
FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business – Our Business Strategies” in this document for a detailed description of our future plans.

[REDACTED]

The table below sets forth the estimated [REDACTED] of the [REDACTED] which we will receive after deducting the [REDACTED] fees and commissions and estimated expenses payable by us for the [REDACTED]:

	Assuming the [REDACTED] is not exercised	Assuming the [REDACTED] is exercised in full
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] stated in this document)	Approximately [HK\$[REDACTED]]	Approximately [HK\$[REDACTED]]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document)	Approximately [HK\$[REDACTED]]	Approximately [HK\$[REDACTED]]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] stated in this document)	Approximately [HK\$[REDACTED]]	Approximately [HK\$[REDACTED]]

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

- Approximately [REDACTED]% of our estimated [REDACTED], or approximately [HK\$[REDACTED]] (equivalent to [RMB[REDACTED]]) will be used over the next three years for expanding our existing pigs and yellow-feathered broilers farming business, including strengthening the cooperation with family farms, and in particular expanding the No. 2 Family Farms and No. 1 Family Farms in our pig farming business, and establishing new self-operated pig breeding farms and self-operated yellow-feathered broiler breeding farms, thereby further expanding the scale of our pig and yellow-feathered broiler farming operations:
 - (a) Approximately [REDACTED]%, or approximately [HK\$[REDACTED]] (equivalent to [RMB[REDACTED]]) will be used over the next three years for investment in the expansion of No. 2 Family Farms and No. 1 Family Farms in pig farming business. We will enhance our coverage in Southwest China to deepen our roots in the region and further expand our business into major pork consumption provinces in Southern and Eastern China. We have developed breeding and farming know-how through our years of operation in pig breeding and farming industry, including our breeding technique, precise nutrition strategies and farming technique. We believe our accumulated breeding and

FUTURE PLANS AND [REDACTED]

farming know-how will allow us to attract new farm owners to join our No. 1 Family Farm and No. 2 Family Farm business models, and by providing feeds, medicines and vaccines to farm owners, we can expand our business scale in Southwest China and to break into new markets in Southern and Eastern China. We plan to expand into Southern and Eastern China such as Guangdong, Guangxi, Zhejiang and Jiangsu provinces as those provinces are major pork consumption provinces. According to the Frost & Sullivan Report, pork consumption in these four provinces increased from 7.9 million tonnes in 2017 to 9.3 million tonnes in 2021, with a CAGR of 4.3%, and accounted for 26.2% of the total pork consumption in China in 2021. The pork consumption in these four provinces is expected to reach 10.5 million tonnes in 2026 which will account for 28.6% of total pork consumption in China in 2026, representing a CAGR of 2.3% from 2021 to 2026. We believe we will be able to capture market opportunities and compete with existing market players in those new markets as our No. 2 Family Farm model allows us to quickly expand our network and breeding scale in an asset-light approach, thereby giving us the cost advantages to our competitors.

The [REDACTED] will mainly be used to purchase feed, medicines and vaccines, so as to expand the scale of pigs raised in No.2 and No.1 family farms. We currently expect our total output volume for our No. 1 Family Farms and No. 2 Family Farms to reach approximately 8 million heads and 9 million heads, respectively, by the end of 2027. To the extent that [REDACTED]% of [REDACTED] is insufficient to meet our acquisition needs, we may use our cash generated from our business operations to finance our investment plans.

- (b) Approximately [REDACTED]%, or approximately [HK\$[REDACTED]] (equivalent to [RMB[REDACTED]]) will be invested over the next two years in the construction of self-operated pig and yellow-feathered broiler farms, and will mainly be used to pay for land, and carry out the construction of self-operated farms and other fixed asset-related investments. We intend to use the [REDACTED] from the [REDACTED] to fund the construction of these new self-operated farms which will be located in Southwest China. We intend to build the self-operated farms to provide sufficient breeding resources to support the development of family farms in the region. If the funds raised are not sufficient to support our development plan, we intend to make up for it through funds generated from our operating and financing activities. The following table summarises certain details of our new farms:

Type of Farms	Number	Location	Total investment costs	Expected production capacity	Status
Broiler					
(1) Breeding Farm (Incubation)	1	Southwest China	HK\$ [REDACTED]	24.6 million birds	Planning
Pigs					
(2) Fattening Farm	1	Chongqing	HK\$ [REDACTED]	67,600 pigs	Proposed to be built

FUTURE PLANS AND [REDACTED]

- Approximately [REDACTED]%, or approximately [HK\$[REDACTED]] (equivalent to [RMB[REDACTED]]) will be used over the next two years for developing our food processing business. We plan to build two food processing plants primarily to carry out slaughtering and food processing business and improve our capability of quality food production and processing, thereby building a vertically integrated industry chain, and gradually establishing a scaled and branded production system. The construction and operation of food factories are an integral part of our business strategies and are particularly critical to our strategy of integrating upstream and downstream businesses. As at the Latest Practicable Date, we have a food processing plant project in progress in Yibin City, Sichuan Province, of which the slaughterhouse began operations in October 2023 with a target annual slaughtering capacity of over three million heads of pigs and the food processing production line is expected to be completed in the fourth quarter of 2023 with a target annual production capacity of 60,000 tonnes. The following table summarises certain details of Yibin slaughterhouses and food processing plants:

Project	Facility and designed annual production capacity	Time/Expected time of commencing production	Total expected investment costs and costs by nature	Cost incurred up the Latest Practicable Date
Yibin Project	Slaughterhouse (3 million heads) Food processing production line (60,000 tonnes)	October 2023 The fourth quarter of 2023	total investment costs: HK\$[REDACTED]/ RMB[REDACTED] design fee: HK\$[REDACTED]/ RMB[REDACTED] equipment and installation cost: HK\$[REDACTED]/ RMB[REDACTED] construction cost: HK\$[REDACTED]/ RMB[REDACTED] land acquisition cost: HK\$[REDACTED]/ RMB[REDACTED]	HK\$418.6 million/ RMB382.1 million

FUTURE PLANS AND [REDACTED]

Aside from the Yibin Project, we have also established a joint venture with Tönnies (one of the largest integrated meat product enterprise in Germany) and are constructing a slaughterhouse in Meishan City, Sichuan Province with a target initial annual slaughtering capacity of over two million heads of pigs. The slaughterhouse will adopt global leading processing and food safety and quality control technology provided by Tönnies to achieve “Euro Standard” performance, which is expected to significantly enhance the capacity of our high-quality food manufacturing business. Please refer to “Business – Our Business Model and Products – Expansion into Food Processing Business” for more information about the development of the Meishan Project. We intend to use cash generated from our business operations, bank loans and other means to fund the Meishan Project.

The locations of our slaughterhouses and food processing plants are selected primarily based on our extensive research and analysis of local market demand and the local supply of pigs provided by our self-operated farms and family farms in the same area.

To the extent that [REDACTED]% of [REDACTED] is insufficient to support our development plans, we may use our cash generated from our business operations, bank loans and other means to finance our development plans.

We will equip our food factory with advanced information management systems, so as to achieve efficient management of food production and processing processes. The [REDACTED] will mainly be used for paying the design fees, civil engineering and construction costs, equipment procurement, IT system and supporting facilities and hardwares, as well as other related investments in slaughtering and deep food processing plants. By leveraging our strengths in the breeding and farming of pigs, we believe we can capture opportunities in downstream business, including the slaughtering and processing of pigs, the production and sales of fresh pork and processed meat products. Our vertically integrated business model would (i) provide us with stable and sufficient supply of pigs at competitive price; and (ii) give us a high degree of control over quality and safety across the entire value chain, spanning from sourcing feed ingredients to production and sale of final food products. In addition, we believe the experienced management team of our food business will enable us to capture opportunities in food business. The management team of our food business is comprised of senior executives who have been engaged in the slaughtering and meat products industry for more than ten years and they have rich practical experience in corporate management.

FUTURE PLANS AND [REDACTED]

We believe adding slaughtering and food processing business will significantly increase our revenue and allow us to realise strong synergies among different segments of our business by reducing the cost of raw materials of downstream slaughtering and food processing business. We believe our upstream farming business also provides a stable supply of pigs to our slaughtering and food processing business. We expect our revenue to significantly increase and our gross profit to improve after our food business fully ramps up. For risks associated with the expansion of business, see “Risk Factors – We are subject to risks associated with managing future growth and expansion.”

We are still constructing our slaughterhouse and food processing plants and have not obtained all relevant licenses and permits to operate our slaughtering and food processing business including Live Pig Slaughtering Permit and Certificate for Animal Epidemic Disease Prevention. We intend to follow relevant laws and regulations to finish the corresponding filing and approval process and obtain relevant licenses or permits required for our slaughtering and food processing business before we start the operation of our slaughtering and food processing business. As advised by our PRC Legal Adviser, there is no substantive legal obstacle for us to apply for the relevant licenses and permits provided that we submit the application documents as required by the applicable PRC laws and regulations and the relevant government authorities as well as satisfy the application requirements.

- Approximately [REDACTED]%, or approximately [HK\$[REDACTED]] (equivalent to [RMB[REDACTED]]) will be used for the next three years for investment in the R&D and information technology system to further solidify our competitive advantages in breeding, nutrition management, biosafety and disease prevention and control, food R&D and testing, production information management.

We plan to use approximately HK\$[REDACTED] to collaborate with National Key Laboratory for Pig and Poultry Breeding build a first-class R&D platform/laboratory for research and development of breeding technology. In particular, we intent to continue to invest in our breeding systems of pigs and yellow-feathered broilers, and carry out experiments in new line development, selective breeding, breeding performance evaluation, etc. We will also invest in the research and development of precision nutrition and biosafety technology, including raw material research, nutritional value evaluation, disease prevention and food safety control.

We will use approximately HK\$[REDACTED] to set up a food R&D and testing centre to develop quality high protein meat products, and to develop differentiated food product prototypes for our food business that will soon be put into production. In particular, we will use the [REDACTED] to purchase and install experiment facilities for the testing centre.

FUTURE PLANS AND [REDACTED]

We will use approximately HK\$[REDACTED] to invest in the development of pig production system, poultry production system and feed production system, so as to build the information management system to coordinate, control and analyse the farming and feed production process. In particular, we will invest in ERP system implementation, to achieve an integrated cross-sector management of our business process such as the supply chain, finance and accounting, and production.

We plan to spend approximately HK\$[REDACTED] on (i) recruiting approximately 170 R&D staff and incentivizing quality scientific research talents in fields such as breeding, nutrition, and biosafety to further reinforce our technological advantage and (ii) continuing our collaboration with renowned higher education institutions and first-class research institutions and launch various R&D projects including R&D projects on key technologies on selective breeding of pigs, intelligent and precision control of pig farm environment farming and animal disease prevention technologies.

- Approximately [REDACTED]%, or approximately [HK\$[REDACTED]] (equivalent to [RMB[REDACTED]]) will be used for strategic investments or potential acquisitions. We will selectively seek potential investment or acquisition targets which match our growth strategy domestically and internationally, such as breeding farms with quality genetic resources, scientific research institutions with revolutionary technologies for pig and poultry farming technology and food processing, as well as other high-end food brands which focus on production of health food products with quality raw materials and advanced production technology, or look for potential investment, joint venture or cooperation opportunities targeting mature overseas food enterprises in order to enhance our brand awareness and realise the diversification of our products and achieve business expansion. We believe such investments or acquisitions will further solidify our advantages in breeding technology and enable us to quickly expand into the food business. We will consider to invest in by taking minority or majority stake, acquire or establish joint ventures with the target, among other ways, depending on the actual situation.

We plan to strategically invest in one or two European companies with innovative breeding methods, including those that use new breeding techniques and reduce farming costs. We plan to focus on suitable targets, which (i) focus on R&D, genetic improvement and gene dissemination; (ii) are engaged in professional breeding pig or poultry genetic improvement and related breeding research and development; (iii) provide supporting technical support and service system; and (iv) have good brand and corporate image and have no major negative news or publicity, such as bad credit records, debt disputes, administrative penalties or pending legal proceedings and disputes. Based on the above key criteria, we will invest in about one to two potential targets. With respect to our strategic acquisition and investment targets, we will also consider other risk factors, including implicit liabilities, administrative

FUTURE PLANS AND [REDACTED]

penalties, pending lawsuits and disputes. Therefore, we expect to establish long-term partnerships with pig or poultry breeding companies to bring to the system of customers the continuously and rapidly improved breeding pig or poultry genetic products and breeding solutions, and ultimately provide guarantee for customers to establish an efficient and profitable hog and poultry production system, which in turn has a positive impact on the Group’s operating results and business growth.

Meanwhile, we will identify traditional and mature food brands in Europe with mature production technology and enterprise management experience, in respect of which we will consider direct acquisition for the small-sized one and adopt investment method for the large-sized one. We believe that there are sufficient suitable targets available on the market as (i) the pig and poultry farming industry and the downstream slaughter and food processing industry is highly fragmented involving various types of market players with different backgrounds and scales; and (ii) there are more than 100 suitable food brands in Europe, according to Frost & Sullivan. As of the Latest Practicable Date, we had not identified or pursued any strategic investment or acquisition target and had not set any definitive investment or acquisition timeframe. For risks associated with our investments and acquisitions, Please refer to “Risk Factors – Our operations are subject to the risks associated with acquisitions and investments in joint ventures and associates.” for more details.

- Approximately [REDACTED]%, or approximately [HK\$[REDACTED]] (equivalent to [RMB[REDACTED]]) will be used for repaying certain outstanding bank loans with interest rate of 4.2% which were incurred after the fourth quarter of 2022 and will be due in the fourth quarter of 2023 and were for our working capital purpose.
- Approximately [REDACTED]%, or approximately HK\$[REDACTED] (equivalent to RMB[REDACTED]) is planned to be used for working capital and general corporate purposes.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED]. If our [REDACTED] are higher or lower than expected, we will increase or decrease the allocation of the [REDACTED] on a pro rata basis for such purposes.

To the extent that the [REDACTED] are not immediately applied to the above purposes, we intend to deposit the [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance or for non-Hong Kong based deposits, the applicable laws in the relevant jurisdiction).