity shareholders of the Company as of 31 May 2023(1)	Estimated net [REDACTED] from the [REDACTED](2)	[REDACTED] attributable to equity shareholders of the Company	[REDACTED] attributable to the equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share	2,936,145	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share	2,936,145	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The [**REDACTED**] attributable to equity shareholders of the Company as of 31 May 2023 is calculated based on the [**REDACTED**] attributable to equity shareholders of the Company of RMB2,953,699,000 after deducting intangible assets and goodwill of RMB2,824,000 and RMB14,730,000 respectively as of 31 May 2023, which is extracted from the Accountants' Report set out in Appendix I to this document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] per H Share (being the minimum [**REDACTED**]) and HK$[**REDACTED**] per H Share (being the maximum [**REDACTED**]) and [**REDACTED**] expected to be issued under the [**REDACTED**], after deduction of the [**REDACTED**] fees and other related expenses paid or payable by the Company (excluding the [**REDACTED**] charged to profit or loss during the Track Record Period), and does not take into account any H Shares which may be issued upon exercise of the [**REDACTED**]. The estimated [**REDACTED**] of the [**REDACTED**] have been converted to Renminbi at the PBOC rate of HK$1.0000 to RMB0.9037 prevailing on 31 May 2023. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rate or at all.

(3) The [**REDACTED**] attributable to equity shareholders of the Company per Share is arrived at by dividing the [**REDACTED**] attributable to equity shareholders of the Company by [**REDACTED**], being the number of Shares expected to be in issue immediately following the completion of the [**REDACTED**], and does not take into account any H Shares which may be issued upon exercise of the [**REDACTED**].

(4) The [**REDACTED**] attributable to equity shareholders of the Company per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB0.9037 to HK$1.0000 prevailing on 31 May 2023. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at the rate or at any other rate or at all.

(5) 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 RMB[**REDACTED**] and the [**REDACTED**] attributable to equity shareholders of the Company per Share would have decreased by approximately by RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including the available banking facilities, other internal resources and the estimated [**REDACTED**] from the [**REDACTED**], our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this document.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors considered adequate and after due and careful consideration, our Directors confirm that, up to the date of this document, except as disclosed in "Summary – Recent Developments and Material Adverse Change" in this document, there has been no material adverse change in our financial or trading position or prospects since 31 May 2023 and there has been no event since 31 May 2023 which would materially affect the information shown in our historical financial information included in the Accountants' Report set forth in Appendix I to this document.