Post Hearing Information Pack of

DEKON FOOD AND AGRICULTURE GROUP
四川德康農牧食品集團股份有限公司

(the "**Company**")

(A joint stock company incorporated in the People's Republic of China with limited liability)

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DEKON FOOD AND AGRICULTURE GROUP
四川德康農牧食品集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
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Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)**
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[REDACTED]

[REDACTED] 2023

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

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

OVERVIEW

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

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

Our farming business models

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

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

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

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

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

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

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

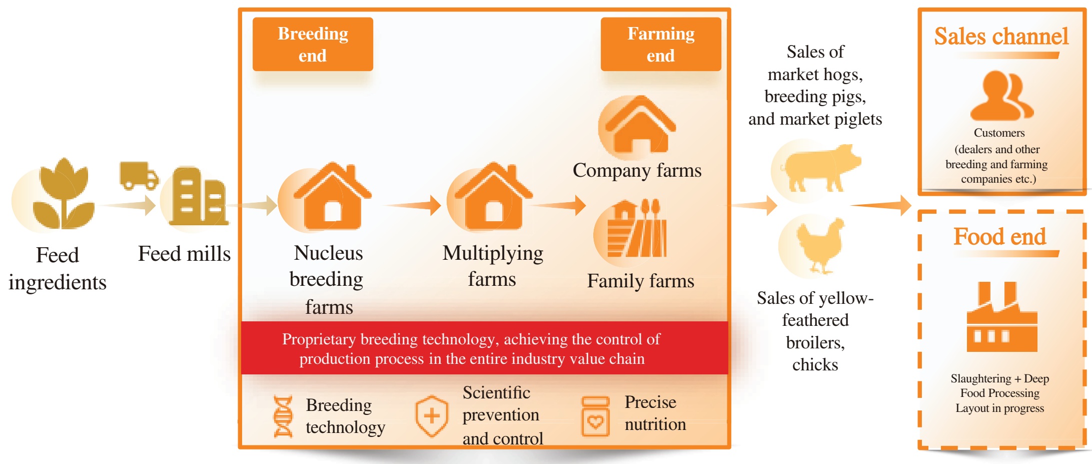
Contract Farming

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

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

Our Business Model and Products

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

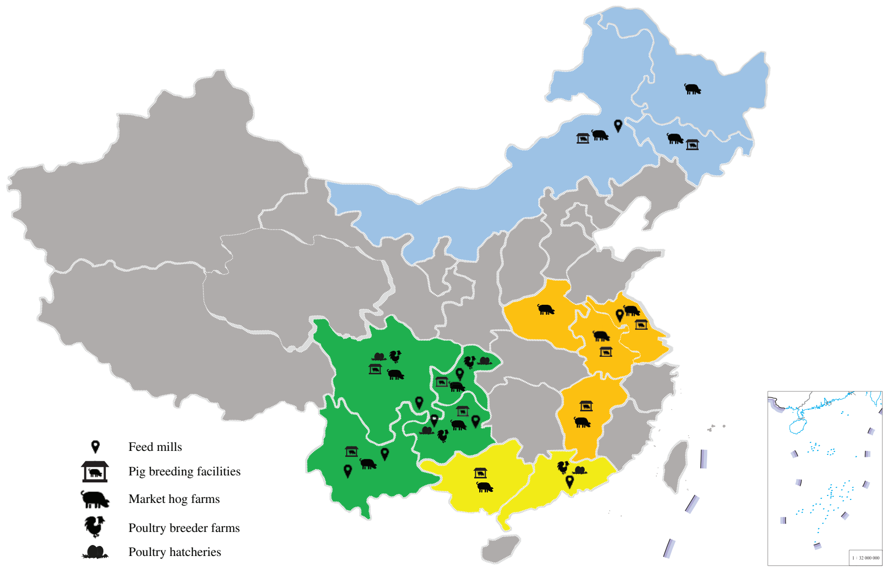


For details, please refer to the section headed "Business – Our Business Model and Products" in this document.

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

	For the year ended 31 December						For the five months ended 31 May			
	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)*	*(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%

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



Pig farms

Nucleus breeding farms, boar studs and multiplying farms

	As at 31 May 2023			
Regions	Nucleus breeding farms	Boar studs	Multiplying farms	Total
	Number	*Number*	*Number*	*Number*
Southwest China	7	6	75	**88**
East China	1	1	10	**12**
South China	1	–	3	**4**
Others[1]	1	1	7	**9**
Total	**10**	**8**	**95**	**113**

Market hog farms

	As at 31 May 2023	
Regions	Our self-operated Pig farms	Family farms
	Number	*Number*
Southwest China	27	2,196
East China	9	205
South China	2	160
Others[1]	5	47
Total	43	2,608

Feed mills

	As at 31 May 2023
Regions	Number
Southwest China	8
South China	2
East China	1
Others[2]	1
Total	12

Poultry farms

Our self-operated breeder farms

	As at 31 May 2023
Regions	Number
Southwest China	8
South China	6
Total	14

Our self-operated hatcheries

	As at 31 May 2023
Regions	Number
Southwest China	6
South China	4
Total	10

Family farms and farming bases

	As at 31 May 2023		
Regions	Family farms	Farming bases	Total
	Number	*Number*	*Number*
Southwest China	1,801	72	1,873
South China	1,625	–	1,625
Total	**3,426**	**72**	**3,498**

Notes:

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

(2) Others include Inner Mongolia.

Expansion into Food Processing Business

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

OUR COMPETITIVE STRENGTH

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

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

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

OUR BUSINESS STRATEGIES

We plan to further implement the following strategies:

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

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

COMPETITION

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

QUALITY CONTROL AND FOOD SAFETY

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

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

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

OUR CUSTOMERS

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

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

OUR SUPPLIERS

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

RISK FACTORS

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

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

OUR CONTROLLING SHAREHOLDERS

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

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

PRE-[REDACTED] INVESTMENTS

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

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

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

SUMMARY

	For the year ended 31 December											
	2020				2021				2022			
	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*
Revenue	8,145,349		8,145,349	100.0%	9,901,566		9,901,566	100.0%	15,037,027		15,037,027	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%)
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%
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%
Other net income	77,956	–	77,956	1.0%	102,410	–	102,410	1.0%	110,894	–	110,894	0.7%
Selling expenses	(70,091)	–	(70,091)	(0.9%)	(72,623)	–	(72,623)	(0.7%)	(80,275)	–	(80,275)	(0.5%)
Administrative expenses	(700,290)	–	(700,290)	(8.6%)	(889,626)	–	(889,626)	(9.0%)	(1,058,172)	–	(1,058,172)	(7.0%)
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%)
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%
Finance cost	(155,589)	–	(155,589)	(1.9%)	(312,242)	–	(312,242)	(3.2%)	(405,272)	–	(405,272)	(2.7%)
Share of losses of associates	(347)	–	(347)	(0.0%)	(3,271)	–	(3,271)	(0.0%)	(16,382)	–	(16,382)	(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%
Income tax	(666)	–	(666)	(0.0%)	(1,986)	–	(1,986)	(0.0%)	(680)	–	(680)	(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%
Attributable to:												
Equity shareholders of the Company			3,488,173	42.8%			(2,997,303)	(30.3%)			992,866	6.6%
Non-controlling interests			120,178	1.5%			(175,355)	(1.8%)			(83,111)	(0.6%)

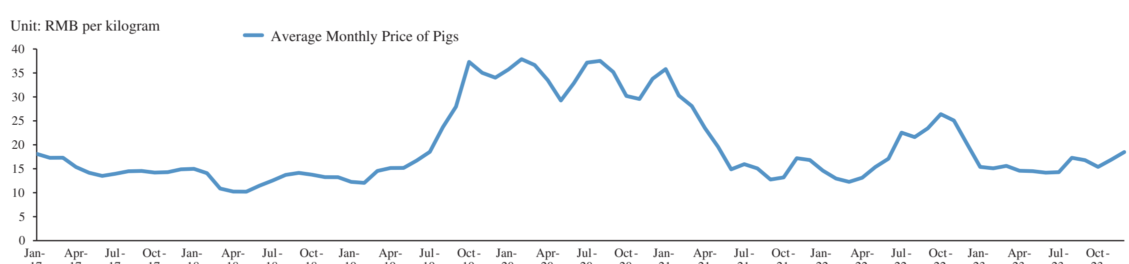
	For the five months ended 31 May							
	2022				2023			
	Results before biological assets fair value adjustments *RMB'000* *(unaudited)*	Biological assets fair value adjustments *(unaudited)*	Total *RMB'000* *(unaudited)*	*% of revenue*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments	Total *RMB'000*	*% of revenue*
Revenue	4,581,212	–	4,581,212	100%	6,362,244	–	6,362,244	100%
Cost of sales	(5,211,095)	32,699	(5,178,396)	(113.0%)	(6,785,394)	40,273	(6,745,121)	(106.0%)
Gross profit	(629,883)	32,699	(597,184)	(13.0%)	(423,150)	40,273	(382,877)	(6.0%)
Changes in fair value of biological assets	–	(419,278)	(419,278)	(9.2%)	–	(1,202,422)	(1,202,422)	(18.9%)
Other net income	57,329	–	57,329	1.3%	120,932	–	120,932	1.9%
Selling expenses	(28,876)	–	(28,876)	(0.6%)	(40,916)	–	(40,916)	(0.6%)
Administrative expenses	(387,089)	–	(387,089)	(8.4%)	(489,264)	–	(489,264)	(7.7%)
Provision for expected credit loss of trade and other receivables	(5,801)	–	(5,801)	(0.1%)	(300)	–	(300)	(0.0%)
Profit/(loss) from operations	(994,320)	(386,579)	(1,380,899)	(30.1%)	(832,698)	(1,162,149)	(1,994,847)	(31.4%)
Finance cost	(163,223)	–	(163,223)	(3.6%)	(189,182)	–	(189,182)	(3.0%)
Share of losses of associates	(4,176)	–	(4,176)	(0.1%)	–	–	–	–
Profit/(loss) before taxation	(1,161,719)	(386,579)	(1,548,298)	(33.8%)	(1,021,880)	(1,162,149)	(2,184,029)	(34.3%)
Income tax	(346)	–	(346)	(0.0%)	(435)	–	(435)	(0.0%)
Profit/(loss) and total comprehensive income for the year/period	(1,162,065)	(386,579)	(1,548,644)	(33.8%)	(1,022,315)	(1,162,149)	(2,184,464)	(34.3%)
Attributable to:								
Equity shareholders of the Company			(1,374,898)	(30%)			(2,026,138)	(31.8%)
Non-controlling interests			(173,746)	(3.8%)			(158,326)	(2.5%)

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

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

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

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



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

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

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

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

Average selling price

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

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

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

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

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

Gross profit and gross profit margin

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

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin
	(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%)

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin	Segment/ sub-segment gross profit	Segment/ sub-segment gross profit margin
	(RMB'000, except for percentages)									
							(unaudited)	*(unaudited)*		
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 and gross profit margin

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

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

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

Our profit/(loss) for the year/period was a net profit of RMB3,608.4 million, a net loss of RMB3,172.7 million, a net profit of RMB909.8 million and a net loss of RMB1,548.6 million and a net loss of RMB2,184.5 million for 2020, 2021 and 2022, and for the five months ended 31 May 2022 and 2023, respectively. We had a net loss of RMB2,184.5 million for the five months ended 31 May 2023 primarily due to our negative gross profit during the same period for reasons described above. During the Track Record Period, our profit/(loss) for the year was primarily affected by the following factors: (i) gross profit; (ii) changes in fair value of biological assets; and (iii) our administrative expense. We recorded gains arising from changes in fair value of biological assets of RMB1,295.7 million for 2020 primarily because a significant increase in the stock volume and in the appraisal value of pigs. We recorded losses arising from changes in fair value of biological assets of RMB2,753.5 million in 2021 primarily due to the decrease in the average selling price of market hogs, which was partially offset by the increase in the stock volume of our pigs and poultry products in 2021. We recorded gains arising from changes in fair value of biological assets of RMB304.8 million in 2022 primarily because of the significant increase in appraisal value of the pigs as at 31 December 2022 arising from the increase in price and stock volume. We recorded losses arising from changes in fair value of biological assets of RMB419.3 million in the five months ended 31 May 2022 primarily due to the decrease in appraisal value of the pigs as at 31 May 2022 arising from the decrease in market price, which was slightly offset by an increase in stock volume. We recorded losses arising from changes in fair value of biological assets of RMB1,202.4 million in the five months ended 31 May 2023 primarily because of the significant decrease in appraisal value of the pigs as at 31 May 2023 arising from the decrease in market price, which was slightly offset by an increase in stock volume.

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

Summary of Consolidated Statements of Financial Position Data

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

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

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

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

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

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

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

Selected Information of our Consolidated Cash Flows Statement

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

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
	(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

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.

BIOLOGICAL ASSETS AND VALUATION

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

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

	As at 31 December			As at 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

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

IMPACT OF COVID-19 OUTBREAK

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

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

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

BUSINESS SUSTAINABILITY

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

Despite the industry had experienced four pig cycles since 2006 including pig cycles with pig prices bottoming at price levels much lower than the current pig price, our results of operation have grown rapidly since our inception. The sales volume of our pigs has increased by more than 100 times in the last 10 years through multiple pig cycles. Please refer to the section headed "Industry Overview – Pig Cycle" for more details. With pork and chicken being the two primary sources of animal protein for Chinese consumers and having long dominated the meat consumption market, we believe the long-term growth of consumption demand in pig and poultry products in China will continue to benefit our business. In addition, despite we recorded net loss for the five months ended 31 May 2023, we generated net cash inflow from our operating activities for 2020, 2021, 2022 and five months ended 31 May 2023. Taking into consideration of the financial resources presently available to us, we believe we have sufficient working capital for at least the next 12 months. Our Directors are of the view that such price fluctuations have not affected and will not affect our business sustainability for the following reasons:

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

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

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

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

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

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

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

(i) conducting market survey to collect market information on pigs: we have set up a market research department to focus on the collection and research of market information for market hogs and breeding pigs, and to understand industry-related information including the price fluctuation of pigs. After a comprehensive analysis of the market information, the market research department will release sales strategies every month, which will provide the sales department with guidance on market prices for market hogs and breeding pigs. The sales department will adjust the timing of the sales according to the sale strategies suggested by the market research department. In addition, we make adjustments to our pig production plans in response to the fluctuation in market prices of its pig products. For example, if we foresee a near term price increase in pig prices, we can reduce the current sales volume of pigs and keep pigs in stock for longer period of time. We can also increase the weight of the pigs by prolonging the fattening period; and if we foresee an increase in the pig prices in the next six months, we can increase the stock volume of our pigs by increasing the stock volume of piglets in our production. We can either reduce the external sales of our piglets or by purchasing more piglets from other pig producers;

(ii) bidding platform sales: we sell pigs through the Dekon Group Pig Selling System (德康集團生豬銷售系統) by way of bidding. Our customers can bid and order our pigs on the platform according to their needs. We set a minimum purchase price for our pigs on our Dekon Group Pig Selling System every day. The bidder with the highest bidding price wins the bid. We can get a sense of whether the minimum price we set on the selling system is too high or too low by comparing the volume of pigs we intend to sell on the system with the actual sales volume on the system for that day. If we fail to sell all of the pigs we intend to sell on the system, then we will lower the minimum price on the system the next day. Through the sales on our bidding platform, we can get feedback on market demand and prices in a timely manner to ensure that the group can obtain higher sales revenue;

(iii) contract with key customers: in order to ensure the smooth sales, our sales department will enter into contract with our key customers and agree with our key customers on key sales terms such as the quantity of pigs to be sold and sales rewards. The contract usually specifies annual minimum purchase quantity. We have the right to terminate our relationship with such customers that fail to meet such requirement but we do not typically enforce it given the term of only one year in general. We did not terminate any of these customers for failing to meet the minimum purchase volume during the Track Record Period. The sales price is usually the weighted average unit price on our Dekon Group Pig Selling System for the day when orders are placed. When the market price falls and the customers demand on our bidding platform is low, the contracted sales with our key customers can ensure we will continue to sell our pigs to key customers; and

(iv) we use a combination of futures and options to hedge the pig price fluctuations. We usually enter into transactions using derivative financial instruments when (a) we forecast that the selling prices of pigs will decrease; or (b) the current selling prices of pigs are at a relatively high level which we consider it a good opportunity for us to lock-in the profits. To mitigate our risk exposure, we mostly purchase futures and options products which enable us to sell our market hogs products at a fixed price in future to hedge against the price dropping of a small portion of our pig products.

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

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

We have also adopted diverse means to mitigate the impact of fluctuations in feed prices, including flexibly adjusting feed formula while adhering to nutritional standards, diversifying our feed ingredients so that the price fluctuation of one ingredient would not exert material impact on our feed price, maintaining diversified supply channels and conducting raw material procurement with commodity futures. In addition, during the Track Record Period, we had developed a comprehensive feed cost control technology system, which allows us to (i) accurately determine the nutritional needs of pigs and yellow-feathered broilers at different growth stages according to the breeds of pigs and yellow-feathered broilers, and (ii) design feed nutrition formulas that are conducive to the digestion of pigs and yellow-feathered broilers so that we could mitigate the impact of feed price fluctuation by reducing the amount of corn and soy bean meal required. We use a combination of futures and options hedge the feed price fluctuations. Please refer to the section headed "Business – Suppliers, Raw Material and Inventory – Hedging" in this document for details.

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

DIVIDENDS

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

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

DISTRIBUTABLE RESERVES

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

[**REDACTED**]

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

The [**REDACTED**] (based on the mid-point of the indicative [**REDACTED**] and assuming the [**REDACTED**] is not exercised and taking into account any 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 [**REDACTED**]-related expenses, which include (i) RMB[**REDACTED**] in fees and expenses of legal advisors and accountants, and (ii) RMB[**REDACTED**] in other fees and expenses.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there was no litigation, arbitration or administrative proceeding pending or threatened against our Group or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that we had complied with all relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. We had certain historical non-compliance incidents during the Track Record Period and details of which are disclosed in "Business – Legal Proceedings and Compliance – Compliance – Non-compliance Incidents". During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business.

[REDACTED]

[**REDACTED**]

	Based on an [REDACTED] of HK$[REDACTED] per H Share	Based on an [REDACTED] of HK$[REDACTED] per H Share
Market capitalisation of our Shares[(1)]	HK$[**REDACTED**]	HK$[**REDACTED**]
[**REDACTED**] per Share[(2)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation of market capitalisation is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(2) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 May 2023, including a distribution of RMB100 million undistributed profits according to the special shareholder resolution dated 31 October 2023. Had such dividends been declared on 31 May 2023, the [**REDACTED**] attributable to equity shareholders of the Company would have decreased by approximately [**REDACTED**] and the [**REDACTED**] attributable to equity shareholders of the Company per Share would have decreased by approximately by RMB[**REDACTED**]. The [**REDACTED**] attributable to equity shareholders of the Company per Share has been arrived at after adjustments referred to in the section entitled "Appendix II – [**REDACTED**]"

FUTURE PLANS AND [REDACTED]

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

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

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our operating and financial performance subsequent to the Track Record Period

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

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

Net Loss for 2023

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

Update on Yibin Project and Meishan Project

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

Material Adverse Change

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

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section entitled "Glossary of Technical Terms" in this document.

"AFRC"	Accounting and Financial Reporting Council
"Articles of Association"	the articles of association of the Company, as amended from time to time, conditionally adopted on 31 October 2023 with effect from the [**REDACTED**], a summary of which is set out in Appendix V to this document
"associates"	has the meaning ascribed to it under the Listing Rules unless otherwise specified
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"CEL Maiming"	Shanghai CEL Maiming Investment Centre (Limited Partnership) (上海光控麥鳴投資中心(有限合夥)), a limited partnership established in the PRC on 27 February 2015, and one of the Pre-[**REDACTED**] Investors of the Company. For details, please refer to the section headed "History and Corporate Structure – Pre-[**REDACTED**] Investments"
"Changzhou Mailun"	Changzhou Mailun Investment Centre (Limited Partnership) (常州麥侖投資中心(有限合夥)), a limited partnership established in the PRC on 19 May 2017, and one of our Pre-[**REDACTED**] Investors. For details, please refer to the section headed "History and Corporate Structure – Pre-[**REDACTED**] Investments"

"Chengdu Jiakun"	Chengdu Jiakun Growing Enterprise Management Centre (Limited Partnership) (成都嘉坤成長企業管理中心(有限合夥)), a limited partnership established on 22 January 2017, and one of the Pre-[**REDACTED**] Investors of the Company. For details, please refer to the section headed "History and Corporate Structure – Pre-[**REDACTED**] Investments"
"Chinese government" or "PRC government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and implementing agencies thereof or, where the context requires, any of them
"Chongqing Dekon/Chongqing Tequ"	Chongqing Dekon Agriculture and Animal Husbandry (Group) Co., Ltd. (重慶德康農牧(集團)有限公司), formerly known as Chongqing Tequ Agriculture and Animal Husbandry Co., Ltd. (重慶特驅農牧有限公司), a company established on 21 April 2008 with limited liability, and a wholly-owned subsidiary of the Company
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance, (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	Dekon Food and Agriculture Group (四川德康農牧食品集團股份有限公司), a joint stock company incorporated under the laws of the PRC and, if the context requires, include its predecessor. Please refer to the section headed "History and Corporate Structure" in this document
"Connected Person(s)" or "connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wang Degen and Desheng Ronghe

"Conversion of Domestic Shares into H Shares"	The conversion of [**REDACTED**] Domestic Shares in aggregate held by eight existing Shareholders into H Shares on a one-for-one basis upon the completion of [**REDACTED**]. Such conversion of Domestic Shares into H Shares has been approved by the CSRC on 30 March and 19 July 2023 and an application for H Shares to be [**REDACTED**] on the Hong Kong Stock Exchange has been made to the Listing Committee
"COVID-19"	the respiratory illness caused by a new form of coronavirus that emerged in 2019
"CSDCC"	China Securities Depository and Clearing Corporation Limited
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC securities markets
"Desheng Ronghe"	Sichuan Desheng Ronghe Group Co. Ltd. (四川德盛榮和實業集團有限公司), formerly known as Sichuan Desheng Ronghe Industrial Co. Ltd. (四川德盛榮和實業有限公司), a company established in the PRC on 8 June 2017, which is wholly owned by Mr. Wang Degen as at the Latest Practicable Date, and is our Controlling Shareholder
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"DT Food"	Sichuan Dekon-Tönnies Premium Food Co., Ltd. (四川德康通內斯食品有限公司), a limited liability company established in the PRC on 25 March 2021, a subsidiary of the Company
"EIT"	PRC's enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"Employee Shareholding Platforms"	Tongchuang Deheng and Zhongcheng Jinyi
"Enterprise resource planning"	a business process management software that allows an organisation to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"family farm(s)"	collectively, the pig farms under our No. 1 Family Farm model, No. 2 Family Farm model, and poultry farms under our Poultry Family Farm model for us according to contract, as applicable
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant
"Frost & Sullivan Report"	an industry report commissioned by us and independently prepared by Frost & Sullivan in connection with the [**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"Group" or "our Group" or "we" or "us"	our Company and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it

DEFINITIONS

"H Share(s)"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, to be [**REDACTED**] and traded in Hong Kong dollars and [**REDACTED**] on the Stock Exchange
[**REDACTED**]	[**REDACTED**]
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"Hong Kong" or "HK"	the Hong Kong Special Administration Region of the PRC
"Hong Kong Legal Adviser"	Slaughter and May, our legal adviser as to HK laws
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]

DEFINITIONS

[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"IFRS"	International Financial Reporting Standards, which includes all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board
"Independent Third Party(ies)"	an individual or a company who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]

DEFINITIONS

[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited
"Latest Practicable Date"	26 July 2023, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
[**REDACTED**]	[**REDACTED**]

DEFINITIONS

"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
[**REDACTED**]	[**REDACTED**]
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MARA"	the Ministry of Agriculture and Rural Affairs of the People's Republic of China (中華人民共和國農業農村部)
"MOF"	the Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部)
"mu"	the traditional Chinese unit of area (畝), one mu is equivalent to approximately 666.67 square metres
"NEEQ"	National Equities Exchange and Quotations System (全國中小企業股份轉讓系統)
"No. 1 Family Farm(s)"	farms operated under the No. 1 Family Farm model
"No. 1 Family Farm model"	the model for our pig segment, under which we provide the farm(s) with weaned piglets, feed, vaccine and veterinary medicine. Such farm(s) will finish and fatten those weaned piglets into market hogs or market piglets, and return the pigs to us for an agreed fee
"No. 2 Family Farm(s)"	farms operated under the No. 2 Family Farm model
"No. 2 Family Farm model"	the model for our pig segment, under which we provide the farm(s) with crossbreeding sows, boar semen, feed, vaccine and veterinary medicine. Such farm(s) will raise sows and produce weaned piglets that are fattened either in the No. 2 Family Farm or nearby No. 1 Family Farms for an agreed fee

DEFINITIONS

[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Poultry Family Farm model"	the model for our poultry segment, under which we provide the farm(s) with chicks, feed, vaccine and veterinary medicine. Such farm(s) will raise those chicks into broilers and return the broilers to us for an agreed fee
"Poultry Farming Base model"	the model for our poultry segment, under which we build the farms and lease to farm owners for yellow-feathered broiler farming. Farm owners will raise chicks into broilers and return the broilers to us for an agreed fee

"PRC" or "China"	People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》) (as amended, supplemented or otherwise modified from time to time)
"PRC Legal Adviser"	Jingtian & Gongcheng, our legal adviser as to PRC laws
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》) (as amended, supplemented or otherwise modified from time to time)
[**REDACTED**]	[**REDACTED**]
"Regulation S"	Regulation S under the U.S. Securities Act
"related companies"	has the same meaning as associates as referred to in the Accountants' Report set out in Appendix I to this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SEC"	the United States Securities and Exchange Commission

"Self-operated Farm model"	the model under which our Group build farms and employ labour force to carry out scaled farming, and are responsible for breeding, fattening, farming and other related process
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Xunran"	Shanghai Xunran Business Consulting Co., Ltd. (上海潯然商務諮詢有限公司), a company established in the PRC on 11 August 2016 with limited liability, and one of the Pre-[**REDACTED**] Investors of the Company. For details, please refer to the section headed "History and Corporate Structure – Pre-[**REDACTED**] Investments"
"Share(s)"	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Domestic Share(s) and our H Share(s)
"Shareholder(s)"	holder(s) of our Shares
"Sichuan Tequ"	Sichuan Tequ Investment Group Limited (四川特驅投資集團有限公司), formerly known as Sichuan Tequ Investment Limited (四川特驅投資有限公司), a company established in the PRC on 28 June 2005 with limited liability, and a connected person of the Company. For details, please refer to the section headed "Connected Transactions" in this document
[**REDACTED**]	[**REDACTED**]
"State"	the People's Republic of China or the PRC
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "HKEX"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of our Company

DEFINITIONS

"Suzhou Houqi"	Suzhou Houqi Equity Investment Centre (Limited Partnership) (蘇州厚齊股權投資中心(有限合夥)), a limited partnership established in the PRC on 5 January 2018, and one of the Pre-[**REDACTED**] Investors of the Company. For details, please refer to the section headed "History and Corporate Structure – Pre-[**REDACTED**] Investments"
"Tequ Husbandry"	Sichuan Tequ Agriculture and Animal Husbandry Technology Group Co., Ltd. (四川特驅農牧科技集團有限公司) (formerly known as Sichuan Tequ Agriculture and Animal Husbandry Technology Group Co., Ltd. (四川特驅農牧科技有限公司)), a limited liability company established in the PRC on 28 April 2016 and a subsidiary of Sichuan Tequ, which is a connected person of the Company
"Tongchuang Deheng"	Chengdu Tongchuang Deheng Enterprise Management Centre (Limited Partnership) (成都同創德恒企業管理中心(有限合夥)), a limited partnership established in the PRC on 13 December 2019, and one of our Employee Shareholding Platforms
"Track Record Period"	The financial years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023
"Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) issued by the CSRC on February 17, 2023, effective from March 31, 2023
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Valuer" or "JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our biological asset valuer and an Independent Third Party
"Yixing CEL"	Yixing CEL Investment Limited (宜興光控投資有限公司), a company established in the PRC on 26 September 2008 with limited liability, and one of the Pre-[**REDACTED**] Investors of the Company. For details, please refer to the section headed "History and Corporate Structure – Pre-[**REDACTED**] Investments" in this document
"Zhongcheng Jinyi"	Chengdu Zhongcheng Jinyi Enterprise Management Centre (Limited Partnership) (成都眾誠金宜企業管理中心(有限合夥)), a limited partnership established in the PRC on 18 April 2019, and one of our Employee Shareholding Platforms
"%"	per cent

Unless the content otherwise requires, references to "2020", "2021" and "2022" in this document refers to our financial year ended 31 December of such year.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain subsidiaries) have been included in the document in both the Chinese and English names and in the event of any inconsistency, the Chinese names shall prevail. English translations of official Chinese names are for reference purpose only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms in this document which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"all-in-all-out model"	an operation model where pigs in the same pig house are transferred into and out of the pig house on the same day, which facilitates systematic and scheduled production, and regular cleaning of pig houses for effective disease control
"boar(s)"	male pig(s) selected for semen production for mating in pig production system
"boar stud(s)"	production unit(s) that are used to collect boar semen from breeding boars for dilution, which is then used to breed sows at pig farms
"breeding pig(s)"	pig(s) that are one of our products, including boars and sows and primarily selected for breeding and pig production
"broiler(s)"	the mature chickens which are grown from chicks. A broiler is a type of chicken bred for the production of chicken products rather than for eggs. It is bred in a highly controlled environment. Broilers are usually slaughtered when they reach a required weight. After slaughtering, it will be processed into chicken meat products for sale. Broilers mainly include white-feathered broilers and yellow-feathered broilers
"Commercial Generation" or "CG"	pigs or chicken produced by parent stocks and used mainly for sale and slaughtering
"chick(s)"	the chicks hatched from fertile eggs, which will then be delivered to broiler farms for breeding into broilers
"chicken breeder(s)"	collectively, the immature and mature chicken breeders
"clenbuterol"	anabolic agent that has sometimes been used in livestock to increase the amount of lean muscle
"commercial production farms"	collectively, our market hog farms, No. 1 family farms and No. 2 family farms
"commodity DOC(s)"	the day-old chicks that are bred for the purpose of growing into broilers

"CR10"	concentration ratio that measures the market share of the ten largest companies in a specific market. The ratio takes values between zero and one; a value of zero indicates no concentration, while one suggests that the market is monopolised
"crossbred pigs"	breeding pig(s) produced by mating two different breeds or varieties
"crossbred sows"	sows(s) produced by mating two different breeds or varieties; in the DLY crossbreeding model, this refers to the selected breeding stock of the offspring of the cross between Landrace boars and Yorkshire sows (LY), which have the advantages of high standard of breeding performance, strong piglet carrying capacity and excellent stress resistance. It is mainly used for breeding market hogs
"DLY crossbreed model"	a common crossbreeding production model, between the Landrace boars and Yorkshire sows to produce crossbred sows (LY) with high standard of breeding performance and excellent stress resistance and maternal characteristics inherited from Yorkshire, and then crossbreeding between Duroc boars and crossbred sows to produce market hogs with good growth performance, slaughtering performance and meat quality
"DLY market hog(s)"	market hog(s) that are produced by using the DLY crossbreed model
"DOC(s)"	day-old chick(s)
"farrow"	the time and process whereby a foetus is separated from the mother's body and exists as an independent entity
"feed conversion rate"	feed conversion rate is the ratio of inputs to outputs, which means how many kilograms of feed does an animal need to get to gain one kilogram of body weight
"fertile egg(s)"	the fertilised eggs laid by breeders, which are incubated for approximately 21 days and hatched into chicks
"finish"	the farming process of raising livestock (typically for meat production) until fattened
"finisher(s)"	pigs which have gone through the finishing stage ready for sale or slaughtering
"gilt(s)"	female pig(s) selected and used for breeding and not yet mated. Gilts become sows, since they are mated naturally or inseminated artificially for the first time

GLOSSARY OF TECHNICAL TERMS

"Grand Parent" or "GP"	the second layer purebred mating pigs or chicken in specialised synthetic mating system (in terms of pigs: GP refers to crossbred pigs used for multiplying. In the DLY crossbreeding model, GP refers to purebred herds used for the production of LY crossbred sows in second-level multiplying farms)
"Grandparent Stock(s)"	chickens that are bred for the purpose of laying eggs that produce Parent Stock DOCs
"Great Grandparent" or "GGP"	purebred mating pigs or chicken in specialised synthetic mating system for generational breeding
"grower(s)"	breeding pig(s) and market hog(s) that age(s) over 70 days and are not finished yet
"high-throughput phenomics assay technology"	a technology that provides unique prospects to develop measures that can be taken on healthy animals at a young age that are predictive of resistance and resilience when phased with disease in a production environment
"immature chicken breeder(s)"	the chickens of less than 24 weeks old which are grown from Parent Stock DOCs for the purpose of laying fertile eggs
"in vitro bionic digestion technology"	a method of assessing the digestion and absorption of feeds in vitro by simulating the physiological characteristics of animal digestion and using a digestive environment and digestive enzyme system similar to those in vivo in animals
"JDE system"	the JD Edwards software created by JD Edwards EnterpriseOne, an integrated application suite consisting of enterprise resource planning software, and includes management tools for supply chain, financial and quality management business functions
"km"	kilometre, a unit of length
"lean yield"	lean yield is an estimate of the proportion of muscle tissue in a pork carcase
"litter"	unit of young animals that are born and raised in a single batch to an animal with multiple births (such as pig)
"market hog(s)"	pigs primarily used for production of pork products
"market hog farm(s)"	in the DLY crossbred model, farm(s) that produce DLY market hogs
"market piglets"	market hogs weighing between six to 25 kilograms (the conservation stage after weaning)

"mature chicken breeder(s)"	the mature chickens of 24 weeks old or more which are grown from Parent Stock DOCs and used for laying fertile eggs. Such mature chicken breeders will usually start to lay eggs from approximately the 25th week to the 65th week after their birth. After the 65th week, mature chicken breeders will be sold and will not be used for the production of chicken meat products
"MSY"	market hogs per sow per year, means the total number of market hogs in a given period, expressed on a yearly basis, divided by the average number of sows in this period
"multiplying" or "multiplication"	the stage that high quality breeding pigs are used to expand production and to prepare for subsequent production of market hogs. In the DLY crossbreeding model, including first-level multiplying (purebreeding) and second-level multiplying (crossbreeding)
"multiplying farm(s)"	farm(s) responsible for using high-quality breeding pigs weaned piglets to expand production to prepare for subsequent production of market breeding livestock (such as LY sows) and market hogs
"nucleus breeding herd"	in pig production systems different units are responsible for different tasks; nucleus breeding herd refers to the production group of pigs that undertakes genetic improvement, strain breeding and crossbreeding trials in pig production systems
"nursery pig(s)"	young pig(s) of around 22-70 days old that have been weaned off sow and consuming feed
"Parent Stock(s)"	chickens that are bred for the purpose of laying eggs that produce commodity chicks
"Parent Stock DOC(s)"	the day-old chicks that are bred for the purpose of laying fertile eggs
"parity"	the number of litters a sow has carried
"PED"	porcine epidemic diarrhoea, which causes diarrhoea and vomiting in pigs
"pedigree"	the record of descent of an animal
"porcine circovirus"	a common virus of pigs
"porcine eperythrozoonosis"	an infectious disease of pigs that can infect human
"porcine parvovirus"	a common virus causing infectious infertility in swine

"PRRS" or "blue-ear disease"	porcine reproductive and respiratory syndrome, a disease that causes a decrease in reproductive performance in breeding animals and respiratory disease in pigs
"pseudorabies"	a disease of swine that can also affect cattle, dogs, cats, sheep, and goats
"PSY"	piglets weaned per sow per year, means the total number of piglets weaned in a given period, expressed on a yearly basis, divided by the average number of sows in this period
"purebred"	(of an animal) descendants bred from parents of the same breed
"pure line(s)"	(of birds) descendants bred from parents of the same line
"R&D"	research and development
"sows"	female pig(s) which have been mated naturally or inseminated artificially once. We use sows to give birth to litters in our pig farming process
"stall" or "shed"	an elongated enclosure, in which gilts, sows and boars are kept individually, primarily used for sow gestation and raising of some boars
"stud(s)"	male pig(s) that are selected for breeding training, then used for breeding (or semen production)
"suckling piglet(s)"	young piglets between birth and weaning (0-21 days of age)
"supporting lines"	a production model which concentrates excellent traits through crossbreeding by making use of multiple excellent breeds (lines) according to their respective excellent traits, to produce excellent market livestock and poultry
"terminal boars(s)"	boar(s) of the terminal sire, which have(has) a direct impact on the performance and competitiveness of the end products
"terminal sire(s)"	sire boar production herds for the most important end product of the hog industry (market hogs)
"weaning"	separating the piglets and its mother, and made them accustom to feed other than its mother's milk
"yellow-feathered broiler(s)"	indigenous species of chicken from China, and therefore can be domestically produced

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain and enhance our market position;
- the effects of competition in the industries or markets in which we operate and its potential impact on our business;
- developments in, or changes to, laws, regulations, government policies, taxation or accounting standards or practices affecting our operations, especially those related to the PRC poultry industry;
- general political and global economic conditions, especially those related to the PRC, and macro-economic measures taken by the PRC government to promote economic growth;
- our ability to successfully implement any of our business strategies, plans, objectives and goals;
- our ability to expand and manage our business operations;
- our ability to obtain or extend the terms of the licences and leases required for the operation of our business;
- changes to our expansion plans and estimated capital expenditures;
- adverse changes or developments in the industries in which we operate;
- inflation, fluctuation in interest rates and exchange rates;

- changes in the availability of, or in the event of any new requirements, for financing;

- our success in accurately identifying future risks to our business and managing the risks arising from the aforementioned factors; and

- all other risks and uncertainties described in the section headed "Risk factors".

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information.

In this document, statements of or references to our intentions or those of the Directors are made as at the date of this document. Any such information may change in light of future developments.

All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

***You should carefully consider all of the information in this document, including the risks and uncertainties described below before making an* [REDACTED] *in our H Shares. You should pay particular attention to the fact that we conduct significant operations in China, the legal and regulatory environment of which differs in certain respects from that which prevails in other countries. Our business, financial condition, results of operations or prospects may be materially and adversely affected by any of these risks and the* [REDACTED] *of our H Shares may decline as a result. You may lose all or part of your* [REDACTED].**

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business and our industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the [**REDACTED**].

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our results of operations are substantially affected by cyclical fluctuations in the selling prices of pigs and poultry products, which affect our revenue, and by fluctuations in the purchase prices of feed and feed ingredients, which affect our costs.

Our results of operations are significantly affected by the selling prices of pigs and poultry products, which affect our revenue, and by the purchase prices of feed and feed ingredients, which are our primary raw materials and affect our costs. Our profit/(loss) for the year/period was a net profit of RMB3,608.4 million, a net loss of RMB3,172.7 million, a net profit of RMB909.8 million and a net loss of RMB1,548.6 million and a net loss of RMB2,184.5 million for 2020, 2021 and 2022, and for the five months ended 31 May 2022 and 2023, respectively. All of these prices are determined by constantly changing and volatile market supply and demand as well as other factors, over which we have limited or no control. These factors include:

- economic conditions;
- government regulations and actions, in particular the government's adoption of regulatory measures may affect pig price and environmental protection. For example, the growth in central frozen pork reserves driven by the PRC government would strengthen market confidence and increase the market demand of pigs, which would in turn stabilise the pig prices;
- competition;
- livestock diseases;
- weather conditions, including the impact of weather on water supply, and the supply and pricing of grains;
- competing demand for corn, for use in the manufacturing of ethanol and other alternative fuels; and
- transportation and storage costs.

Pig and poultry product prices typically fluctuate cyclically, reflecting changes in market demand and supply. These fluctuations can be significant, as shown in recent five years. In particular, from January 2023 to May 2023, the monthly average pig price declined from RMB15.4 per kilogram to RMB14.5 per kilogram. This was primarily attributable to the interplay of supply and demand factors, influenced by the cyclical nature of the pig industry and weaker demand post-Lunar New Year. Subsequently, as the pig supply gradually stabilises and market confidence is strengthened by the growing central frozen pork reserves, there is an anticipation of a rebound in pig prices during the second half of 2023. For details, please refer to the section headed "Industry Overview – Pig Cycle" in this document.

The central frozen pork reserves is a tool the government uses to stabilise pig prices. When the pig prices experience significant drop, whether due to oversupply or other market factors, the government will purchase frozen pork from the market, which increases demand and helps stabilise prices by improving confidence in the pig market. Conversely, during periods of high pig prices, the government can release reserves to counter inflationary pressures and help manage the supply and demand balance in order to avoid excessive price increases. The fluctuations in pig prices are primarily influenced by market supply and demand dynamics, and government intervention serves as a stabilising mechanism to ensure price stability and support the interests of both producers and consumers. Any significant release of the central frozen pork reserves would increase the market supply of pig products, which would in turn decrease the selling prices of pigs, and our business, results of operations and financial condition may then be adversely affected.

We may utilise financial derivative instruments in our operations to hedge our exposure to fluctuations in selling prices of pigs. However, there is no assurance that the pig futures can guarantee us the operational stability and predictability, nor fully protecting us from the fluctuations of price and supply of pigs. We hedge the pig prices when we consider market conditions are appropriate. While this hedging tool reduces our exposure to fluctuations in selling prices of pigs, the use of such financial instruments may ultimately limit our ability to benefit from favourable trends in pig prices.

Soybean meal and corn, which are our primary raw materials, have experienced volatility in selling prices due to various factors such as policies and changes in supply and demand of such commodities in the global markets. We may have difficulty passing the increases in our raw material costs on to customers in a timely manner or at all. Any inability to pass on to our customers all or part of any increased costs experienced by us from time to time, in a timely manner or at all, could have a material adverse impact on our results of operations.

Outbreak of African Swine Fever, avian influenza, and other diseases among the livestock or attributed to livestock or zoonoses and adverse publicity of these diseases can significantly affect our production, supply and demand for our products and our business.

We take precautions to ensure that our pigs and yellow-feathered broilers are healthy and that our farms and other facilities operate in a sanitary manner. Nevertheless, we are subject to risks relating to our ability to maintain animal health and control diseases. An occurrence of swine diseases (such as African Swine Fever and PRRS), porcine circovirus, PED, pseudorabies, porcine parvovirus and porcine eperythrozoonosis), poultry diseases (such as foot-and-mouth disease and avian influenza) or any outbreak of other serious animal diseases or epidemics, might adversely impact our production and consumers' confidence in our production facilities. During the Track Record Period and up to the Latest Practicable Date, we did not suffer from any material loss resulted from such diseases.

African Swine Fever is a fatal disease for pigs and currently there is no vaccine available in the market. Pig farms dispose of infected pigs and result in direct loss under the impact of an outbreak. As African Swine Fever is highly contagious, once an outbreak occurs in one pig farm, all pigs would be disposed of in extreme cases. The 2018 outbreak of African Swine Fever in China caused the decrease of the stock volume of market hogs and breeding pigs. Due to outbreak of African Swine Fever intensified in the second half of 2018, the stock volume of sow and supply of hogs dropped sharply. Therefore, the price of hogs witnessed a rapid increase from 2018 to 2019, rising from RMB12.7 per kilogram to RMB21.9 per kilogram. The average price of hogs continued to rise, reaching RMB34.1 per kilogram in 2020. With the effective prevention and control of African Swine Fever, the output volume of pigs recovered in 2021 and 2022, resulting in lower pig prices. The State Council also issued the "Opinions on the Prevention and Control of African Swine Fever" 《非洲豬瘟防控工作的意見》) in 2019 to emphasize the necessity to strengthen the sharing of departmental information systems, implement "Internet+" supervision of all links in the prevention and control of African swine fever. We did not experience any material disruption of our pig farming operation as a result of African Swine Fever and other swine diseases. For details of the impact of African Swine Fever on us, please refer to the section headed "Business – Impact of Disease and Epidemic – Impact of African Swine Fever". Diseases affecting pigs can reduce the number of pigs produced, hamper the growth of pigs to finishing size, result in expensive medication and vaccination costs, require quarantine or disposal of infected pigs and, in extreme cases, cull large quantities of pigs and temporarily suspend our business operations in the affected facilities, any of which could adversely affect our production or our ability to sell our products. In addition, porcine epidemic diarrhoea is also a disease with high morbidity, high mortality and high infection rate, to which newborn piglets are most susceptible. Although we take biosecurity measures and vaccinate our pigs, we are still unable to fully prevent the occurrence of porcine epidemic diarrhoea.

Avian influenza, in particular H5N1 virus, H7N9 virus and H5N6 virus, is a type of disease which spreads through poultry and is capable of killing millions of poultry and may, in some circumstances, be transmitted to humans, causing symptoms such as fever, cough, sore throat, muscle aches and, in severe cases, breathing problems and pneumonia that may be fatal. H5N1 virus emerged in 1996 and was first identified in southern China, and human infections with H7N9 virus were first reported in the PRC in 2013. In 2014, the PRC reported its first human infection with H5N6 virus. Avian influenza outbreaks that had spread over the past two decades, particularly in 2004, 2005, 2016 and 2017, are considered a pandemic threat in Asian countries. In 2017, Guangzhou officials reported that more than 30 percent of live poultry markets were infected with Avian influenza. In addition, the PRC reported an outbreak of avian influenza caused by H5N1 virus in Hunan Province and H5N6 virus in Sichuan Province, respectively, in February 2020, and about 20,000 poultry from affected farms were culled at local poultry farms. The Chinese government has given high priority and taken measures to control and minimise the spread of Avian influenza, such as culling poultry, monitoring cases of Avian influenza, vaccinating and closing live markets. As confirmed by our Directors, there were no large-scale outbreaks of avian influenza infection detected in our farms, family farms and farming bases and the outbreaks of avian influenza did not cause any material adverse impact on our business operations and financial performance. However, outbreak of diseases in neighbouring areas of any of our production facilities could raise concerns of the public and our customers on the safety and quality of our products.

Adverse publicity concerning any disease or health issue could also cause customers to lose confidence in the safety and quality of pigs and poultry. In addition, outbreaks of zoonoses similar to avian influenza may kerb consumption and cause significant decrease in demand for related meat products. There can be no assurance that there will be no large-scale outbreaks of recurrence of outbreaks of animal diseases or zoonoses in the future. If we experience any outbreaks of animal diseases or zoonoses, our business, results of operations and financial condition may be adversely and materially affected.

Any perceived or actual food safety or health issues related to our raw materials, products or the food industry generally could adversely affect our reputation, our ability to sell our products and our financial performance, and subject us to liability claims and regulatory actions.

Market hogs and broilers are primarily purchased for meat production. We are subject to risks affecting the food industry generally, including risks posed by the following:

- food spoilage;
- food contamination;
- contamination of raw materials;
- consumer product liability claims;
- product tampering;
- product labelling errors;
- expenses and possible unavailability of product liability insurance; and
- potential costs and disruption of a product recall.

If our raw materials or our products are found to be spoiled, contaminated, tampered with, incorrectly labelled, or reported to be associated with any such incidents, we may be subject to product liability claims, adverse publicity and government scrutiny or investigations. Despite the measures we have in place to control the quality of our raw materials and products, there can be no assurance that contamination of our raw materials or products will not occur during the transportation, production, distribution and sales processes due to reasons unknown to us or out of our control. Any product contamination could also subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, any of which could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

Any product liability claim made or threatened to be made against us in the future, regardless of its merits, could result in costly litigation and adverse publicity and put a strain on our administrative and financial resources. Such incidents could also affect the confidence of customers in our products, which could in turn adversely affect the sales of our products. Any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

Additionally, the pork industry has experienced significant issues related to food safety, such as the use of clenbuterol hydrochloride (clenbuterol) in pig production by certain industry participants. When clenbuterol is used as pig feeds in the pig industry, the meat can be leaner with a higher muscle-to-fat ratio but there are also health concerns such as increased heart rate, muscle tremors, headaches, nausea, fever, chills, anxiety and agitation, etc. Since 2006, it had been reported that consumers suffered from food poisoning after eating clenbuterol-contaminated pork. In September 2011, the China's Ministry of Agriculture announced the ban on clenbuterol and the food contamination situation in China improved thereafter. However, we cannot assure that illegal use of clenbuterol in pig production will not happen again. Any issues in relation to food safety may cause customers to lose confidence in the safety and quality of pork products generally, which could in turn adversely affect the sales of our pigs and pork products, and adversely affect our reputation, business, financial condition, results of operations and prospects.

The fair value of our biological assets may fluctuate significantly from period to period, causing our results of operations to be highly volatile.

Our biological assets include (i) commodity hogs (piglets, nursery market hogs 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 market 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 it arises. 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 while 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.

The fair values of our biological assets at each reporting date during the Track Record Period were determined by the Valuer and we intend to engage an independent professional valuer to determine the fair values of our biological assets going forward. In valuing our biological assets, the Valuer has relied on a number of major parameters and assumptions which may vary from time to time, such as quantity and body weight of biological assets and selling price of biological assets, as well as future trends in political, legal and economic conditions in China. Please refer to the section headed "Financial Information – Biological Assets and Valuation – Valuation Methodology" for details.

The fair value of our biological assets could be affected by factors including the accuracy of those parameters and assumptions, as well as the quality of our biological assets and changes in the pig and poultry farming industry. Selling prices for biological assets are highly volatile and susceptible to significant fluctuations from period to period. As a result of revaluations of our biological assets from period to period, our financial position and results of operations may change significantly from period to period. In addition, an increase or decrease in selling prices for biological assets will increase or reduce our revenue and gains or losses arising from changes in fair value less costs of disposal of biological assets, which makes our reported profit more volatile. During the Track Record Period, we recorded fluctuations for the changes in fair value of biological assets in our pig segment and our poultry segment. For further details, please refer to the section headed "Financial Information – Biological Assets and Valuation". We cannot assure that the fair value of our biological assets will not decrease in the future, which in turn will adversely affect our financial results.

Although we may recognise fair value gains from increases in the fair value of our biological assets, these changes will not represent changes in our cash position as long as the relevant assets continue to be held by us. Please refer to the section headed "Financial Information – Key Factors Affecting Our Results of Operations and Financial Condition – Changes in the Fair Value of Biological Assets" for details.

Our historical financial and operating results are not indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

You should not rely on our historical results to predict our future financial performance. We realised significant growth from 2020 to 2022. 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. We also realised growth from the five months ended 31 May 2022 to the same period in 2023. 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. There is inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance. There is no assurance that we will be able to maintain our historical growth in the future. Our revenue and profitability may vary from period to period in response to a variety of factors beyond our control. These factors can include general economic conditions, special events, increasing competition, government regulations and policies affecting our industry and/or our ability to control costs and operating expenses. Our financial and operating results may not meet the expectations of public market analysts or [**REDACTED**], which could cause the future price of our H Shares to decline.

We incurred losses from our operations in 2021 and five months ended 31 May 2023, which makes it difficult to evaluate our future prospects and results of operations.

We recorded a profit of RMB3,608.4 million and a loss of RMB3,172.7 million for 2020 and 2021, respectively, which was primarily because of a decrease in the fair value of biological assets recorded for 2021. We then recorded a net profit of RMB909.8 million for 2022. We also recorded a gross loss and a net loss of RMB382.9 million and RMB2,184.5 million for the five months ended 31 May 2023, respectively, while a gross loss and a net loss of RMB597.2 million and RMB1,548.6 million for the five months ended 31 May 2022, respectively, 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. Please refer to the section headed "Financial Information – Period-to-Period Comparison of Results of Operations – 2021 as Compared to 2020", "Financial Information – Period-to-Period Comparison of Results of Operations – 2022 as Compared to 2021" and "Financial Information – Period-to-Period Comparison of Results of Operations – Five Months Ended 31 May 2023 as Compared to Five Months ended 31 May 2022" for more information. It would be difficult to evaluate our future prospects and results of operations. Accordingly, you should consider our future prospects in light of the risks and uncertainties primarily relating to our ability to:

- manage the potential impact of price fluctuations of our products and raw materials;
- manage large-scale hog production operations and maintain effective control over our operating costs and expenses;
- maintain and enhance the quality of our products;
- increase awareness of our brands, attract additional customers and enhance customer loyalty;
- respond to competitive market conditions and changes in our regulatory environment;
- raise sufficient capital to sustain and expand our business;
- attract, retain and motivate qualified personnel; and
- implement, monitor and enhance our internal control system.

If we are unsuccessful in addressing any of these risks and uncertainties, our business, financial performance and results of operation may be materially and adversely affected.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all. Our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position.

We currently fund our operations principally with proceeds from the sale of products and bank and other borrowings. Further, a majority of our bank borrowings consist of short-term bank loans, which puts pressure on our cash flows. As at 30 September 2023, being the most recent practicable date for liquidity disclosure in this document, we had outstanding indebtedness of RMB9,197.0 million, which comprised interest-bearing borrowings and lease liabilities. This indebtedness could have important consequences for our business and operations including, but not limited to:

- limiting or impairing our ability to obtain financing, refinance our indebtedness, obtain share capital or debt financing on commercially reasonable terms or at all, which could cause us to default and materially impair our liquidity;

- restricting or impeding our ability to obtain financing in capital markets at attractive rates and increasing the cost of future borrowings;

- reducing our flexibility to respond to changing business and economic conditions and increasing our vulnerability to downturns;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, thereby reducing the availability of our cash flow for other purposes;

- placing us at a competitive disadvantage compared to our competitors that have lower leverage ratio or better access to capital resources; and

- limiting our ability to dispose of assets that secure our indebtedness or utilise the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, allowing the lenders thereunder to foreclose upon our assets pledged as collateral.

If we fail to renew our existing bank borrowings or raise additional funding through future debt or equity offerings as needed, our ability to implement our business strategy may be impaired, which could adversely affect our growth, prospects and our results of operations. In addition, our ability to comply with financial covenants and conditions, make scheduled payments of principal and interest or refinance existing borrowings depends on our business performance, which is subject to economic, financial, competitive and other factors, including the other risks described in this document.

Furthermore, the terms of our indebtedness may contain affirmative and negative covenants, such as restriction on use of loans, restriction on external guarantee, requirement on certain financial ratios and continuing reporting obligations. Should market conditions deteriorate, or if our operating results were to be depressed, we may need to request amendments or waivers to the covenants and restrictions under our debt agreements. There can be no assurance that we will be able to obtain such relief should it be needed. A non-fulfilment of any of these covenants or restrictions might result in a default that would permit our lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, trigger cross-default provisions under other debt agreements and, as applicable, cause the termination of commitments of relevant lenders to make further extensions of credit under our financing agreements or credit facilities. If we were unable to repay our indebtedness to our lenders in such an event, the lenders could, among other things, dispose of collateral, which could include substantially all of our assets. In addition, 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. Given that we might record losses due to the cyclical fluctuation of the pig or poultry farming industry, there can be no assurance that we would not experience difficulties complying with the loan covenants conditional waivers and repaying the outstanding loan amounts as they come due. Our future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest or refinance existing borrowings depends on our business performance, which is subject to economic, financial, competitive and other factors, including the other risks described in this document. Any failure to comply with the covenants of our financing agreements or to obtain financing for our business could have a material adverse effect on our business, financial condition, results of operations and prospects.

We recorded net current liabilities as at 31 December 2021 and 31 May 2023, and we cannot assure you that we will not record net current liabilities, which might expose us to certain liquidity risks.

As at 31 December 2021 and 31 May 2023, we had net current liabilities of RMB258.2 million and RMB2,683.8 million, respectively. Please refer to the section headed "Financial Information – Current Assets and Current Liabilities" in this document for further details regarding our net current liabilities. There can be no assurance that we will not have net current liabilities in the future. Significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on external funding. If adequate external funds are not available on commercially reasonable terms, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to effectively manage our inventory levels.

Our inventories comprise raw materials we used for feed production, finished goods and spare parts and consumables. 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. Customer demand, however, can be affected by numerous uncertainties, including market conditions, the outbreak of diseases, regulatory approvals and other factors beyond our control. Balance of our inventories increased from RMB444.1 million as at 31 December 2020 to RMB570.1 million as at 31 December 2021, further to RMB707.2 million as at 31 December 2022 and subsequently decreased to RMB530.0 million as at 31 May 2023. If we fail to manage our inventory levels effectively, we may be subject to a higher risk of inventory obsolescence, a decline in the value of inventories, and potential inventory write-downs or write-offs. Procuring additional inventories may also require us to commit substantial working capital, which would prevent us from using this capital for other purposes. Any of the foregoing may materially and adversely affect our results of operations and financial condition.

We may need to make allowance for impairment of 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. We recorded prepayments, deposits and other receivables amounted to RMB142.1 million, RMB235.3 million, RMB413.4 million and RMB424.8 million as of 31 December 2020, 2021 and 2022 and 31 May 2023, respectively.

There is no guarantee that related parties, suppliers and other third parties will perform their obligations in a timely manner, and we are subject to credit risk in relation to prepayments, deposits and other receivables. We make allowance for impairment of prepayments, deposits and other receivables when we determine the chances of recovering the relevant amounts due are remote. We conduct assessments on the recoverability of prepayments, deposits and other receivables based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. As our management's estimates and related assumptions were made in accordance with information available to us at the time the allowance was determined, there is no assurance that our expectations or estimates will remain accurate for the future. If we are not able to recover the amount as scheduled, we may need to make allowance for impairment of prepayments, deposits and other receivables and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to fair value changes for financial instruments and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

During the Track Record Period, we invested in wealth management products issued by commercial banks and financial institutions in China and unlisted equity investments, and the fair value of such unlisted financial products that are not traded in an active market is determined using valuation techniques, which require judgement and assumptions and involve the use of unobservable inputs, such as the expected rates of return. We use our judgement to make assumptions that are mainly based on the then prevailing market conditions at the end of each reporting period. For further details, see note 35(d)(i) to the Accountants' Report set out in Appendix I in this document. Changes in these assumptions and estimates could materially affect the fair value of these unlisted financial products. Factors beyond our control, including but not limited to, general economic conditions, changes in market interest rates and stability of the capital markets, can significantly influence and cause adverse changes to the estimates we use, and thereby affect the fair value. 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, increased to RMB352.7 million as of 31 December 2022 and increased to RMB393.7 million as of 31 May 2023. Please refer to the section headed "Financial Information – Discussion of Certain Key Statement of Financial Position Items – Financial Assets at Fair Value through Profit or Loss" for further details. The valuation techniques that we use may involve a significant degree of management judgement and are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations and financial conditions.

The fair value measurement of our derivative financial instruments is subject to uncertainties and risks and the fair value changes of such derivative financial instruments may materially and adversely affect our results of operations.

Our derivative financial instruments are primarily comprised of commodity futures contracts, insurance products linked to pig futures and options contracts. For details, please refer to the section headed "Financial Information – Discussion of Certain Key Statement of Financial Position Items – Derivative Financial Instruments". We began to engage in hedging transactions with derivative financial instruments in 2021. The change in fair value of our derivative financial instruments recorded a gain of RMB109.6 million, a loss of RMB54.0 million and a gain of RMB19.1 million for the years ended 31 December 2021 and 2022 and the five months ended 31 May 2023, respectively.

Any gain or loss arising from a change in fair value of our derivative financial instruments is recognised in the consolidated statements of profit or loss and other comprehensive income. Our derivative financial instruments may incur negative fair value change in the future, which may adversely affect our profitability. Our results may fluctuate due to increases or decreases in the appraised fair value of our derivative financial instruments. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such derivative financial instruments.

The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure the changes in market conditions (if any) will create fair gains on our derivative financial instruments at the previous level or at any level at all, or that the fair value of our derivative financial will not decrease in the future, or that our derivative instruments will increase substantially or at all.

We may not be able to fulfil our obligations in respect of contract liabilities, which may have a material and adverse impact on our results of operations and financial condition.

Our contract liabilities amounted to RMB46.2 million, RMB35.3 million, RMB68.5 million, and RMB56.7 million as of 31 December 2020, 2021, 2022 and 31 May 2023, respectively. Our contract liabilities primarily arose from advances from customers who are third parties, while the underlying goods or services are yet to be provided. If we fail to fulfil our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the advances we have received, which may adversely affect our cash flow and liquidity condition. In addition, it may adversely affect our business, our relationship with such customers, which may also affect our reputation and results of operations in the future.

Our operations are subject to the risks associated with our family farms, and we rely on family farms to raise pigs and yellow-feathered broilers.

We cooperate with third parties under our family farm models, under which we engage third parties for sow raising and fattening (No. 2 Family Farm model), piglet fattening (No. 1 Family Farm model and No. 2 Family Farm model) as well as broiler farming services (Poultry Farming Base Model and Poultry Family Farm model). For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue from the sale of pigs and poultries raised under the family farm models amounted to RMB7,347.4 million, RMB7,884.6 million, RMB12,884.9 million, RMB3,841.3 million and RMB5,434.6 million, representing 90.2%, 79.6%, 85.7%, 83.8% and 85.4% of our total revenue during the same periods, respectively. For details, please refer to the section headed "Business – Production – Contract Farming" in this document. We provide family farms with sows, piglets, chicks, feeds and veterinary medicine. We may not be able to monitor the performance of these family farms as directly and efficiently as with our own farms.

We cannot assure the quality of the pigs and broilers raised in our family farms. We may be liable for our family farms' default. There is no assurance that these third parties under our family farm models are able to maintain financial viability, or comply with relevant regulatory requirements and our internal policies in respect of quality control and environmental, social and governance aspects. In particular, as advised by our PRC Legal Adviser, under the applicable PRC laws and regulations, material licenses and permits required for family farms' contract farming business include (i) the Certificate for Production and Operation of Breeding Livestock and Poultry, where applicable, and (ii) the Certificate for Animal Epidemic Disease Prevention (the "**Required Licenses**"). Potential legal consequences for farm owners as a result of the lack of the Required Licenses include fines, confiscation of the relevant income attributable to such operations and an order to cease operation. As at the Latest Practicable Date, certain pig farm owners and broiler farm owners that cooperated with us did not possess all of the Required Licenses. For details, please refer to the section headed "Business – Production – Contract Farming – Requisite Licences and Permits in respect of Farm Owners" in this document. We cannot assure you that farm owners cooperated with us will not be subject to any order to cease operation in the future, nor can we assure you that we are able to find suitable replacements of farm owners in a timely manner, at acceptable terms or at all. These events may have an impact on our profitability, financial performance and reputation, as well as expose us to litigation or damages claims. In addition, we are exposed to fraud or other misconduct committed by family farm owners, which could subject us to financial losses, third party claims, regulatory investigations or reputational damages. Although we have implemented measures to detect and deter the misconduct of family farm owners, we cannot assure you that our measures are sufficient to prevent, or that we could properly manage the conduct of family farm owners. Any such conduct committed by family farm owners could have an adverse effect on our reputation, business, financial condition and results of operations.

In addition, most of our market hogs and most of our yellow–feathered broilers are raised by family farms. There can be no assurance that we will continue to be able to contract with family farms which meet our requirements and quality standards on favourable terms or at all. In the event that our family farms operation is disrupted for whatever reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The COVID-19 outbreaks worldwide and measures intended to prevent its spread may have a material adverse impact on our business, results of operations and financial condition.

An outbreak of COVID-19 was first reported in December 2019 and expanded across the globe. COVID-19 has significantly affected many countries globally. The PRC government imposed necessary pandemic prevention measures to keep COVID-19 in check. Since December 2022, these measures have been revoked or replaced. However, we cannot predict when the COVID-19 outbreak and resurgences will become completely under control and we cannot guarantee that the COVID-19 outbreak and resurgences will not worsen. The ultimate impact of the COVID-19 pandemic remains uncertain and subject to frequent changes.

During the Track Record Period, the outbreak of COVID-19 impacted our business in many aspects, including our sales and supply chain. For details, please refer to the section headed "Business – Impact of Disease and Epidemic – Impact of the COVID-19 Outbreak" in this document. Any failure to take adequate steps to mitigate or pre-empt the likelihood or potential impact of such events, or to effectively respond to such events if they occur, could materially and adversely affect our business, financial condition and results of operations.

In addition, we have implemented a number of precautionary and safety protocols throughout our farms, our family farms and our production facilities. Please refer to the section headed "Business – Quality Control and Food Safety – Quality Control of Poultry Production – Biosecurity Measures" for details. We cannot guarantee that the precautionary and safety protocols implemented are adequate or effective to fully protect us against the potential risks relating to COVID-19 inherent in our business. In particular, due to the rapidly evolving global situation, the risk of further waves of infections, the range of corresponding responses taken by different countries, and the uncertainties surrounding vaccine efficacy, we cannot predict the duration or the ultimate impact of the COVID-19 pandemic. As a result, the duration and extent of the effect of COVID-19 on our business and results of operations is not determinable. If the COVID-19 pandemic persists or is not effectively and timely controlled, stricter pandemic prevention measures may be implemented, farm and production facility closures may be required, and we may experience lower production levels, additional direct costs and lost revenue. We cannot guarantee that we will have adequate and successful arrangements for transportation and raw materials supplies to sustain our production to meet customer demand if there is another wave of the COVID-19 pandemic. In addition, if our suppliers experience COVID-19 related closures or reductions in their capacity utilisation levels in the future, we may have difficulty sourcing the raw materials necessary to fulfil production requirements. Any of these factors, or outbreaks of other contagious diseases such as SARS, H5N1 avian influenza, human swine flu or another epidemic, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business depends on the strength of our reputation and brands. If we fail to maintain and enhance our reputation and brands, consumers' recognition of and trust in us and our brands and products may be materially and adversely affected.

We rely on the strength of our reputation and brands in marketing and selling our products. We use "Lingnanhuang (嶺南黃®)", "Yupinfeng (御品鳳®)" and "Dexiang (德鄉®)" brands to sell our yellow-feathered broilers. Our reputation and brands could be harmed by product defects, ineffective customer service, product liability claims, consumer complaints, or negative publicity or media reports. In addition, we plan to establish and promote our brand in the foods segment. If the brand failed to be widely recognised by consumers as planned, the growth of our value in the future may be lower than expected.

Any claim against us, even if meritless or unsuccessful, could divert our management's attention and resources from other business, which may adversely affect our business and results of operations. Negative media coverage regarding the safety, quality or nutritional value of our products and the resulting negative publicity could materially and adversely affect consumers' recognition of and trust in us and our brands and products. In addition, adverse publicity about any regulatory or legal action against us could damage our reputation and brand image, undermine our customers' confidence in us and reduce demand for our products, even if the regulatory or legal action is unfounded or immaterial to our operations.

Furthermore, negative publicity relating to our products, raw materials, brands, operations, the food industry or products similar to ours may adversely affect consumers' perceptions of our products and result in decreased demand for our products. In particular, negative publicity relating to any one of our brands may be particularly harmful as we use only a few core brands to sell our products, and therefore face risks from brand concentration. Negative publicity concerning any perceived or actual health risks associated with our brands or products could also cause customers to lose confidence in the safety and quality of our products, which could adversely affect our reputation, business, financial condition, results of operations and prospects. We could also be adversely affected by perceived or actual health risks associated with similar products produced by other companies since these types of risks could cause consumers to lose confidence in the safety and quality of these types of products generally and consumers may therefore opt for other meat products that are perceived as safer.

We are subject to risks associated with managing future growth and expansion.

We tapped in the food processing business, which covers the slaughtering and processing of pigs and poultry, the production and sales of fresh pork and chicken meat and processed meat products. We did not generate any revenue from the food processing business during the Track Record Period. As at the Latest Practicable Date, we had certain projects in progress for expansion into the food processing business. Please refer to the section headed "Business – Our Business Model and Products – Expansion into Food Processing Business" for details. There is no assurance that our business strategies and plans of the food processing business can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on our profitability and prospects.

Our future growth may also depend on building our slaughtering and food processing business, expanding our pig and poultry farms, strengthening our research and development on pig and poultry breeding and establishing our intelligent breeding measurement platform and breeding evaluation platform. Our business plans set forth in "Business – Our Business Strategies" and "Future Plans and [**REDACTED**]" are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management systems and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects.

Specifically, our business expansion into slaughtering and food processing business requires investment and construction lead time. We will need to procure additional raw materials, construct slaughtering house, food processing facilities, warehouse and transportation infrastructure, and increase distribution and marketing channels to support our business expansion plan. We incur and expect to incur additional costs in relation to our expansion, and expect that there will continue to be a time lag before we are able to generate revenue from new slaughtering and food processing business. Due to the fixed costs associated with new slaughtering house and food processing facilities, this time lag will affect, and we expect to continue to affect, our results of operation, financial condition, net current liabilities position and cash flows.

In addition, we may require additional fund to realise our expansion plans and may have difficulty obtaining such financing. There is no assurance that we will be able to enhance our production capabilities in time or implement our future plan effectively.

Expansion into new geographic markets and new sales channels present operating and marketing challenges that are different from those we currently face in our existing markets and sales channels. Consumers in new markets and sales channels are likely to be unfamiliar with our brands and products and we may need to build or increase brand awareness in the relevant markets and sales channels by increasing investments in advertising and promotional activities. Additionally, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and control measures will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects.

Our operations are subject to the risks associated with acquisitions and investments in joint ventures and associates.

In October 2020, we cooperated with Tönnies and established DT Food to expand into food processing business. For further information, please refer to the section headed "Business – Our Business Model and Products – Expansion into Food Processing Business – Cooperation with Tönnies." There can be no assurance that our investment in DT Food will bring the anticipated strategic benefits to us. We have relatively limited experience in operating the food processing business and we may not be able to successfully integrate DT Food into our existing business.

In addition, from time to time, we may review opportunities for strategic growth through acquisitions or through investment in joint ventures (including breeding enterprises overseas). These acquisitions and investments may involve large transactions or realignment of existing investments. These transactions present financial, managerial and operational challenges, including but not limited to:

- changes in our cost structure due to such acquisitions or investments;
- diversion of management attention from managing our existing business;
- complexities in integrating new businesses, operations, personnel, and financial and other systems;
- lack of operating experience in the new industry, geographical or product markets of the acquired business;
- increase of the operational risks of our overseas business, such as complying with the trade barriers and other protective measures of overseas countries, different regulatory framework and environment;
- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities; and
- adverse effects on our results of operations due to the amortisation of and potential impairment provision for goodwill or other intangible assets associated with acquisitions, and losses sustained by acquired businesses after the date of acquisitions.

We may experience financial or other setbacks if any of the businesses that we have acquired or may acquire or any joint ventures we have established or may establish have problems or liabilities that we are not aware of or exceed our expectations. Failure to effectively manage our acquisitions or investment in joint ventures may adversely affect our growth prospects.

Further, we may not be able to make acquisitions or investments on favourable terms or within a desired time frame. Even if we were able to make acquisitions or investments successfully as desired, we cannot assure you that we will achieve an intended level of return on such acquisitions or investments. If we require debt financing in connection with such acquisitions and investments, we will incur additional financing costs. In addition, we may require additional equity financing in order to make such acquisitions and investments. If obtained, any such additional equity financing may result in dilution to the holdings of existing Shareholders. Any of these factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our operations are required to comply with various applicable laws and regulations. The costs associated with compliance with such regulations and requirements can be substantial. Our results of operations and future growth prospects may be adversely affected by future changes in government regulations.

We have to comply with various applicable laws and regulations for breeding, farming, slaughtering, processing, processed pork and chicken meat production and sale in China, including setting hygiene and safety standards for production, quality standards for meat products and environmental requirements on the treatment of dead pigs and chicken, sewage and wastes; and handling filings of facility agricultural-use land. We cannot assure that the competent authorities will not impose direct or indirect price control measures in our industry (such as government measures aiming to regulate pigs' or chickens' prices) in the future. In the heat of African Swine Fever, local authorities in certain regions implemented policies to regulate prices and guarantee supply. Our business and results of operations may be adversely affected as a result of direct or indirect price control measures in the pig or poultry farming industry.

In addition, we are required to obtain and maintain various licences, permits and filings in order to operate our business. These mainly include, among others, Certificate for Production and Operation of Breeding Livestock and Poultry (種畜禽生產經營許可證), Certificate for Animal Epidemic Disease Prevention (動物防疫條件合格證), and Feed Production Licence (飼料生產許可證). We are also required to obtain various government approvals and comply with hygiene and food safety standards in relation to our production processes, premises and products. Loss of or failure to obtain necessary permits, licences and filings could delay or prevent us from meeting current product demand, launching new products, building new facilities or acquiring new businesses and could adversely affect our operating results. During the Track Record Period and up to the Latest Practicable Date, we failed to obtain or renew certain licences in relation to our operation. We may face sanctions or other enforcement actions for our failure to obtain approvals, licenses, permits or certificates as might be necessary for our operations. We could be ordered by the relevant regulatory authorities to cease operation, or may be imposed fines or required to undertake corrective measures requiring capital expenditure or other remedial actions, which could materially and adversely affect our business, financial condition and results of operations. As at the Latest Practicable Date, we obtained some of them but there were certain outstanding in relation to the Certificate for Production and Operation of Breeding Livestock And Poultry for some of our farms. For details, please refer to the section headed "Business – Legal Proceedings and Compliance – Compliance – Non-compliance Incidents – (i) Failure to obtain or renew requisite licenses in relation to our operation".

If we are found not to be in compliance with applicable laws and regulations, particularly if it relates to or compromises food safety, we could be subject to administrative penalty and claimed for civil compensation, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, future material changes in regulations over our operations, including but not limited to regulations relating to licence, permit, public health, hygiene and food safety requirements, could result in increased operating costs or affect our ordinary operations, which could also have an adverse effect on our operations and our financial results.

Our non-compliance with relevant environmental protection laws and regulations could lead to the imposition of fines and penalties and harm our business. Our environmental-related costs may increase in order to fulfil various environmental requirements and standards.

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations. As environmental protection is getting more attention around the world, China's environmental protection laws have also been continuously strengthened. These laws and regulations require us to adopt measures to effectively control and properly dispose of dead pigs and chicken, manure, waste gases, waste water, noise and other environmental waste materials. During the breeding, farming and slaughtering of pigs and chicken, we may produce sewage, solid waste, waste gas, noise and we are subject to the restrictions of environmental protection laws and regulations in relation to the discharge of such pollutants. We have incurred environmental costs to comply with environmental protection laws and regulations. We will continue to incur costs in order to comply with environmental protection laws and regulations. In addition, new environmental issues could arise and lead to unanticipated investigations, assessments or costs. There can be no assurance that the existing laws or regulations will not impose more requirements or stricter standards in relation to environmental protection, compliance with which may require us to incur significant costs and capital expenditures. If we fail to comply with all existing or future environmental protection laws or regulations in an adequate and effective manner, we may be subject to legal consequences, including administrative, civil and criminal penalties, liability for damages and negative publicity. If the breach is serious, regulatory authorities may suspend or close any operation for failing to comply with such laws or regulations. During the Track Record Period, we paid for 16 administrative fines with an aggregate amount of approximately RMB3.0 million as a result of our failure to fully comply with relevant PRC environmental protection laws and regulations. For further details, please refer to the section headed "Business – Legal Proceedings and Compliance – Compliance – Non-compliance Incidents – (ii) Administrative fines relating to environmental protection".

Pursuant to PRC laws and regulations, a construction unit shall not commence construction without completing the environmental impact assessment, and the facilities should have passed acceptance inspection before commencement of production. During the Track Record Period, we commenced production without completing the relevant environmental impact assessments and/or the acceptance inspections of environmental protection facilities for some of our farms. We have taken remedial measures necessary to obtain the requisite approvals and filings and follow the requisite requirements. However, we may not be able to obtain such approvals, permits and filings or follow the requisite requirements in a timely manner or at all. If we are determined not to be in compliance with applicable PRC laws and regulations, we may be required to rectify such non-compliance and subject to administrative penalties, including fines, orders to restore to its original condition or orders to stop construction, production or use, which could adversely affect our business and financial conditions.

With the global trend of low-carbon transition and the PRC development towards carbon neutrality, the PRC government may introduce new regulations and policies to implement stricter environmental protection standards, which may lead to an increase in our environmental protection costs and therefore materially and adversely affect our results of operations and financial condition. In addition, while there is currently no animal welfare laws in China that directly affects our operations, there has been rising concern over the treatment of animals in the society. Any future legislation and social expectation on animal treatment may lead to an increase in our operating costs and therefore materially and adversely affect our results of operations and financial condition. In response to the above and awareness on environmental, social and governance (the "**ESG**") matters, we will integrate risk factors pertaining to sustainability, including climate change, health and safety, business ethics and regulatory compliance, into our risk matrix to mitigate associated impacts and develop best practices in order to achieve long-term growth and sustainability of our business. For more information on risks related to the ESG matters, please also refer to the section headed "Business – Environment and Social Matters – ESG Governance" in this document. We cannot assure that we can effectively implement the ESG governance protocols, including to identify and mitigate our ESG-related risks effectively. If we fail to address the ESG compliance promptly, our business, operating results and financial condition could be materially and adversely affected.

Our non-compliances with social insurance and housing provident fund contribution laws and regulations in the PRC could lead to imposition of fines and penalties.

Under the Social Insurance Law of PRC (《中華人民共和國社會保險法》) and the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing funds, and employers are required, together with their employees or separately, to pay the social insurance premiums and housing funds for their employees.

During the Track Record Period, we did not make full contributions to the social insurance and housing provident fund for our employees. We made provisions of RMB4.0 million, RMB15.0 million, RMB20.9 million and RMB6.3 million, respectively, for the social insurance payments shortfall for 2020, 2021, 2022 and the five months ended 31 May 2023, and provisions of RMB8.0 million, RMB5.0 million, RMB5.9 million and RMB1.7 million for the housing provident fund respectively, for the housing provident fund shortfall for the same periods. For further details, please refer to the section headed "Business – Legal Proceedings and Compliance – Compliance – Non-compliance Incidents – (iii) Failure to make full contribution to the social insurance and housing provident fund" in this document. As of the Latest Practicable Date, we have not received any notice from the relevant authorities demanding us to rectify such non-compliance issue. Nevertheless, if the relevant competent authorities demand us to make up the payment in the future, we will comply with the relevant requirements and make up the payment in time. We cannot assure you that we will not be subject to any order to rectify the non-compliances in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident fund contributions against us, or that we will not receive any claims in respect of the outstanding amount of the social insurance and housing provident fund contributions under applicable laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC government authorities. Failure to fully comply with relevant laws and regulations, which may result in our being ordered to make rectifications, pay fines and late payment fees or other regulatory measures taken by the relevant PRC authorities, may have a material negative impact to our business, financial condition and results of operations.

We are subject to potential adverse effect in respect of our existing properties owned and leased

As at the Latest Practicable Date, we had not obtained filings for facility agricultural-use land for certain farm parcels of land, land use rights certificates and building ownership certificates for certain of our buildings, and the actual land use of certain state-owned lands which we had obtained land use rights certificates are inconsistent with their approved land use as specified in their title certificates. The aforementioned properties are mainly used for offices, dormitories and production facilities. For details, please refer to the section headed "Business – Properties". There is no assurance that we will not be subject to any administrative penalties for these non-compliances in the future, and if this were to happen, our business, results of operation and financial position may be adversely affected. In addition, several of our pig farms occupied forest land without obtaining relevant approvals or completing of filings for use of such forest lands. For details, please refer to the section headed "Business – Legal Proceedings and Compliance – Compliance – Non-compliance Incidents – (iv) Failure to obtain the approval or complete the filing for occupation of forest lands by our farms". We may be subject to fines and administrative penalties for these defects and we may need to demolish the relevant production facilities and relocate the relevant farms. This could have an adverse effect on our business and results of operations.

Some of our leased properties which are not used for business operation are subject to certain title defects and lack of registration. For details, please refer to the section headed "Business – Properties – Leased Properties." For some of such leased properties, the lessors may not be able to provide property title certificates or other documents evidencing the authorisation or consent from the property owners for subleasing. In such case, our rights in relation to such properties might not be entirely protected. Any claim or disputes related to the title of such leased properties may affect our ability to continue to lease such properties and may result in relocation. We cannot guarantee that the legality of our use and occupation of the relevant buildings will not be challenged by third party or the government authorities in the event that the actual use of our leased properties is inconsistent with the use registered on the land use right certificate or our leased properties are on allocated land, in which scenario the competent authorities may require the lessors to return the land and we may be forced to relocate such effected properties. If we have to find alternative properties, additional relocation costs will be incurred which may have an adverse effect on our business, financial condition and results of operations. Furthermore, as at the Latest Practicable Date, such leased properties have not been registered with the relevant PRC government authorities. Although non-registration of lease agreements will not affect the validity of such lease agreements, we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease, if we fail to complete the registration within the prescribed time frame as required by the relevant PRC government authorities and may result in adverse effects on our results of operations, financial position or prospects.

We rely on our pig and poultry farms for our business operations. Any failure to secure renewal of the current leases of our pig and poultry farms on commercially acceptable terms or at all could adversely affect our growth prospects and business condition.

We (i) leased the collectively-owned rural land use right to build our own farms and (ii) leased farms directly from third-party facilities owners to operate our pig and poultry farms. Such leases generally have a term of 5-30 years. We cannot assure we can obtain renewal of the lease agreements upon expiry on at least the same terms or at all.

The rural land parcels we leased were obtained through contract and circulation. As provided by the Rural Land Contracting Law of the PRC (《中華人民共和國農村土地承包法》) and the Measures for the Administration of Circulation of Rural Land Contracted Management Right (《農村土地經營權流轉管理辦法》), the rural land contracted management right lawfully obtained by a contractor may be circulated by way of leasing (interchanging), shareholding or other methods in compliance with PRC laws and policies and the contractor may entrust the contract-letting party or intermediary organisation to circulate the rural land contracted management right. Pursuant to the Land Administration Law of the PRC, the collectively-owned rural land use right shall not be granted, transferred or leased for non-agricultural construction without the prior approval from the relevant PRC government authorities. For details, please see the section headed "Regulatory Overview – Laws and Regulations Relating to Land Use – Collectively Owned Land" in this document. We cannot assure you that we will not experience any material default, claims, disputes or challenges from the contractors, the collective economic organizations, or the relevant government authorities directed to our facilities in the future.

There is also no assurance that our existing leases will not be terminated early by the lessors before the expiry of the relevant term.

There can be no assurance that the above laws and regulations will not be altered or the land use will not be varied with the rapid economic growth in the surrounding areas, any of which would increase the default risk of our lease agreements, we will need to relocate, but may not be able to successfully find alternative sites to locate our pig or poultry farms on commercially reasonable terms, or at all. Our business operations and future growth may be adversely disrupted, and this could have a material adverse effect on our business and results of operations.

We procure certain feeds and feed ingredients from our external suppliers, some of which are overseas suppliers.

Feeds and feed ingredients are the main raw material we use in our operations, and a continuous and stable supply of feeds and feed ingredients that meet our standards is crucial to our operations. Most of the feed ingredients we purchased were from selected suppliers during the Track Record Period. We expect to continue to procure feeds and feed ingredients from external suppliers. We also procure other raw materials such as medicines and farm equipment from external suppliers. There can be no assurance that we will continue to be able to source feeds, feed ingredients and raw materials meeting our requirements at reasonable prices or terms or at all. In the event that our supply of feeds and feed ingredients is disrupted for whatever reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

When we procure feeds, feed ingredients and raw materials from overseas suppliers, the transaction amounts may be denominated in foreign currency, mainly US dollars and Euros, instead of Renminbi. Accordingly, we are exposed to foreign exchange rate risk. Please refer to the section headed "– Risks Relating to Conducting Business in the PRC – Fluctuation in the value of the Renminbi may result in foreign currency exchange losses" for further details.

Changes in our relationships with our major customers, or in the trade terms with these customers, may reduce our sales and profits.

Our sales to five largest customers accounted for 8.6%, 10.1%, 11.9% and 16.3% of our total revenue for 2020, 2021, 2022 and the five months ended 31 May 2023, respectively. We do not have long-term sales agreements or other contractual assurances as to future sales to these major customers. Our business could suffer significant setbacks in sales and operating income if our customers' business plans or markets change significantly or if we lose one or more of our large customers.

In the event that we provide concessions or trade terms that are more favourable to our large customers, our profit margins may be reduced. The loss of a significant customer or a material reduction in sales to, or adverse change to trade terms with, a significant customer could materially and adversely affect our product sales, financial condition, results of operations and prospects.

We sell pigs and poultry products to dealers, and we have limited control over our dealers.

We sell a significant amount of our pig and poultry products to third party dealers, which is in line with industry norm. As at 31 May 2023, we had a total of 523 dealers for our pigs, and a total of 3,143 dealers for our yellow-feathered chicks and broilers. During the Track Record Period, most of our market hogs and market piglets were sold to pig dealers and a majority of our top five customers during the Track Record Period were pig dealers. For our poultry products, for 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, our sales through dealers accounted for 78.9%, 70.8%, 54.2%, 52.9% and 57.2% of the total sales of our chicks, respectively; and 99.3%, 99.3%, 98.0%, 99.2% and 97.6% of the total sales of our yellow-feathered broilers, respectively. Any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancellation of orders from one or more large dealers;
- the quality of customer service provided by dealers, which could harm our reputation or brand image;
- failure to renew sales contracts or dealership agreement and maintain relationships with our existing dealers; and
- our ability to expand existing dealership arrangements.

Our relationships with dealers for our pig and poultry products are characterised as seller and buyer relationships which do not grant us control over their operations or inventories. We may not be able to compete successfully against larger and better-funded sales and marketing campaigns of our competitors, especially if these competitors provide their dealers with more favourable arrangements. We cannot assure you that we will not lose any of our dealers to our competitors, which could cause us to lose some or all of our favourable arrangements with such dealers and may result in reductions in the coverage of our dealership network or decreases in our sales volume. Any significant disruption of our sales to our dealers, including as a result of the inability or unwillingness of these dealers to continue purchasing our products, or their failure to properly manage their business, could materially and adversely affect our business, results of operations, financial condition and cash flows.

Changes in the international trade environment, ongoing trade conflicts and geopolitical conflicts may affect our business and financial condition.

There have been changes in international trade policies and rising political tensions, which could reduce levels of trade, investments, technological exchanges and other economic activities between China and other countries, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade policies. It could also adversely affect the financial and economic conditions in the jurisdictions in which we and our business partners operate, which in turns adversely affect our financial condition and results of operations.

Since May 2022, the ongoing conflict between Russia and Ukraine, both are among the world's major producers and net exporters of agricultural projects such as grain, has resulted in major economic sanctions against Russia, thereby resulting in restrictions on expert of certain agricultural products, including ingredients of feeds. As we did not directly source our feeds from Russia or Ukraine, we had not experienced any supply shortage as of the Latest Practicable Date. However, the rippling effect of the Russia-Ukraine conflict globally may lead to the increase in the price of our feeds, which we may import overseas. If the Russia-Ukraine conflict persists or escalates, it could further disrupt the supply chains and affect the raw materials that we need for our business, which in turn could adversely affect our business, financial condition and results of operations.

We procure raw materials, such as machinery equipment and machine accessories, from overseas suppliers and set up a joint venture with a Germany enterprise. We will continue with our business dealings with international enterprises and if we plan to expand our business internationally in the future, any unfavorable government policies on international trade or any restriction on Chinese companies may affect our on-going business relationship with international enterprises, consumer demand for our products and service, impact our competitive position, or prevent us from being able to conduct business in certain countries. In addition, our results of operations could be adversely affected if any such tensions or unfavorable government trade policies harm the Chinese economy or the global economy in general.

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.

We enjoy preferential tax treatments. 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) (《財政部、國家税務總局關於發佈享受企業所得税優惠政策的農產品初加工範圍(試行)的通知》(財税 [2008]149號)), 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' 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. For more details, please refer to the sections headed "Financial Information – Principal Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Taxation and Preferential Tax Treatment" and "Financial Information – Period-to-Period Comparison of Results of Operations – Income Tax."

Additionally, we enjoy a number of government grants in China, including financial subsidies in relation to the introduction of breeding technology, research on breeding pig, and pig farm construction. For 2020, 2021 and 2022 and the five months ended 31 May 2023, the total government grants we received amounted to RMB41.0 million, RMB51.6 million, RMB74.0 million and RMB29.4 million, respectively. Not all of the government grants received during the Track Record Period were recurring in nature (those (i) received multiple times in different years or periods during the Track Record Period under similar policies or (ii) reasonably likely to recur in the foreseeable future). For 2020, 2021 and 2022 and the five months ended 31 May 2023, the government grants we received which were non-recurring in nature amounted to approximately RMB3.8 million, RMB3.9 million, RMB5.9 million and RMB1.3 million, respectively. Government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local government. There can be no assurance that the preferential tax treatment, government grants and financial incentives that we enjoy will not be altered or terminated. Any alteration or termination of our current preferential tax treatments, government grants or financial incentives could have a material adverse effect on our business, financial condition, results of operations and prospects.

There is no assurance of whether or when we will pay dividends and payment of dividends is subject to restrictions under PRC law.

During the Track Record Period, we declared and paid certain dividends. For details, please refer to the section headed "Financial Information – Dividends" in this document. We cannot guarantee when, if and in what form or amount dividends will be paid following the [**REDACTED**]. The declaration of dividends is required to be proposed by our Board of Directors and is based on our business and financial performance, capital and regulatory requirements, general business conditions and other factors that our Board of Directors deem relevant.

In addition, under PRC law, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. For details, please refer to the section headed "Financial Information – Critical Accounting Policies and Estimates – Revenue and Other Income Recognition – Dividends" in this document. As a result, we may not have sufficient profit or any distributable profit to enable us to make dividend distributions to our Shareholders, even in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. We are also required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend pay-out ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

Loss of our core management and other key personnel may adversely affect our results of operation and business prospects.

Our future business performance and prospects depend significantly on our Directors and senior management as they are in charge of the overall planning, development and execution of our business and operations. Our executive Directors including Mr. Wang Dehui, Mr. Wang Degen, Mr. Yao Hailong, Mr. Hu Wei and Mr. Zeng Min, who form a core management team that develops our business strategies to drive our growth. If any of our Directors and/or any members of senior management were to terminate their services or employment with us, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all. In addition, competition for qualified personnel in China is intense and the availability of suitable candidates may be limited. Failure to attract and retain key personnel could materially and adversely affect our results of operations and business prospects.

Our performance depends on favourable labour relations with our employees, and any deterioration in labour relations, shortage of labour or material increase in wages may have an adverse effect on our results of operations.

Our business is labour intensive, and our success depends on our ability to hire, train, retain and motivate our employees. As at 31 May 2023, we had a total of 8,670 employees. We consider favourable labour relations as an important factor that can affect our performance, and any deterioration of our labour relations could cause labour disputes, which could result in disruptions to production and operations.

Over the last three decades, China has experienced rapid economic growth, with significant increases in labour costs. Our staff costs recognised in our cost of sales, selling expenses and administrative expenses were RMB589.4 million, RMB902.1 million, RMB981.3 million and RMB459.0 million for 2020, 2021, 2022 and the five months ended 31 May 2023, respectively. Average labour wages in China are expected to continue to increase. In addition, we may need to increase our total compensations to attract and retain experienced personnel required to achieve our business objectives. Any shortages in labour, any material increases in our staff costs or any deterioration in employee relations may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may be exposed to risks from our hedging activities in relation to the commodity prices of our raw materials.

In March 2021, with a view to hedging risks of price fluctuations of commodity raw materials including soybean meal, soybean oil, corn and wheat, we started to purchase financial derivative instruments. While these contracts generally reduce our exposure to changes in prices for commodity products, the use of such financial derivative instruments may ultimately limit our ability to benefit from favourable trends in commodity prices. The successful use of a hedging device depends on our ability to forecast correctly the direction and extent of market movements within a given time frame. To the extent selling prices remain stable or such prices fluctuate in a direction opposite to that anticipated, we may realise a loss on the hedging transaction that is not offset by a decrease in the price of the raw materials. In addition, if we fail to properly monitor and manage our hedging positions, we may be required to deposit and utilise additional amount that may adversely affect our cash and cash equivalent position. Although we have put in place certain risk control procedures aimed at reducing risks in relation to these hedging transactions, there can be no assurance that these procedures will be effective and adequate. There can be no assurance that we will not experience losses with respect to these hedging transactions in the future or that such losses will not have a material adverse effect on our business, financial condition, results of operations and prospects. For details, please refer to the sections headed "Financial Information – Discussion of Certain Key Statement of Financial Position Items – Derivative Financial Instruments" and "Financial Information – Discussion of Certain Key Statement of Financial Position Items – Investment Risk Management" in this document.

Our insurance coverage may not be sufficient to cover all of our potential losses.

We have purchased and maintained insurance policies that we believe are in line with the industry practice and as required by the relevant laws and regulations. For additional details of our insurance coverage, please refer to the section headed "Business – Insurance" in this document. However, we do not maintain insurance policies against product liability claims, disruptions to business operations, or third-party liability claims against claims for environmental liabilities. Any product liability claim to be made against us in the future could result in costly litigation. If there are any product liability claims, disruptions to business operations or third-party liability claims with respect to which we are not covered by insurance or in relation to which our insurance coverage is inadequate, our business, financial condition and results of operations could be materially and adversely affected.

We operate in a highly competitive industry and may face increased competition. New competitors who enter the market could have an adverse impact on our businesses and prospects.

We face intense competition in terms of safety and quality, brand recognition, costs, price and distribution. The pig industry in China is highly fragmented and the poultry farming industry in China is relatively concentrated. We face increasing competition from local, national and foreign producers. Competitors may develop products of a comparable or superior quality to ours, increase cost competitiveness by improving the operating model, or adapt more quickly than we do to evolving consumer preferences or market trends. In addition, developments in government regulation have driven consolidation in the Chinese pig and poultry farming industry, with smaller operating enterprises unable to bear the increasing costs of regulatory compliance such as environmental protection regulations. The consolidation among industry participants in China may produce stronger domestic competitors as well as competitors more specialised in particular segments and geographic markets. Furthermore, our competitors may form alliances to achieve scales of operations or sales networks that would make it more difficult for us to compete. To expand market share and enter into new markets, some of our competitors may use aggressive pricing strategies, greater incentives and subsidies for customers. We may not be able to compete effectively with our current or potential competitors, and our inability to compete successfully against competitors could result in loss of market share or reduced gross profit margins, either of which could adversely impact our results of operations.

We face risks relating to changes of consumer preferences and dietary habits.

According to the Organisation for Economic Co-operation Development and the Food and Agriculture Organization, the major categories of meat consumption in China include pork, poultry, beef, and mutton. In 2021, pork was the most consumed meat in China, while poultry is the second most commonly consumed meat. However, consumer tastes and preferences as well as dietary habits may change from time to time. Consumer demand for pork and poultry could change based on a number of possible factors, including dietary habits, concerns regarding the sustainability and animal welfare, economic factors and social trends. Given the common consciousness of healthy diet and the increasing vegan or vegetarian population in recent years, the healthy food market is growing and attracting more consumer spending in the PRC with rising demand and development on alternative to conventional meat such as plant-based meat and cultured meat. If consumer trends favour vegetarianism, veganism, low-meat diet or alternative proteins, the meat consumption in the PRC may decrease. There can be no assurance that our existing products will continue to be accepted by our customers or we will be able to anticipate and respond to any change in the consumer preferences in a timely manner. Our failure to anticipate, identify or react to these particular tastes or changes, the demand for our products may decrease, which may in turn adversely affect our business and financial condition, results of operations and prospects may be materially and adversely affected.

We face risks relating to fluctuations in the prices of substitute products.

Fluctuations in the selling prices of substitutes for our products, especially decreases in the prices of substitute protein products (such as beef, lamb and seafood) relative to pork and poultry, affect the prices of pork and poultry products. As a result of decreases in the prices of substitute protein products relative to pork and poultry or changes in consumer habits, consumers may purchase less pork and poultry. Even if we are able to adjust our selling prices in response to decreases in the prices of substitute products, our profit margin may experience contraction, which would in turn have a material and adverse impact on our business, financial condition, results of operations and prospects.

Additionally, pig and poultry industry has experienced problems related to food safety. For example, past outbreaks of avian influenza in various parts of the world reduced global demand for poultry and created temporary surpluses of poultry products. The surplus of poultry products placed downward pressure on poultry prices and also negatively affected meat prices including pork. These types of problems may cause consumers to lose confidence in the safety and quality of pork and poultry products generally and lead them to opt for other meat products that are perceived as safer. In the event that the demand for pork and poultry products is reduced, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to adequately protect our intellectual property rights and technologies, which could adversely affect our business.

We believe that our current intellectual property rights including our software patent and trademarks provide protection to our business and are necessary for our operations. However, there can be no assurance that our intellectual property rights applications will be approved, our intellectual property rights will adequately protect our intellectual property, we will be able to detect breaches of our intellectual property rights, our intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable, or our intellectual property rights will be effective in preventing third parties from utilising similar business models, processes or brand names to offer similar products. We may also be subject to disputes, claims or litigation involving our intellectual property rights or third-party intellectual property rights and there may be claims that we infringe third-party intellectual property rights. Any of these could disrupt our business and divert our management's attention from our operations. The costs associated with these types of disputes, claims or litigation may be substantial and could have a material adverse effect on our brand image, business, financial condition, results of operations and prospects.

Our operations may be disrupted by production difficulties due to mechanical failures, utility shortages or explosions, fires, acts of God or other calamities at or near our facilities.

We rely on machinery and equipment to achieve mass production of our products. Any mechanical failures or breakdowns could disrupt our production and cause us to incur additional costs to repair or replace the affected mechanical systems. There can be no assurance that we will not experience problems with our machinery and equipment or that we will be able to address any such problems or obtain replacements in a timely manner. Problems with key machinery and equipment in one or more of our production facilities may affect our ability to produce our products or cause us to incur significant expenses to repair or replace the affected machines or equipment. Any of these factors could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our production and operations depend on a continuous and sufficient supply of utilities, such as electricity, water and gas. If there are any shortages of electricity, water, gas or other utilities in regions where our production facilities are located, the local government may require our production facilities to be shut down. Any disruption in the supply of electricity, water or gas at our production facilities would affect our production, and could cause deterioration or loss of our products. This could adversely affect our ability to fulfil our sales orders and consequently may have an adverse effect on our business and operations.

In addition, explosions, fires, earthquakes, natural disasters or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms could cause power outages, gas or water shortages, damage our production and processing facilities and warehouses or damage our transportation channels, any of which could significantly affect our operations. There can be no assurance that similar or more serious incidents will not occur in the future or that we will be fully insured or otherwise compensated for such incidents. Any failure to take adequate measures to mitigate the potential impact of unforeseeable incidents, or to effectively respond to such incidents if they occur, could adversely affect our business, financial condition and results of operations.

Malfunctions or security breaches of our information technology systems could disrupt our operations and negatively impact our business.

We use information technology systems to monitor our production process, increase efficiencies in our facilities and inventory management, and manage and analyse our operations and financial information. We also use information technology to process financial information for internal reporting purposes and to comply with regulatory, legal and tax requirements. In addition, we rely on information technology for electronic communications with our facilities, personnel, customers and suppliers. Our information technology system may face various threats including unauthorised disclosure of information, tampering of data, cyber attacks, power outages, system configuration errors and telecommunication malfunctions. Although we have implemented protection and back-up schemes for our information technology system, these may not be sufficient. Any serious system malfunction or system failure could negatively affect our operations, financial condition and reputation. Any unauthorised disclosure of information could compromise our trade secrets, confidential information and customer information, which could in turn adversely affect our results of operations, financial condition and reputation.

Personal injuries, damage to property or fatal accidents may occur in our production facilities.

We use machinery and equipment in our production processes such as heating machines and biogas generation equipment which are potentially dangerous and may cause industrial accidents and personal injuries to our employees. In addition, our employees may violate safety measures or other related rules and regulations, which may cause industrial accidents. During the Track Record Period, and up to the Latest Practicable Date, there were seven accidents at our farms, resulting in the death of seven of our employees. For details of our occupational health and safety production management system, please refer to the section headed "Business – Environment and Social Matters – Occupational health and safety" in this document.

Any significant accident could interrupt production and result in personal injuries, damages to properties, fatal accidents and legal and regulatory liabilities. In addition, potential industrial accidents leading to significant property loss or personal injury may subject us to claims and legal proceedings, and we may be liable for medical expenses and other payments to employees and their families as well as fines or penalties. As a result, our reputation, brand, business, results of operations and financial condition may be materially and adversely affected.

Our operations are subject to the general risks of litigation.

During the ordinary course of business, we may be involved in litigation or legal proceedings related to, among other things, product or other types of liability, labour disputes or sales contract disputes that could have a material and adverse effect on our financial condition. These actions could also expose us to negative publicity, which might adversely affect our brands, reputation and customer preference for our products. If we become involved in any litigation or other legal proceedings in the future, the outcome of the proceedings could be uncertain and could result in settlements or outcomes that adversely affect our financial condition. In addition, any litigation or legal proceedings could result in substantial legal expenses to us and distract significant time and attention of our management, diverting their attention from our business and operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in China's economic, political and social conditions, as well as regulatory policies, could affect our business and operations.

We are incorporated, and our operations and all of our assets are located, in the PRC. Accordingly, our financial condition and results of operations are subject to the economic, political and legal developments in China. The PRC government plays a significant role in regulating industry development and creates significant impact over China's economic growth through allocation of resources, regulating payment of foreign currency-denominated indebtedness, setting monetary policy and tax policies. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us.

While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors. The growth rate of China's economy has gradually slowed down in recent years and the trend may continue. The economic conditions in China could affect our business and results of operation.

Policies regarding foreign currency conversion may impact our foreign exchange transactions, including dividend payment to holders of our H Shares.

All of our income is denominated in Renminbi. Currently, the conversion of Renminbi into foreign currency has to comply with the relevant laws and regulations, and conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. A portion of our income must be converted into other currencies in order to meet our foreign currency debts. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the [**REDACTED**], do not require advance approval from the SAFE, but we are required to present written evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved or registered in advance by the SAFE.

The policies regarding foreign exchange transactions under the current account and the capital account may not necessarily continue in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an adverse effect on our foreign exchange transactions and the fulfilment of our other foreign exchange requirements. If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, our payment of dividends in foreign currencies may be affected.

Fluctuation in the value of the Renminbi may result in foreign currency exchange losses.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. The conversion of the Renminbi into foreign currencies in the PRC was based on fixed rates set by the People's Bank of China (the "**PBOC**") in 1994. After various policy changes, including the abolishment of the policy of pegging the value of the Renminbi to the U.S. dollar where Renminbi is permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the PBOC and the reformation of Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate, the Renminbi was determined to be a freely useable currency with effect from 1 October 2016 by the Executive Board of the International Monetary Fund. With the development of foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the Renminbi could appreciate or depreciate in value against the Hong Kong dollar or the U.S. dollar in the future.

Our business transactions with overseas parties may be denominated in foreign currencies and the [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation or depreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may materially affect our results of operation or the value of our [**REDACTED**] from the [**REDACTED**]. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

The PRC legal system is under the process of development and shareholders need to form a reasonable expectation regarding the legal protections available to them under the PRC legal system.

Our business and operations in China are governed by the PRC laws and regulations. The legal system in the PRC is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. The legal system in the PRC is under the process of development and the laws and regulations are subject to amendment from time to time. We cannot predict the effect of future legal developments in China, including the promulgation of new laws and changes in existing laws. As a result, shareholders need to form a reasonable expectation regarding the legal protections available to them under the PRC legal system. Furthermore, due to the limited volume of court judgments and the non-binding nature of prior court decisions on other cases, the outcome of dispute resolution may not be as predictable, which may affect the legal protection available to us. In addition, litigation may be protracted and result in substantial costs and diversion of resources and management attention. All of these uncertainties may limit the legal protections available to our investors and Shareholders.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us, our Director, Supervisors and senior management.

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. In addition, all of our Directors, Supervisors and officers reside in the PRC and substantially all of their assets are located in the PRC. As a result, it may be difficult, complicated and time-consuming for investors to effect service of process upon those persons residing in China.

On 14 July 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"). Pursuant to the Arrangement, a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgement rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. It may be difficult or impossible for investors to enforce a Hong Kong court judgement against our assets or our Directors or senior management in China.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the [**REDACTED**], the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code do not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Dividends payable to investors and gains on the sales of H Shares by our investors may be subject to PRC income taxes.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realised upon the sale or other disposition of our H Shares. For more information, please refer to the section headed "Appendix III – Taxation and Foreign Exchange".

PRC tax authorities determine whether and how individual income tax or enterprise income tax on gains derived by holders of our H Shares from their disposition of our H Shares may be collected in accordance to the applicable tax laws and regulations in the PRC. Non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC tax on the dividends received from us and gains realised through sales or transfers by other means of the H Shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public trading market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

Prior to the completion of the [**REDACTED**], no public trading market existed for our H Shares. The initial [**REDACTED**] to the public for our H Shares is determined after negotiations between us and the [**REDACTED**], and the [**REDACTED**] may differ significantly from the selling price for our H Shares following the [**REDACTED**]. There can be no assurance that an active trading market for our H Shares will develop following the [**REDACTED**] or, if it does develop, that it will be sustained or that the selling price for our H Shares will not decline below the initial [**REDACTED**].

The trading volume and selling price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The price and trading volume of our H Shares may be highly volatile and could fluctuate widely in response to factors beyond our control. Factor impacting the price and trading volume of our H Shares include, but are not limited to, actual or anticipated fluctuations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, potential strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, fluctuations in the selling prices and demand for our products, public perception or negative news about our products, unexpected business disruptions resulting from natural disasters or power shortages, our inability to obtain or maintain regulatory approval for our operations, litigation, government investigation or other legal or regulatory proceeding, or political, economic, financial and social developments in China, Hong Kong and elsewhere in the world. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially adversely affect the selling price of our H Shares.

Since there will be an interval of several days between the [REDACTED] and the commencement date of trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before the [REDACTED] of our H Shares begins.

The [**REDACTED**] of our H Shares under the [**REDACTED**] will be determined on the [**REDACTED**]. However, [**REDACTED**] of our H Shares on the Stock Exchange will only commence after they are delivered, which is expected to be several business days after the [**REDACTED**]. During that period, [**REDACTED**] of our H Shares may not be able to sell or otherwise [**REDACTED**] our H Shares. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before [**REDACTED**] begins as a result of adverse market conditions or other unfavourable circumstances that may arise during the period between the [**REDACTED**] and the date on which the [**REDACTED**] of our H Shares begins.

As the [REDACTED] is higher than our net tangible book value per Share, you will experience immediate dilution and you may experience further dilution if we issue additional H Shares or equity-linked securities in the future.

The [**REDACTED**] is higher than the net tangible book value per share issued to existing holders of our Shares. Therefore, purchasers of [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in pro forma net tangible book value while the existing holders of our Shares, including our Controlling Shareholders, will receive an increase in net tangible book value per share of their shareholdings. In addition, if we issue additional Shares or equity-linked securities in the future, purchasers of our Shares may experience further dilution in the net tangible assets book value per Share as additional Shares are issued at a price lower than the net tangible assets book value per Share at the time of their issuance.

Future sales or perceived sales of substantial amount of our Shares in the public market and conversion of our Domestic Shares into H Shares could materially adversely affect the prevailing selling price of our H Shares and our ability to raise capital in the future.

Although the H Shares beneficially owned by our Controlling Shareholders are subject to certain [**REDACTED**] periods under the Listing Rules and further undertakings in favour of us, however there is no assurance that our Controlling Shareholders (whose interests may differ from those of other Shareholders) will not dispose of their Shares following the expiration of the [**REDACTED**] periods. We are currently applying for part of the Company's Domestic Shares to circulate on the Hong Kong Stock Exchange after the completion of the [**REDACTED**]. According to the Company Law, the Shares issued by the Company prior to the [**REDACTED**] (including a total of [**REDACTED**] H Shares to be converted from Domestic Shares held by eight Shareholders of the Company) are restricted from trading within one year from the [**REDACTED**]. Such restriction from trading will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic Shares on the Hong Kong Stock Exchange after the completion of the [**REDACTED**] is successful, any future sales (after the expiration of the restrictions set out above) of Domestic Shares by relevant Shareholders in the public market may affect the market price of the Shares. Moreover, if we convert a substantial amount of domestic shares into H shares to be listed and traded in the future at the Stock Exchange of Hong Kong, it may further increase the supply of the H shares in the market, which may affect the market price of the H shares. Future sales or perceived sales of substantial amount of our Shares by us or our Shareholders in the public market and conversion of our Domestic Shares into H Shares, or the perception that such offerings, sales or conversion could occur, could materially adversely affect the prevailing selling price of our H Shares and our ability to raise capital in the future. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity interest other than on a pro-rata basis to existing Shareholders, the shareholding percentage of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the H Shares.

Our future financing may cause dilution of your shareholding or impose restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the equity interest of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our business operations, which may further limit our ability or discretion to pay dividends, increase our risks in adverse economic conditions, adversely affect our cash flows or limit our flexibility in business development and strategic plans.

Our Company has been, and will continue to be, controlled by our Controlling Shareholders, whose interests may differ from those of other Shareholders.

As of the Latest Practicable Date, Mr. Wang Degen directly held approximately 3.29% and indirectly held 36.21% of the issued share capital of our Company, through Desheng Ronghe, which is wholly owned by Mr. Wang Degen. Immediately following the completion of the [**REDACTED**] and the Conversion of Domestic Shares into H Shares (without taking into consideration the Shares that may be issued pursuant to the exercise of the [**REDACTED**]), each of Mr. Wang Degen and Desheng Ronghe will own [**REDACTED**]% and [**REDACTED**]% of the issued Shares, respectively. Our Controlling Shareholders are able to control our operation and influence the selection of our senior management. Therefore, Mr. Wang Degen will have significant influence with respect to the following matters relating to:

- our business strategies and policies;
- amendments to our constitutional documents;
- the timing and amount of dividend payments;
- mergers or other business combinations;
- acquisitions or dispositions of assets; and
- issuance of any additional Shares or other equity securities.

However, the interests of our Controlling Shareholders may differ from the interests of other Shareholders, and may therefore take actions in the future that are not in the best interests of other Shareholders.

You should read the entire document carefully and should not rely on any information contained in press articles or other media in making [REDACTED] decisions with respect to our H Shares.

Prior to the publication of this document, there may have been press and media coverage regarding us and the [**REDACTED**], which may include certain information not contained in this document. We have not authorised the disclosure of any such information in the press or other media. We make no representation as to the appropriateness, accuracy, completeness or reliability of such information, and disclaim responsibility for such information. Accordingly, [**REDACTED**] are cautioned to make their [**REDACTED**] decisions with respect to our H Shares on the basis of the information contained in this document only and should not rely on any other information. By applying to [**REDACTED**] our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from official government sources contained in this document.

Certain facts, forecasts and other statistics relating to China, its economic conditions and the industry in which we operate contained in this document have been derived from official government sources. However, we cannot guarantee the accuracy and completeness of such information. These facts, forecasts and other statistics have not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], their respective directors and advisers or any other parties involved in the [**REDACTED**], and none of them make any representation as to the correctness, accuracy or completeness of such information. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up-to-date. In any event, you should consider carefully the importance placed on such information or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

In preparation of the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must ordinarily reside in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by the Stock Exchange in its discretion.

Since the business, operation and production bases of the Group are principally located, managed and conducted in the PRC, and the Group's head office situates in and all of the executive Directors and most of the senior management members of the Group are, and will continue to be, based in the PRC, the Company considers that it would be burdensome to maintain sufficient management presence in Hong Kong for the sole purpose of satisfying the requirements under Rules 19A.15 of the Listing Rules. The Company therefore does not have, and does not contemplate in the foreseeable future that it will have a sufficient management presence in Hong Kong for the purpose of complying with the Listing Rules.

An application for a waiver from strict compliance with the requirement to have a sufficient management presence in Hong Kong under Rules 8.12 and 19A.15 of the Listing Rules has been made to the Stock Exchange and the Stock Exchange [has granted] such waiver subject to the following arrangements to ensure that there is an effective channel of communication between us and the Stock Exchange:

- **Authorised Representatives:** pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely Mr. Zeng Min, an executive Director, the secretary to the Board and the joint company secretary, and Mr. Li Kin Wai, the joint company secretary, as our authorised representatives (the "**Authorised Representatives**") and the Company's principal communication channel at all times between the Stock Exchange and the Company. We will ensure that the Directors who do not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period. The Authorised Representatives will also provide their usual contact details, and each of the Authorised Representatives has confirmed that he will be readily contactable by the Stock Exchange and will be available to meet with the Stock Exchange to discuss any matters within a reasonable time frame upon request of the Stock Exchange. The Authorised Representatives have access to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. Each of the Directors, through the Authorised Representatives, can be reached by telephone, facsimile and email. The Company will also inform the Stock Exchange as soon as practicable in respect of any change in the Company's Authorised Representatives.

- **Directors:** When the Stock Exchange wishes to contact the Directors on any matter, each Authorised Representative will have all necessary means to contact all Directors (including the independent non-executive Directors) promptly at all times. To enhance communication between the Stock Exchange, the Authorised Representatives and the Directors, the Company has implemented the following measures: (i) each Director must provide his mobile number, office number, e-mail address and facsimile number to the Authorised Representatives; (ii) in the event that a Director expects to travel and/or otherwise be out of office, he will provide phone number of the place of his accommodations or other contact details to the Authorised Representatives; and (iii) the Company will provide the mobile number, office number, e-mail address, facsimile number and residential address of each Director to the Stock Exchange in accordance with Rule 3.20 of the Listing Rules.

  The Company currently has one independent non-executive Director (namely, Mr. Fung Che Wai, Anthony) who is ordinarily resident in Hong Kong and he will act as additional channel of communication between the Stock Exchange and the Company.

  Each of the Directors who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period.

- **Compliance Adviser:** the Company has appointed Maxa Capital Limited as its compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules which will provide the Company with professional advice on its continuing obligations under the Listing Rules and act as an additional communication channel with the Stock Exchange for the period commencing on the [**REDACTED**] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**]. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the Company's principal channel of communication with the Stock Exchange when the Authorised Representatives are not available.

  The Company has provided the Stock Exchange with the names, office telephone numbers, facsimile numbers and e-mail addresses of the Compliance Adviser's officers who will act as the Compliance Adviser's contact persons between the Stock Exchange and the Company pursuant to Rule 19A.06(4) of the Listing Rules.

  Pursuant to Rule 19A.05(2) of the Listing Rules, the Company shall ensure that the Compliance Adviser will have access at all times to the Authorised Representatives, the Directors and other officers. The Company shall also procure that such persons will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. The Company shall ensure that there are adequate and efficient means of communication between the Company, the Authorised Representatives, the Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser informed of all communications and dealings between the Company and the Stock Exchange.

- **Legal Advisers**: The Company shall also retain the Hong Kong Legal Adviser after the [**REDACTED**] to (i) inform the Company on a timely manner of any amendment or supplement to the Listing Rules and any new or amended laws, regulations or codes in Hong Kong applicable to the Company; (ii) to provide advice to the Company on the continuing requirements under the Listing Rules and applicable Hong Kong laws and regulations as required under Rule 19A.06(3) of the Listing Rules; and (iii) to provide advice to the Company on the application of the Listing Rules and other applicable Hong Kong laws and regulations relating to the Company after the [**REDACTED**].

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, a company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

The Company appointed Mr. Li Kin Wai, an Associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Zeng Min in discharge of his functions as a joint company secretary.

For the details of Mr. Zeng Min and his experience within the Group and professional qualifications, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

Accordingly, while Mr. Zeng Min does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Zeng Min may be appointed as a joint company secretary of our Company.

The waiver [was granted] for a three-year period from the [**REDACTED**] on the conditions that: (i) Mr. Li Kin Wai is appointed as a joint company secretary to assist Mr. Zeng Min in discharging his functions as a company secretary and in gaining the relevant experience stipulated under Rule 3.28 of the Listing Rules; (ii) the waiver will be revoked immediately if Mr. Li Kin Wai, during the three-year period, ceases to provide assistance to Mr. Zeng Min as the joint company secretary; and (iii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Mr. Zeng Min will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. Our Company will further ensure that Mr. Zeng Min has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer [**REDACTED**] on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Mr. Zeng Min and the need for on-going assistance of Mr. Li Kin Wai will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Zeng Min, having benefited from the assistance of Mr. Li Kin Wai for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute connected transactions of the Company under the Listing Rules after [**REDACTED**]. We have applied to the Stock Exchange, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement circular and independent shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules for our partially exempted and non-exempted continuing connected transactions as stated in the section headed "Connected Transactions" of this document. Please refer to the section headed "Connected Transactions" for details.

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

For further information on our Directors, please refer to the section headed "Directors, Supervisors and Senior Management".

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Dehui (王德輝)	Room 2-1, Unit 3 Building 7, Yurongzhuang Huatan Community Diaoyucheng Subdistrict Hechuan District Chongqing PRC	Chinese
Mr. Wang Degen (王德根)	No. 1-1, Building 17 1 Hebin Road, Jinjiang District Chengdu, Sichuan Province PRC	Chinese
Mr. Yao Hailong (姚海龍)	No. 68 Zheng Street Pingtou Township Peng'an County, Sichuan Province PRC	Chinese
Mr. Hu Wei (胡偉)	Room 1702, Building 10, Boyayuan No. 19, Section 2, Lushan Avenue Shuangliu District Chengdu, Sichuan Province PRC	Chinese
Mr. Zeng Min (曾民)	No. 12, Unit 1, Building 3 No. 10 Puyuan South Second Road, Jinniu District Chengdu, Sichuan Province PRC	Chinese

Non-executive Director

Ms. Liu Shan (劉珊)	Room 103, No. 6, Lane 41 Rongcheng Road Pudong New Area, Shanghai PRC	Chinese

Independent Non-executive Directors

Mr. Pan Ying (潘鷹)	No. 12, Unit 2, Building 4 No. 9 Tongyou Street Jinniu District Chengdu, Sichuan Province PRC	Chinese
Mr. Zhu Qing (朱慶)	No. 555 Liucheng Northeast Road Wenjiang District Chengdu, Sichuan Province PRC	Chinese
Mr. Fung Che Wai, Anthony (馮志偉)	Flat G, 11/F Hong Yan Court, Healthy Street Central North Point, Hong Kong PRC	Chinese (Hong Kong)

Supervisors

Ms. Zhu Hui (朱惠)	No. 12, Unit 2 of Building 3 No. 9 Chuangye Road High-Tech Zone Chengdu, Sichuan Province PRC	Chinese
Ms. Gong Shuang (龔爽)	No. 3-1-902, Jianfa Jinshali No. 588 Shuhui Road Qingyang District Chengdu, Sichuan Province PRC	Chinese
Ms. Zhou Zhexu (周哲旭)	No. 3002, 30/F, Unit 2, Building 4 No. 59 Tianchang Road High-Tech Zone Chengdu, Sichuan Province PRC	Chinese

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong **Citigroup Global Markets Asia Limited** 50/F, Champion Tower 3 Garden Road Central Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[**REDACTED**] [**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**] [**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Legal Advisers to our Company	*as to Hong Kong law and U.S. law:* **Slaughter and May** 47/F Jardine House 1 Connaught Place Central Hong Kong *as to PRC law:* **Jingtian & Gongcheng** 34th Floor, Tower 3 China Central Place 77 Jianguo Road Chaoyang District, Beijing PRC
Legal Advisers to the Joint Sponsors and the [REDACTED]	*as to Hong Kong law and U.S. law:* **Herbert Smith Freehills** 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong *as to PRC law:* **Jia Yuan Law Offices** F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing PRC
Auditors and Reporting Accountants	**KPMG** Certified Public Accountants 8/F, Prince's Building 10 Chater Road Central Hong Kong

Independent Biological Assets Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F, One Taikoo Place 979 King's Road Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC
[**REDACTED**]	[**REDACTED**]

CORPORATE INFORMATION

Head office and principal place of business in the PRC	Unit 901-909, 9th Floor, Building 2 Chengdu East Aviation Centre 32 Lingang Road Shuangliu District Chengdu, Sichuan Province PRC
Registered office in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company website	[**www.dekanggroup.com**] *(The information contained on this website does not form part of this document)*
Joint company secretaries	Mr. Zeng Min (曾民) No. 12, Unit 1, Building 3 No. 10 Puyuan South Second Road Jinniu District Chengdu, Sichuan Province PRC Mr. Li Kin Wai (李健威) *(ACG, HKACG)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorised representatives	Mr. Zeng Min (曾民) No. 12, Unit 1, Building 3 No. 10 Puyuan South Second Road Jinniu District Chengdu, Sichuan Province PRC Mr. Li Kin Wai (李健威) *(ACG, HKACG)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Compliance Adviser	**Maxa Capital Limited** Unit 1908, Harbour Centre 25 Harbour Road Wanchai Hong Kong
Audit committee	Mr. Fung Che Wai, Anthony (馮志偉) (Chairman) Mr. Zhu Qing (朱慶) Ms. Liu Shan (劉珊)
Remuneration committee	Mr. Pan Ying (潘鷹) (Chairman) Mr. Wang Degen (王德根) Mr. Fung Che Wai, Anthony (馮志偉)
Nomination committee	Mr. Zhu Qing (朱慶) (Chairman) Mr. Pan Ying (潘鷹) Mr. Wang Dehui (王德輝)
[**REDACTED**]	[**REDACTED**]
Principal Bank	**Agricultural Bank of China Limited** Chengdu Jincheng branch No. 8, Jinli East Road Qing Yang District Chengdu, Sichuan Province PRC

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "Frost & Sullivan Report"). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors, the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *any of the* [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

SOURCES OF THE INDUSTRY INFORMATION

We commissioned Frost & Sullivan to analyse and prepare a report regarding China's pig breeding and farming market, China's pig slaughtering and pork processing market, China's yellow-feathered broilers breeding and farming market, as well as China's pig and poultry feed market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a commission fee of RMB1,060,000 to Frost & Sullivan pursuant to a service agreement reached by arm's length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We have also referred to certain information in the "Summary", "Risk Factors", "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

In preparing the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as the National Bureau of Statistics of China and other industrial associations. The market projections in the Frost & Sullivan Report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of the pig breeding and farming, pig slaughtering and pork processing, broiler breeding and farming, and pig and poultry feed markets in China in the forecast period; and (iv) there is no extreme force majeure or industry regulation which may affect the market dramatically or fundamentally.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW

China has enjoyed steady economic growth over the past five years. One of the changes has been the sustained growth in meat consumption. Despite the impacts of COVID-19 and African Swine Fever, China's appetite for overall meat consumption is growing steadily, and the meat consumption momentum is expected to continue as disposable income increases.

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. Although the per capita annual expenditure in China declined slightly by 1.6% in 2020 due to impacts of the COVID-19 pandemic, the overall increase still represented a CAGR of 5.4% from 2018 to 2022. As supported by the growing per capita disposable income in the forecast period, the per capita annual expenditure is expected to reach RMB32,084 in 2027, with a CAGR of 5.5% from 2022.

According to the Organisation for Economic Co-operation Development and the Food and Agriculture Organization, the major categories of meat consumption in China include pork, poultry, beef, and mutton. Pork is currently the most consumed meat in China, with approximately 28.5 kilograms per capita in 2022, accounting for 55.7% of total major meat consumption per capita. Poultry is the second most commonly consumed meat, with approximately 15.2 kilograms per capita, occupying 29.7% of total major meat consumption per capita in the same year. The third most commonly consumed meat is beef, with approximately 4.2 kilograms per capita, occupying 8.2% of total major meat consumption per capita in 2022. In the future, pork consumption per capita in China is expected to maintain a steady growth, representing a CAGR of 1.6% from 2022 to 2027. By the end of 2027, pork consumption per capita will account for 57.7%, the largest proportion in terms of meat consumption per capita in China. For the per capita consumption of poultry, beef, and mutton, the figures are expected to reach 14.9 kilograms, 4.2 kilograms, and 3.4 kilograms per capita in 2027, respectively, representing a CAGR of -0.4%, 0.0%, and 0.6% from 2022, respectively.

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. represented a CAGR of 0.9% during the same period, rising 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 is far less than that in the U.S., which shows great potential in the future.

China was the world's largest pork production and consumption country in 2022, accounting for 48.4% and 51.0% of world's pork production and consumption, respectively. As the most commonly consumed meat worldwide and one of the most important sources of Chinese meat consumption, pork consumption per capita has been relatively stable in the past five years. Due to African Swine Fever, pork consumption in China temporarily declined in 2019 and gradually recovered in 2020. Pork consumption per capita has decreased from 30.3 kilograms in 2018 to 28.5 kilograms in 2022, with a CAGR of -1.5%. The CAGR is expected to reach approximately 1.6% in the next five years, with pork consumption per capita of 30.8 kilograms in 2027. Chicken consumption per capita in China reached only 11.4 kilograms in 2022. However, the chicken consumption per capita in China is expected to experience a faster growth, at a CAGR of 4.6% from 2022 to 2027.

In line with the trend of pork consumption per capita in recent years, the pork production in China was relatively stable at approximately 54.0 million tonnes in 2017 and 2018. Due to the outbreak of African Swine Fever in the PRC since August 2018, the pork production declined sharply by 21.3% to 42.6 million tonnes in 2019 and hit record low of 41.1 million tonnes in 2020 as African Swine Fever continued to impact China's pig industry. However, the pork production recovered rapidly to 53.0 million tonnes in 2021 as consumer demand for pigs persisted and the impact of African Swine Fever gradually faded and the pork production increased slightly to 55.4 million tonnes in 2022, with a CAGR of 0.6% from 2018 to 2022. The pork production is expected to increase to 56.8 million tonnes in 2027, representing a CAGR of 0.5% from 2022 to 2027.

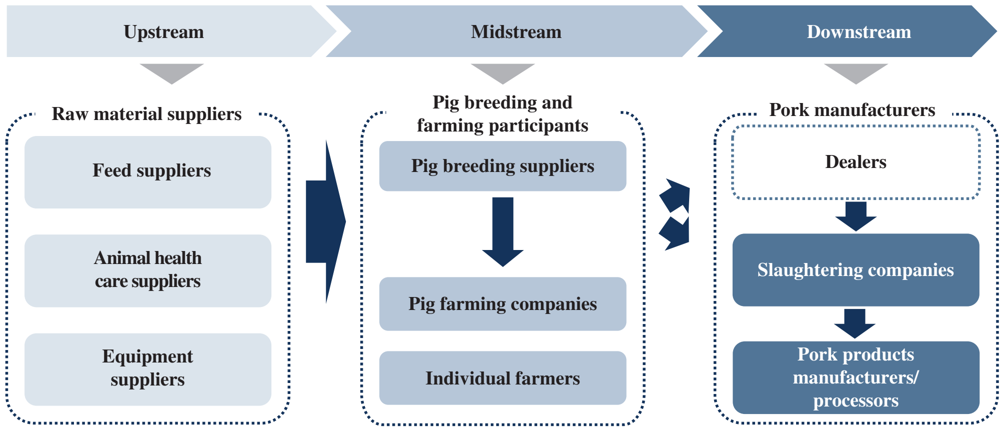
PIG FARMING INDUSTRY IN CHINA

Definition and classification of pigs

Pigs can be primarily divided into two main categories by purpose: breeding pigs and market hogs. Breeding pigs refer to boars and sows exclusively used for breeding production. Market hogs (including market piglets) are pigs primarily held for trading and production of pork products, representing market piglets being small market hogs weighing between six to 25 kilograms.

The pig farming value chain

The upstream and midstream of the pig farming industry include raw material suppliers, which consist of feed suppliers, equipment suppliers, animal health care suppliers, as well as breeding suppliers, farming companies and individual farmers. The downstream consists of dealers, slaughtering companies, and pork products manufacturers and processors.



Source: Frost & Sullivan

Major Pig Farming Models

China's pig farming models mainly include individual farming (農戶散養), "Company Farming (公司自營)" and "Company + Farmers (公司+家庭農場)" farming. "Company Farming" is where a company builds a farming base and employs labour force to carry out scaled farming, including breeding, fattening and other related processes. The scaled farming model of "Company + Farmers" can be further divided into "Company + Piglet Fattening Farm" (i.e. the No. 1 Family Farm model) and "Company + Sow Raising and Fattening Farm" (i.e. the No. 2 Family Farm model) according to the type of pigs that the company provides to farmers. The No. 2 Family Farm model is an unique model adopted by the Group in the domestic pig farming industry. Under this model, the Group is able to expand its sow production scale using an asset-light approach as well as safeguard its biological assets of sows through decentralized farming. In 2022, the output volume of scaled farms with an annual output of over 500 heads only accounted for 60.8% of the total output volume in China. The percentage of output volume of scaled farms is expected to further increase to 67.0% in 2027. With increasing market share of scaled farming, the Group can expect potentially milder pig cycles ahead. The Group adopts a combination of "Company Farming," "Company + Piglet Fattening Farm" and "Company + Sow Raising and Fattening Farm" models. The table below illustrate the details of each type of "Company + Farmers" models:

	Company + Piglet Fattening Farm (The No. 1 Family Farm Model)	Company + Sow Raising and Fattening Farm (The No. 2 Family Farm Model)
Definition	• Company provides farmers with weaned piglets that cannot be raised as breeding pigs, feed, vaccines and drugs. The farmers fatten the piglets and return the grown pigs to the company for an agreed fee.	• Company provides farmers with sows, feed, vaccines and drugs if the farmer meets the standard set by the company. Farmers are responsible for raising the sows receive from the company, as well as producing weaned piglets that are fattened either in the No. 2 Family Farm or nearby No. 1 Family Farms.
Advantage	• Easy to scale up • Scientific management system and unified epidemic prevention standards • Relatively low capital requirements	• Less capital intensive and more scalable • Stronger profitability • More conducive to the prevention and control of animal diseases and the protection of biological assets of crossbred sows • Higher entry barriers with a more comprehensive training programme for farm owners, which enables farm owners to master more professional farming technologies • Generates higher and more stable income for farm owners and therefore provides stronger incentives for qualified farmers
Disadvantage	• Higher production cost including land, labour, water and electricity costs compared to "Company + Sow Raising and Fattening Farm" model	• Requires a more scientific and accurate cooperative model with farmers and management system

Source: Frost & Sullivan

PIG CYCLE

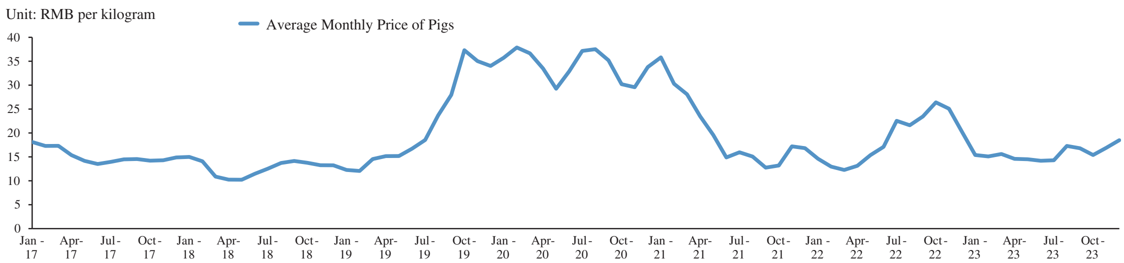
The "Pig Cycle" refers to the cyclical change in pork price that is impacted by the mismatch of demand and supply of pigs. A full pig cycle usually lasts approximately four to five years in China historically. The pig cycle follows the rule: pork price increases – number of sows increases – market hogs' supply increases – pork price decreases – number of sows decreases – market hogs' supply decreases – pork price increases. Obviously, when the pork price increases, more farmers are willing to raise more pigs which, accordingly, increases the supply of market hogs. The increase of market hogs' supply will cause the pork price to go down.

The price of pork is determined by the price of pigs. Accordingly, in 2019, the monthly average pig price rose rapidly in the face of a sharp decline in pig supply due to African Swine Fever, as well as relatively stable downstream demand. In 2019, the average pig price reached RMB21.9 per kilogram. Entering 2020, the average pig price fluctuated at a higher level, with an average price of RMB34.1 per kilogram, much higher than that of the past three pig cycles since 2006. From January 2021 to December 2021, the monthly average pig price declined from RMB35.8 per kilogram to RMB16.8 per kilogram. The average price of pigs generally decreased in 2021 as compared with that in 2020 due to relatively high average price in 2020 driven by the shortage of pigs in 2020 as a result of the outbreak of African Swine Fever. Starting in 2022, the monthly average pig price recovered and peaked at RMB26.4 per kilogram in October 2022 before settling down at RMB20.2 per kilogram in December 2022. With the effective prevention and control of African Swine Fever, the output volume of pigs recovered in 2021 and 2022, resulting in lower average market prices of pigs of RMB20.3 per kilogram in 2021 and RMB18.7 per kilogram in 2022. The average pig price for the first five months of 2023 was RMB15.0 per kilogram. From January 2023 to May 2023, the monthly average pig price declined from RMB15.4 per kilogram to RMB14.5 per kilogram. This was primarily attributable to the interplay of supply and demand factors, influenced by the cyclical nature of the pig industry and weaker demand post-Lunar New Year. Subsequently, as the pig supply gradually stabilises and market confidence is strengthened by the growing central frozen pork reserves, there is an anticipation of a rebound in pig prices during the second half of 2023.

Despite the challenges that the Chinese economy is facing, China's gross domestic product for the first half of 2023 maintained a year-on-year growth rate of 5.5%. In addition, the consumer price index recorded a modest year-on-year increase of 0.7% during the same period, reflecting the resilience of China's economic growth. Moreover, demand for pork, which is the preferred meat choice among Chinese consumers, shows remarkable resilience in the face of broader economic factors. Pork has enormous significance in Chinese cuisine and culture, which serves as a stabilising force that mitigates fluctuations in demand due to economic pressures. As national income levels continue to rise in the future, Chinese consumers' demand for safe animal protein will continue to increase, thus boosting domestic meat consumption generally. In particular, the pork apparent consumption reached 57.2 million tonnes in 2022 and is expected to further increase to 58.4 million tonnes in 2027, with a CAGR of 0.4% from 2022. Given that the demand of pigs in the PRC is expected to remain resilient in the future and the supply of pigs is expected to stabilise at a normal level as the impact from African Swine Fever decreases, the average market price of pigs is expected to be more steady compared to that of previous years, with a modest overall increase from 2023 to 2027.

Fluctuation in the average market price of pigs is correlated with the pig cycle. In the future, with the further development of scaled pig farming and breeding and the increasing concentration of the industry, the operation of pig farms will become more mature, the level of disease prevention and farm management will be improved, and pig farming companies are expected to become less reactive to temporary supply and demand fluctuations. Therefore, the supply and demand of pigs will be better matched, and the pig cycle is expected to gradually smooth out and the output and stock volume of pigs will be more stable, resulting in more moderate fluctuations in pig prices.

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

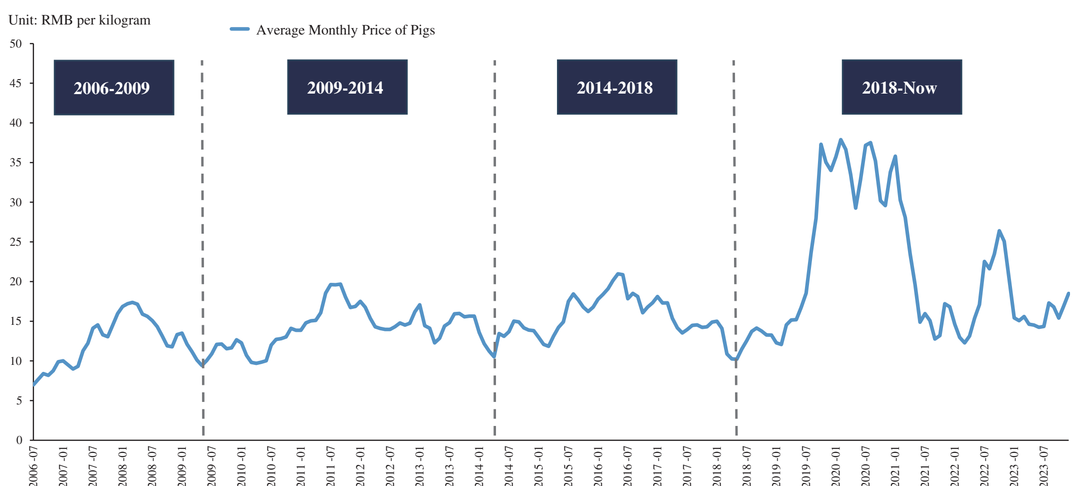


* The average monthly market prices of pigs from November to December 2023 are estimated.

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

China has undergone a total of four pig cycles to date: the first cycle lasted from 2006 to 2009, the second cycle spanned from 2009 to 2014, the third cycle covered the years from 2014 to 2018, and we are currently in the midst of the fourth cycle, which began in 2018 and continues to the present.

Historical Pig Cycles (China), Jul 2006-Dec 2023*

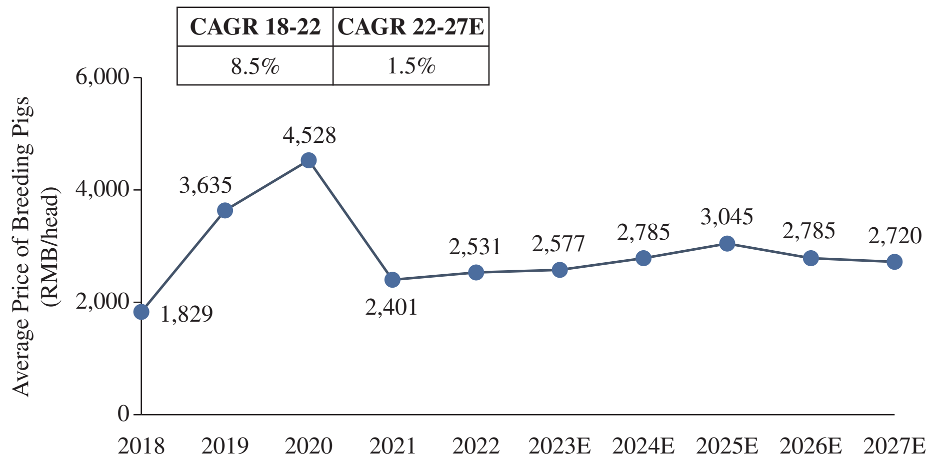


* The average monthly market prices of pigs from November to December 2023 are estimated.

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

The price of breeding pigs mainly depends on the pigs' breed, weight, and supply and demand, and can be affected by the pig cycle as well. The average price of breeding pigs increased significantly from RMB1,829 per head in 2018 to RMB4,528 per head in 2020 and dropped significantly again to RMB2,401 per head in 2021. The average price then remained relatively stable with slight increase, and reached RMB2,531 per head in 2022. It is estimated that the average price of breeding pigs has reached the periodic peak in 2020 and will become more stable in the future with the development of the pig breeding industry. The average price of breeding pigs is expected to reach RMB2,720 per head in 2027, with a CAGR of approximately 1.5% from 2022 to 2027.

Average Price of Breeding Pigs (China), 2017-2027E



Source: Frost & Sullivan

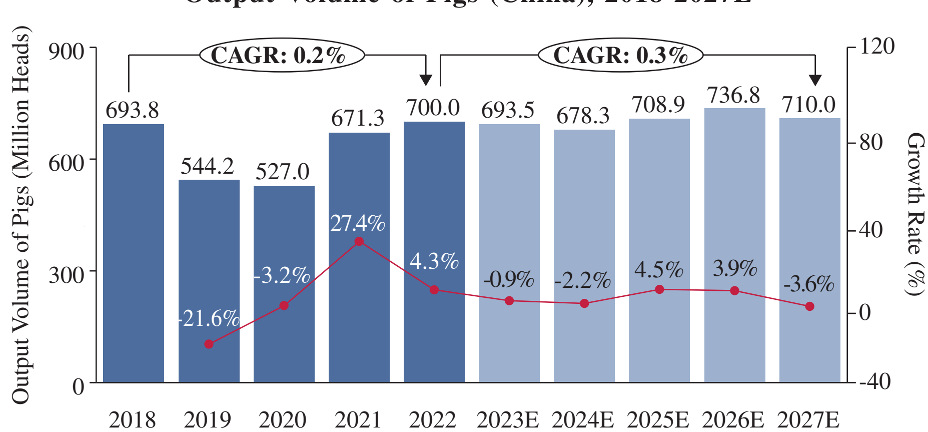
In the future, as scaled pig farming and breeding is further developed, the pig cycle is expected to become smoother and pig price fluctuation is expected to become more moderate. The average price of both pigs and breeding pigs is expected to be more stable.

CHINA'S PIG MARKET

Output and Stock Volume of Pigs

The output volume of pigs, which include breeding pigs and market hogs, remained relatively stable from 2017 to 2018 and decreased from 693.8 million heads in 2018 to 527.0 million heads in 2020, mainly due to the outbreak of African Swine Fever in the PRC since late 2018. As the consumer demand for pigs remains strong in China, the output volume of pigs strongly recovered in 2021 due to the effective prevention and control of African Swine Fever and more pig farming companies expanding their scale of operation. The output volume of pigs is anticipated to increase to 710.0 million heads in 2027, representing a CAGR of 0.3% from 2022. The pig market in China is highly fragmented, where the output volume of scaled farms with an annual output of over 500 heads only accounted for 60.8% of the total output volume in 2022, as compared with over 97.0% in the United States. Looking into the future, the market consolidation is expected to accelerate as the PRC government has made food safety and quality policies a top priority and has continued to adopt and enforce more stringent industry standards for pig production. This will benefit large-scale enterprises with strong core competitiveness.

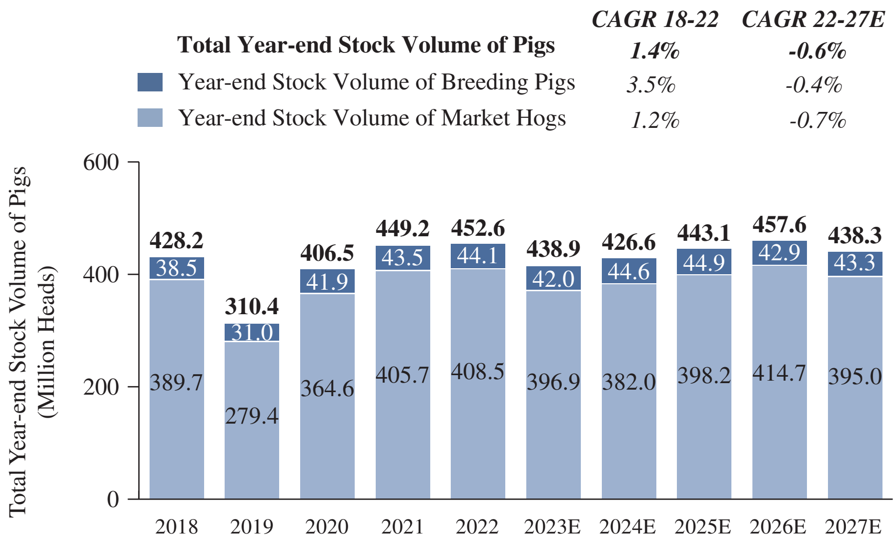
Output Volume of Pigs (China), 2018-2027E



Source: National Bureau of Statistics, Frost & Sullivan

Similar to the output volume of pigs, the stock volume of pigs in China significantly dropped in 2019 due to the outbreak of African Swine Fever. Driven by market demand and the promotion of favourable policies, the industry resumed production actively and the year-end stock volume of pigs rose sharply to 452.6 million heads by the end of 2022. Looking into the future, with the improvement of scientific and scaled breeding and farming, the stock volume of pigs is expected to remain stable, in line with the output volume of pigs. The stock volume of pigs is anticipated to decrease slightly to 438.3 million heads in 2027, representing a CAGR of -0.6% from 2022.

Year-end Stock Volume of Pigs by Category (China), 2018-2027E



Source: National Bureau of Statistics, Ministry of Agriculture and Rural Affairs of the PRC, Frost & Sullivan

Market Drivers of the Pig Market

Improved operational efficiency. Through increasing adoption of modern management procedures and advanced technologies, pig farms in China have been streamlining and optimising business operations. In addition, the transformation in China's pig farming industry, featured by the reduction of individual farming and increasing concentration in scaled farming, has further driven economies of scale and operational efficiency in the entire industry.

Stable downstream demand. Along with the rising disposable income and the improvement of living standards, Chinese consumers' demand for animal-based food continues to grow and China's pork consumption is increasing steadily. Within meat consumption, the proportion of pork products, especially low temperature pork products, will continue to increase rapidly with the improvement of living standards and the strengthening of healthy eating habits in China. Low-fat, low-salt pork products that are easy-to-consume and well-cooked cater to Chinese consumers who are becoming increasingly health-conscious. Their evolving consumer preferences present abundant market opportunities for participants in the processed pork products market and continue to drive its growth. Due to the outbreak of African Swine Fever in China in late 2018, the production volume of processed pork products declined by 13.3% to 8.9 million tonnes in 2019 and further to 8.8 million tonnes in 2020. In 2021 and 2022, the production volume of processed pork products increased to 10.6 million tonnes and 11.5 million tonnes, respectively, as African Swine Fever was well controlled, representing a CAGR of 3.0% from 2018 to 2022. In the future, the production of processed pork products is expected to steadily increase to 14.1 million tonnes in 2027, with a CAGR of 4.2% from 2022. Generally, the production volume of processed pork products is growing at a faster rate than that of fresh pork. In the future, the proportion of production volume of processed pork products to total pork production is expected to increase from 20.8% in 2022 to 24.8% in 2027. In particular, there is an overall upward trend in the production of low temperature pork products. Production volume of low temperature pork products increased from 3.6 million tonnes in 2018 to 4.4 million tonnes in 2022, representing a CAGR of 5.2%. Although the production volume declined to 3.3 million tonnes in 2019 and 2020 due to the temporary sharp decline in pork production, it then rebounded to 4.0 million tonnes in 2021 and further to 4.4 million tonnes in 2022. In the future, the production of low temperature pork products is expected to increase to 5.7 million tonnes in 2027, with a CAGR of 5.5% from 2022. Overall, the production volume of low temperature pork products is growing at a faster rate than that of high temperature pork products. In the future, the proportion of production volume of low temperature pork products to total processed pork products is expected to increase from 38.1% in 2022 to 40.5% in 2027. Despite the rise in vegan or vegetarian population in China, pork has a long-standing cultural significance in Chinese cuisine and tradition and continues to be a staple meat in many traditional Chinese dishes. Cultural factors will thus continue to play a significant role in dietary choices of Chinese consumers. Taking into account the cultural attachment to pork, Chinese consumers' increasing awareness of healthy eating habits will lead to increased demands for protein, and safe pork products. The Group is capitalising on this trend by expanding into downstream sectors, including pig slaughtering and pork processing, to meet the evolving demands of health-conscious consumers and gain a higher degree of control over food safety and quality across the entire value chain.

Supportive government policies. The PRC government has been a key advocate in promoting the development of the pig farming industry. Since the outbreak of African Swine Fever in late 2018, the PRC government has introduced a series of policies to stabilise pig production and promote scaled and modern farming of pigs. For example, the State Council of the People's Republic of China promulgated the "Opinions on Stabilising Pig Production and Promoting Transformation and Upgrading" (《關於穩定生豬生產促進轉型升級的意見》), which sets forth specific targets for the development of the pig farming industry. One of the key objectives is to achieve an increase in scaled farming, such that the annual output volume of pig farms having an annual output volume of more than 500 heads will constitute more than 65% of the total annual pig output volume in China by 2025. Additionally, the same policy aims to increase the domestic self-sufficiency rate of pork supply to approximately 95%. The domestic self-sufficiency rate of pork supply refers to the proportion of pork supply produced domestically, which is calculated as the annual domestic pork production volume divided by the annual apparent consumption volume of pork in China. These favourable government policies have laid a solid foundation for the long-term growth of China's pig farming industry, effectively strengthening the prevention and control of African Swine Fever. The same policy also calls for (1) the provision of subsidies and financial support to pig farmers to encourage investment, (2) modernisation and expansion of pig farming operations, (3) promotion of scientific and technological progress in pig production, (4) implementation of measures such as price controls, subsidies for pig feed, and strategic pork reserves to stabilise pork prices and ensure stable market supply, and (5) enhancement of disease surveillance systems to prevent and control animal diseases that can significantly impact the pig farming industry. In order to implement the Central Government's guidance, local governments across the country have implemented their own preferential policies. For example, the "Implementation Plan for the Subsidy for Newly Bred Breeding Pigs in Dachuan District of Dazhou City in 2022" (《達州市達川區2022年新增能繁母豬補貼實施方案》) implemented in Dazhou, Sichuan Province, states that a subsidy of RMB300 per pig will be given to pig farms that have 7,500 or more heads of breeding pigs. The "Opinions on Ensuring Stable Pig Production and Supporting Market Supply" (《省人民政府辦公廳關於穩定生豬生產保障市場供應的意見》) issued by the Guizhou Provincial People's Government Office in 2019 emphasized the importance of guiding industry leaders in expanding their production capacities in the pig farming sector, and subsidies were provided to support such efforts. In relation to tax incentives, the 2021 No.1 document of the Central Government (2021年中央一號文件), "Opinions on Comprehensively Promoting Rural Revitalisation and Accelerating the Modernisation of Agriculture and Rural Areas" (《關於全面推進鄉村振興加快農業農村現代化的意見》) unified the preferential policies on value-added tax, income tax and related local taxes, appropriately relaxed the scope and conditions of tax incentives for the agriculture industry, rural areas and framers, and clarified an unified catalogue of incentives. Specifically, Article 86 of the "Regulations of the People's Republic of China on the Implementation of the Enterprise Income Tax Law" (《中華人民共和國企業所得稅法實施條例》) provides that livestock and poultry farming companies are entitled to enterprise income tax exemption. In addition, the "Announcement on VAT Issues Related to the Sale of Livestock and Poultry by Taxpayers Adopting the Business Model of 'Company + Farmer'" (《關於納稅人採取「公司+農戶」經營模式銷售畜禽有關增值稅問題的公告》) also indicates that taxpayers adopting the business model of "company + farmer" are exempted from VAT when re-selling livestock and poultry raised and returned to the taxpayers by the farmers. Such favourable government policies have provided a sound foundation for the development of China's pig farming industry in the long-term, reducing the risks for biological asset safety and effectively restoring the supply and demand of the pig market. Furthermore, in the Key Points of Rural Industry Work (《鄉村產業工作要點》) published by the MARA in 2020, the MARA encourages cooperation among leading enterprises, family farms, and individual farm owners, thereby establishing in-depth and mutually beneficial cooperation between leading enterprises and farm owners.

Market Trends of the Pig Market

Rising market concentration. The market concentration of the pig farming industry in China has increased rapidly in the past few years but the concentration level is still relatively low. In terms of sales volume of pigs, the CR10 of Chinese pig farming companies has grown rapidly from 8.0% in 2018 to 18.0% in 2022, while that in the United States has reached about 50.6% in 2022, signifying that there is still ample room for growth in the concentration of Chinese scaled pig farming companies. In the coming years, with rising labour costs and the residual impacts of African Swine Fever, the gap between the production scale of individual farmers and scaled pig farming companies as well as the output efficiency will continue to gradually widen. Scaled pig farming companies with advanced technology are expected to be able to rapidly and continuously expand their market share with relatively low cost.

Stricter requirement to comply with environmental regulations. In recent years, the PRC Government has stepped up the enforcement of environmental laws and regulations such as the Environmental Protection Law, the Administrative Measures on the Prevention and Cure of Pollution Caused by Livestock and Poultry Farming, the Regulations on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry and the Action Plan to Control Water Pollution which have led to either reconstruction or closing down of a large number of small-scale market hog farming companies in the country. In 2019, the State Council issued Opinions on Stabilising Hog Production and Promoting Transformation and Upgrading, which regulated a series of hog production requirements.

More scientific operations and management. Scaled business operation makes it possible for scaled pig farming companies in China to adopt more scientific operation and improve efficiency and profitability. In the meantime, these pig farming companies are investing more resources in R&D of cutting-edge technologies and methods, which will allow them to significantly optimise their business operations. The intelligent management of pig farms is expected to provide more comprehensive data and technical support for industry participants, such as the government and pig farming companies, thereby improving operational efficiency in various aspects.

Consumer demand for safe and high-quality products. Food safety and quality has become one of the most important factors in Chinese consumers' choice of food. Pig farms are using new technology and applying more reasonable management methods in their daily operation. For example, using traceable ear tags enables consumers to track the growth stages of pigs and better ensure the safety of the meat they purchase. The improved application of technology for food safety will drive the industry to pursue safer products and attain higher profit margins.

Entry Barriers to the Pig Market

Technical barriers. With the development of pig farming industry from a traditional scattered mode to a modern scaled mode, the economic benefit of scaled farming depends on the efficiency of various technical capabilities such as breeding and farming management, animal nutrition, biological health, production management and pig pen construction. A technologically advanced scaled pig farming company can efficiently minimise costs and resist market risks although it requires expertise and strict technical standards.

Sales channel. A stable sales channel is important for the development of an enterprise. The coverage and penetration of sales channel determine the development and competitiveness of scaled pig farming companies.

Initial capital investment. It is crucial for new entrants to have sufficient capital for the construction of production sites, the purchase of production equipment and the establishment of epidemic prevention systems. For players who want to achieve sizable scale in the pig market, sufficient startup capital is necessary, which sets a barrier for new entrants.

Talent barriers. Scaled farming utilises professional technologies in various processes, such as breeding, feeding, epidemic prevention, etc.. Therefore, scaled farming especially requires a large number of experienced technical personnel and management personnel who specialise in breeding and disease prevention. A scaled pig farming company can only function well through systematic coordination and collaboration of various talents. It takes time to train technical personnel and accumulate the relevant experience, which imposes barriers for new entrants.

Farming environment. Epidemic prevention is a key part of pig farming, and scaled pig farming companies have higher requirements on the farming environment. Pig farms are generally required to be located in area with high terrain, good isolation conditions, low population density and minimal pollution sources. For scaled pig farming companies, pig farming sites must be located in large spaces that are sufficient to accommodate the scale of farming.

Competitive Landscape of the Pig Market

China's pig market is highly fragmented. The top ten players accounted for an aggregate market share of 19.9% and 18.0%, respectively, in terms of sales value and sales volume of pigs in 2022, respectively. The Group ranked sixth in terms of both sales value and sales volume of pigs.

Top Ten Pig Providers in Terms of Sales Value and Sales Volume (China), 2022

Ranking	Pig providers	Sales value of pigs (RMB billion)	Market share (%)
1	Muyuan Foods Co., Ltd.	119.7	9.1%
2	Company B	42.6	3.2%
3	Company C	22.4	1.7%
4	Company D	21.0	1.6%
5	Company E	12.5	1.0%
6	**The Group**	**11.7**	**0.9%**
7	Company F	11.1	0.8%
8	Jiangxi Zhengbang Technology Co., Ltd.	8.6	0.7%
9	Tech-Bank Food Co., Ltd.	6.9	0.5%
10	Company I	5.5	0.4%
	Top ten	**262.0**	**19.9%**
	Total	**1,311.1**	**100.0%**

Notes:

1. Company B is an A-share listed company headquartered in Guangdong. It focuses on livestock raising and food processing.
2. Company C is an A-share listed company headquartered in Sichuan. It mainly provides breeding pigs, market hogs, poultry, and feeds.
3. Company D is a private company headquartered in Jiangxi. It mainly focusing on feeds, live pig breeding and raising.
4. Company E is a private company headquartered in Guangxi. It mainly raising and providing breeding pigs and market hogs.
5. Company F is a subsidiary of a Hong Kong-listed company headquartered in Thailand. It mainly provides breeding pigs, market hogs and feeds.
6. Company I is an A-share listed company headquartered in Beijing. It mainly provides breeding pigs, market hogs and feeds.

Source: Frost & Sullivan

Ranking	Pig providers	Sales volume of pigs (million heads)	Market share (%)	CAGR 20-22 (%)
1	Muyuan Foods Co., Ltd.	53.8	7.7%	72.4%
2	Company B	17.9	2.6%	37.0%
3	Company C	12.2	1.7%	32.8%
4	Company D	9.3	1.3%	33.9%
5	Jiangxi Zhengbang Technology Co., Ltd.	8.4	1.2%	-6.0%
6	**The Group**	**5.4**	**0.8%**	**99.1%**
7	Company J	5.2	0.7%	96.3%
8	Company F	5.1	0.7%	31.0%
9	Company E	4.8	0.7%	49.9%
10	Tech-Bank Food Co., Ltd.	4.4	0.6%	19.9%
	Top ten	**126.5**	**18.0%**	
	Total	**700.0**	**100.0%**	

Note:

1. Company J is an A-share listed company headquartered in Fujian. It mainly provides breeding pigs, market hogs, pork, and feeds.

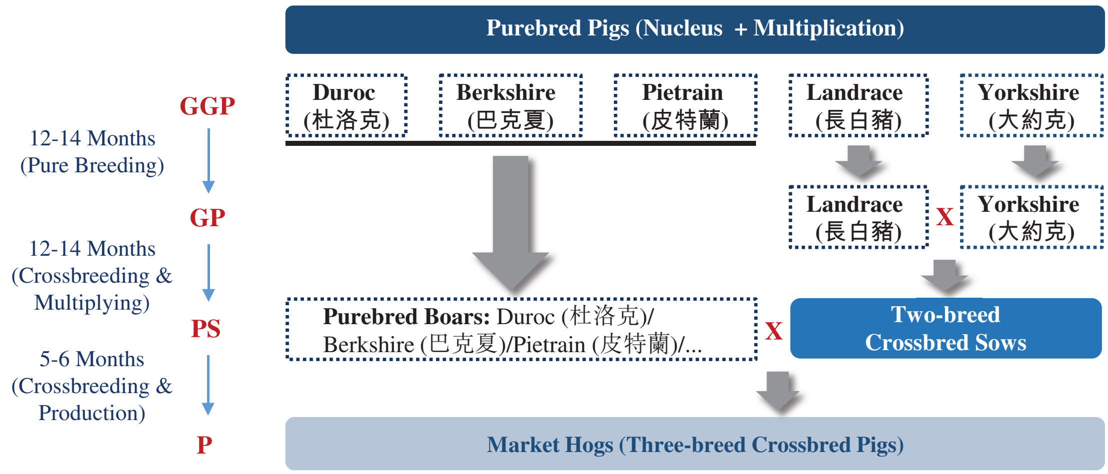
Source: Frost & Sullivan

CHINA'S BREEDING PIG MARKET

Overview of the Breeding Pig Market

A pig breeding system includes three generations, namely the Great Grandparent (GGP), the Grand Parent (GP) and the Parent Stock (PS). Breeding pigs mainly include purebred pigs and two-breed crossbred pigs. Purebreds are pigs bred from parents of the same breed. The GGP can further be categorised into nucleus breeding herds and first-level multiplying herds according to their function in the breeding system. The nucleus breeding herds are used for farming and testing in the pig industry to determine the quality of breeding pigs in the breeding system. A first-level multiplying herd consists of breeding pigs selected from a nucleus breeding herd that are responsible for supplying purebred stocks to downstream participants, which increases the scale to support the production of crossbred pigs and market hogs. Two-breed crossbred pigs are breeding pigs produced by crossbred pigs with two different breeds or varieties.

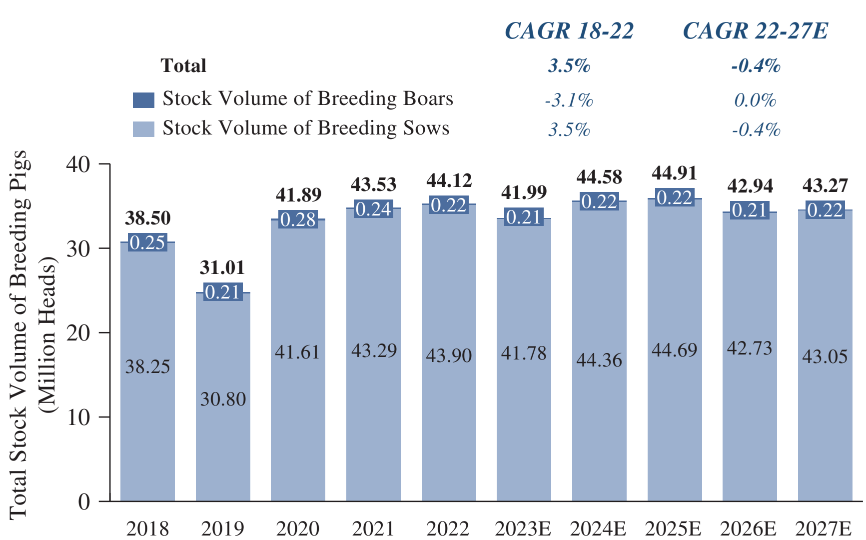
Breeding pig providers focus on finding high-quality genes through introducing high quality GGP and growing GP and PS pigs. Compared with local breeding pigs, imported purebreds have better performance in terms of breeding ability, feed conversion rate and rate of growth. Species of breeding pigs imported into China mainly include Yorkshire (約克), Duroc (杜洛克), Landrace (長白), and Berkshire (巴克夏). It is most popular and commercially valuable to utilise two-breed crossbred pigs in China's breeding pig market. The diagram below illustrates the hybrid breeding model.



Source: Frost & Sullivan

Breeding pigs include sows and boars. The pig breeding market in China is cyclical, and the demand for breeding pigs fluctuates along with the demand for downstream products. From 2018 to 2019, the total stock volume of breeding pigs in China experienced a sharp decline caused by African Swine Fever outbreaks in China from August 2018 to July 2019. The total stock volume of breeding pig rebounded back to 44.1 million heads in 2022, representing a CAGR of 3.5% from 2018 to 2022. In 2020, due to the strong demand for pigs from downstream industries and a lack of purebred and two-breed crossbred breeding pig supply, some producers used three-breed crossbred sows with low breeding efficiency for breeding, resulting in lower PSY and higher feed conversion rate. In 2021, the lack of breeding pigs has been notably relieved. In the future, it is estimated that the total stock volume of breeding pigs will experience mild fluctuation and reach 43.3 million heads in 2027, representing a CAGR of -0.4% from 2022 to 2027.

Total Stock Volume of Breeding Pigs (China), 2018-2027E



Source: Ministry of Agriculture and Rural Affairs of the PRC, Frost & Sullivan

Competitive Landscape of the Breeding Pig Market

As an industry norm, some scaled pig breeding companies adopt the "Company Farming" model (as discussed below), where some breeding pigs are only used internally and are not sold externally. For leading breeding pig providers, the majority of breeding pigs are used internally so as to maintain the farming of market hogs. As a result, China's breeding pig market is fragmented in terms of external sales.

In 2022, we were one of the top ten breeding pig providers in China in terms of sales volume. We are a leading pig supplier in terms of the stock of Great Grandparent nucleus breeding herds and genetic material in the PRC. The table below shows the details of our major competitors and our ranking in China.

Top Ten Breeding Pig Providers in terms of Sales Volume (China), 2022

Ranking	Breeding pig providers	Sales volume of breeding pigs (thousand)	Market share (%)
1	Muyuan Foods Co., Ltd.	346.0	5.6%
2	Company K	104.0	1.7%
3	Company F	100.0	1.6%
4	Company E	97.3	1.6%
5	Company L	80.0	1.3%
6	Company J	64.0	1.0%
7	Company M	60.0	1.0%
8	Company N	54.7	0.9%
9	Company I	52.0	0.8%
10	**The Group**	**32.6**	**0.5%**
	Top ten	**990.6**	**16.0%**
	Total	**6,176.7**	**100.0%**

Notes:

1. Company K is a Hong Kong listed company headquartered in Beijing. It mainly provides breeding pigs, market hogs, pork, and feeds.
2. Company F is a private company headquartered in Beijing. It mainly provides breeding pigs, market hogs, poultry, and feeds.
3. Company E is a private company headquartered in Guangxi. It mainly raising and providing breeding pigs and market hogs.
4. Company L is an A-share listed company headquartered in Sichuan. It mainly provides breeding pigs, market hogs, and feeds.
5. Company J is an A-share listed company headquartered in Fujian. It mainly provides breeding pigs, market hogs, pork, and feeds.
6. Company M is a private company headquartered in Sichuan. It mainly raising and providing breeding pigs and market hogs.
7. Company N is a private company headquartered in Sichuan. It mainly provides breeding pigs, market hogs, poultry, and feeds.
8. Company I is an A-share listed company headquartered in Beijing. It mainly providing feeds, breeding pigs and market hogs.

Source: Frost & Sullivan

CHINA'S PIG SLAUGHTERING AND PORK PROCESSING MARKET

Overview

China's pig slaughtering market is highly fragmented. The top three players accounted for an aggregate market share of approximately 5.0% in terms of slaughter volume of pigs in 2021. Highly correlated to the output volume of pigs, the slaughter volume of pigs (生豬屠宰量) in

China was also negatively impacted by African Swine Fever since 2019. Driven by market demand and the promotion of favourable policies, the industry resumed production actively, and the slaughter volume of pigs rose sharply from 460.0 million heads in 2020 to 600.0 million heads in 2021.

The scale rate of the pig slaughtering market, which refers to the percentage of slaughter volume of designated pig slaughtering companies (規模以上生豬定點屠宰企業) with an annual slaughter volume of above 20,000 heads to the total pig slaughter volume, has also grown continuously and increased from 31.6% in 2017 to 44.1% in 2021. Looking into the future, with the improvement of production technology and scale efficiency, the scale rate of the pig slaughtering market is anticipated to further increase to approximately 56.0% in 2026.

In 2022, six out of the top ten pig providers in terms of pig sales volume had businesses in upstream, midstream and downstream of the value chain, including feed processing, pig breeding, pig farming, pig slaughtering and pork processing.

This business model of value chain integration allows a company to control all production processes and gain competitive advantages in food safety, epidemic prevention and control, environmental protection, quality control, scaled operation, cost control, as well as achieve higher margins via business expansion into pork deep processing.

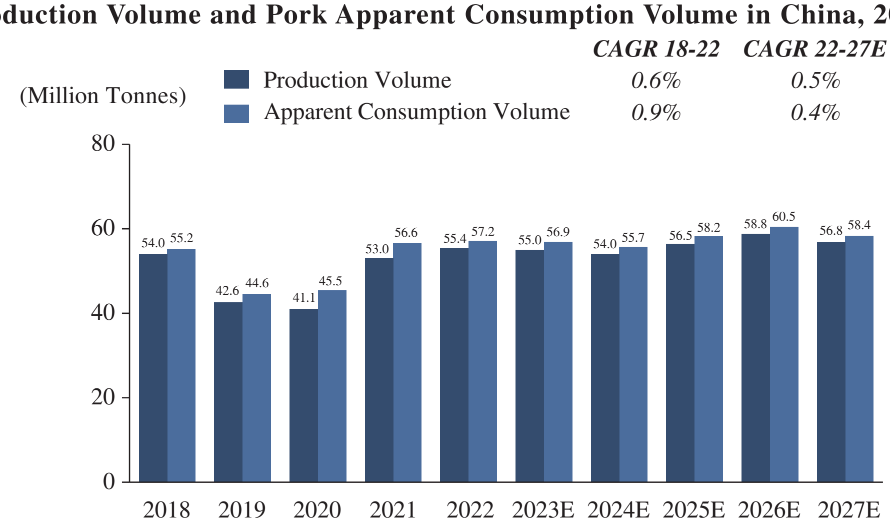
Market Size of Pork Products

China's pork processing market is highly fragmented. Pork generally consists of (i) fresh pork, which has three main categories according to the storage temperature after slaughtering, namely warm fresh pork, chilled fresh pork and frozen pork, and (ii) pork products, which are processed pork with additives and have different texture from fresh pork.

Pork has traditionally been the primary meat for Chinese consumers. In 2022, China was the world's largest pork production and consumption country, accounting for 48.4% and 51.0% of world's pork production and consumption, respectively. The production volume of pork in China was relatively stable in 2017 and 2018, which was around 54.0 million tonnes per year. In late 2018, African Swine Fever broke out in China and pork production declined sharply by 21.3% to 42.6 million tonnes in 2019, and hit a record low of 41.1 million tonnes in 2020. In 2021, as African Swine Fever came to an end, the production volume of pork recovered to 53.0 million tonnes, and increased slightly to 55.4 million tonnes in 2022, with a CAGR of 0.6% from 2018 to 2022. In the future, due to robust slaughtering and consumption, pork production volume is expected to increase to 56.8 million tonnes in 2027, with a CAGR of 0.5% from 2022.

The apparent consumption volume of pork is equal to the domestic pork production volume plus the imported pork volume, minus the exported pork volume. In China, pork is rarely exported to other countries, so the exported volume is very limited; therefore, the gap between production volume and apparent consumption volume of pork is more or less equal to the imported volume. From the demand side, the trend of apparent consumption volume of pork is very similar to that of the production volume. The apparent consumption volume of pork increased slightly from 55.2 million tonnes in 2018 to 57.2 million tonnes in 2022, with a CAGR of 0.9%, and is expected to increase to 58.4 million tonnes in 2027, with a CAGR of 0.4% from 2022.

Pork Production Volume and Pork Apparent Consumption Volume in China, 2018-2027E



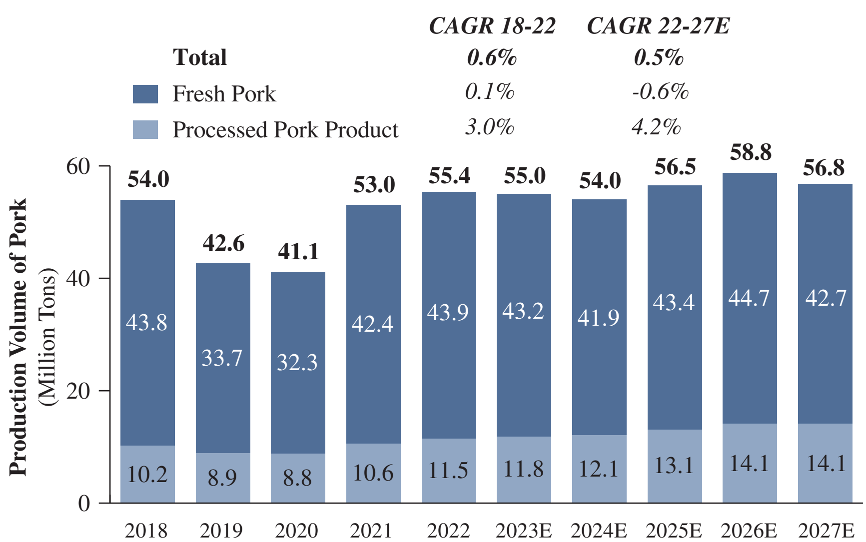
Source: National Bureau of Statistics, USDA, Frost & Sullivan

Pork can be processed into fresh pork and processed pork products. Over the past few years, the production volume of processed pork products has increased steadily from 9.9 million tonnes in 2017 to 10.2 million tonnes in 2018. Due to the outbreak of African Swine Fever in the PRC since late 2018, the production volume of processed pork products declined accordingly by 13.3% to 8.9 million tonnes in 2019 and remained stable at 8.8 million tonnes in 2020. In 2021, the production volume of processed pork products increased to 10.6 million tonnes after recovery from African Swine Fever, and further increased to 11.5 million tonnes in 2022, representing a CAGR of 3.0% from 2018. In the future, the production volume of processed pork products is anticipated to steadily increase to 14.1 million tonnes in 2027, with a CAGR of 4.2% from 2022.

Fresh pork has been dominating China's pork consumption market. Fresh pork production was stable in 2017 and 2018, with production volume of approximately 44.0 million tonnes per year. In 2019, the fresh pork production volume declined sharply by 23.1% to 33.7 million tonnes due to African Swine Fever and hit a record low of 32.3 million tonnes in 2020. In 2021, as African Swine Fever was well controlled, fresh pork production volume recovered to 42.4 million tonnes, and further increased to 43.9 million tonnes in 2022, representing a CAGR of 0.1% from 2018. In the future, fresh pork production volume is expected to increase to 42.7 million tonnes in 2027, with a CAGR of -0.6% from 2022.

In general, the production volume of processed pork products is growing at a faster rate than that of fresh pork. In the future, processed pork products are expected to account for an increasing share of the total pork production, from 20.8% in 2022 to 24.8% in 2027.

Production Volume of Pork by Category (China), 2018-2027E



Source: National Bureau of Statistics, Frost & Sullivan

Market Drivers of China's Pork Products Market

Continuous consumption upgrade and demand for product diversity. Chinese consumers' demand for better-quality and higher-grade foods, such as branded pork products, will become a major driving force in the development of pork products. Due to traditional dietary habit and limited variety of processed pork products, pork consumption in China has been mainly concentrated in fresh pork. In recent years, leading pork products suppliers are committed to developing various pork products with different flavours in order to meet the diverse consumption preferences of different consumer groups, which is expected to drive the consumption of pork products in the near future.

Increasing concentration in the pig slaughtering industry. The State Council executive meeting passed the "Regulations on the Administration of Pig Slaughter (Revised Draft)《生豬屠宰管理條例(修訂草案)》in May 2021. More stringent pig slaughtering regulations restricting the supply of fresh pork will prompt the slaughter industry to upgrade its production capacity, increase industry concentration, reduce disorderly competition and increase food safety.

Transformation brought by the generation Z. The post-80s and post-90s generations, especially generation Z which refers to the generation born in 1995-2009, have gradually become the leading consumer group in China. The young generations desire healthier foods and convenience for direct consumption. Low-fat, low-salt pork products that are easy-to-consume and well-cooked cater to their preferences, which will inject new vitality into the consumption of pork products.

Trends of China's Pork Products Market

Increasing industrial integration rate. In 2022, six out of the top ten pig providers had businesses in the upstream, midstream and downstream of the value chain including feed production, pig breeding, pig farming, pig slaughtering and pork processing. Leading companies in the industry unified production standards and implement production management throughout the value chain to ensure unified quality of products. The increasing industrial integration rate can also help companies accumulate competitive advantages in food safety, epidemic prevention and control, environmental protection, quality control, scaled operation, cost control, etc.

Continuously growing processed pork products market. Chinese consumers, especially the young generation, have become more health-conscious and place greater importance on balanced diet and diversified nutrients. The demand for processed pork products that are high quality, safe, and nutritional will be increasingly heightened. In the future, the proportion of fresh pork will tend to decrease and the proportion of processed pork products will tend to increase.

OVERVIEW AND MARKET SIZE OF BROILER INDUSTRY IN CHINA

The broiler industry has three segments including yellow-feathered broilers, white-feathered broilers, and 817 broilers (a smaller type of white-feathered broiler). Historically, white-feathered broilers and yellow-feathered broilers have dominated China's broiler meat production.

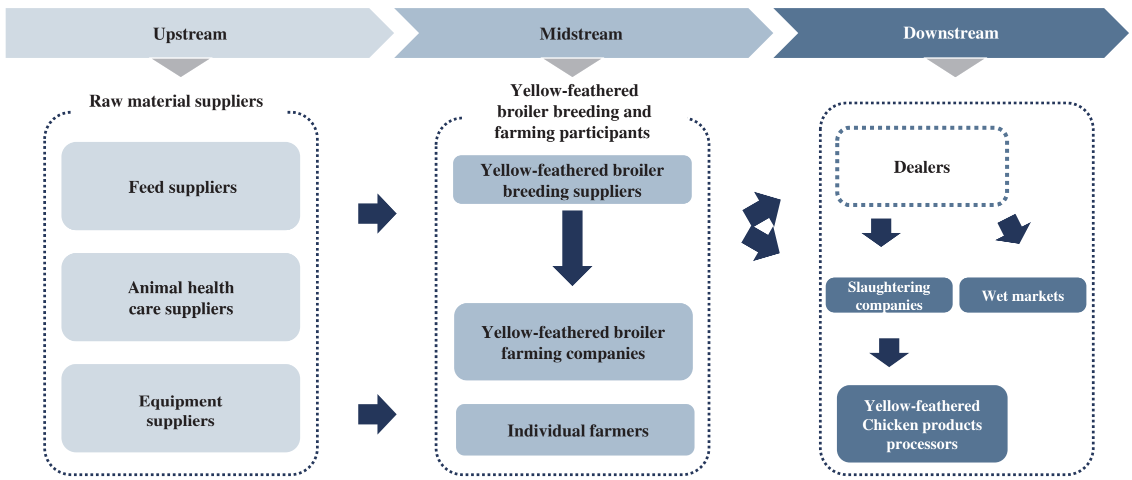
The total output volume of broilers in the PRC remained relatively stable from 2017 to 2018 and rose rapidly to 11.4 trillion birds in 2019 due to the decrease in pork supply, and then further increased to 12.5 trillion birds in 2021, representing a CAGR of 5.2% from 2017 to 2021.

The market size of broilers in terms of revenue has grown rapidly from RMB190.0 billion in 2017 to RMB301.6 billion in 2019, supported by increase in both sales volume and average market price. However, the market size in terms of revenue fell to RMB253.3 billion in 2020, mainly due to lower market prices for broilers as a result of overcapacity, lower revenue from catering services, and COVID-19 restrictions in 2020. Attributable to effective COVID-19 prevention and control and economic development, the market size of broilers rebounded to RMB288.3 billion in 2021, representing a CAGR of 11.0% from 2017 to 2021.

YELLOW-FEATHERED BROILER FARMING INDUSTRY IN CHINA

The Yellow-feathered Broiler Farming Value Chain

The yellow-feathered broiler farming industry value chain in China is typically divided into three major sectors, namely upstream, midstream and downstream. The upstream and midstream mainly include feed suppliers, animal health care suppliers, equipment suppliers, as well as breeding suppliers, farming companies and individual farmers. The downstream consists of dealers, slaughtering companies, wet markets and chicken products processors.



Source: Frost & Sullivan

Major Broiler Farming Models

China's broiler farming models mainly include individual farming, the family farm model and the farming base model.

Individual farming is where farmers use their own labour, farming areas, feed, medicines, and vaccines to carry out small-scale farming and are responsible for all aspects of the farming process. The family farm model is the model under which family farms provide the land and facilities and raise the yellow-feathered broilers according to a farming company's standards, while the farming company provides chicks, feed, medicines, and technical support. The farming base model refers to the model under which a farming company builds the facilities and leases the land and facilities to farmers while the farmers raise the yellow-feathered broilers. The farming base model is the same as the family farm model other than the fact that the company owns the farming base. The Group adopts a combination of the family farm model and the farming base model. The table below illustrates the details of each model:

	Individual farming	Family farm model	Farming base model
✗	Low capital requirements	Comprehensive supervision and control are relatively difficult	High capital requirements
✓	• Primitive breeding method and the technological capability needs to be improved • Food safety cannot be effectively guaranteed • Dysfunctional animal disease prevention and control system	• Low fixed assets investment • Broiler farming companies are able to focus on technological breakthroughs, product development and nutritional formula adjustment	• Standardised farms and advanced equipment • High production efficiency • Real-time monitoring of farming process • Effective disease prevention

Source: Frost & Sullivan

CHINA'S YELLOW-FEATHERED CHICKEN BREEDER MARKET

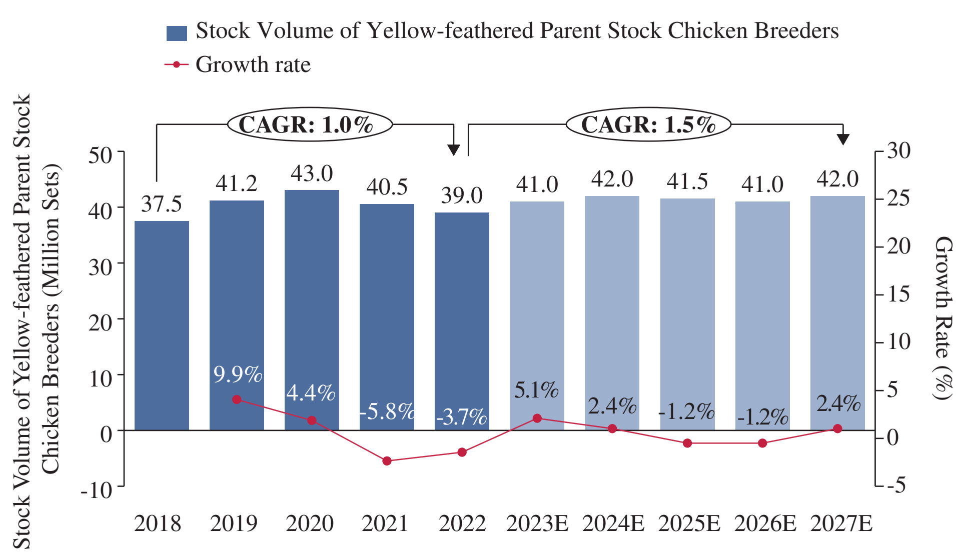
Overview of Yellow-feathered Chicken Breeders

Yellow-feathered chicken breeders are bred to produce yellow-feathered broilers. By the end of 2021, there were 97 yellow-feathered broiler breeds officially identified and registered by the National Livestock and Poultry Genetic Resources Committee. Among them, there are 60 national breeds, 36 local breeds, and 1 breed under breeding. The 60 national breeds are mainly from Guangdong and Guangxi Zhuang Autonomous Region, which accounted for 63.3% of the national breeds. The remaining 36 local breeds are from various provinces in China, demonstrating the long history and rich breeding resources of Chinese yellow-feathered broiler breeding.

Market Size of Yellow-feathered Parent Stock Chicken Breeders

Over the past few years, due to the impact of African Swine Fever on the pig breeding industry, the stock volume of yellow-feathered parent stock chicken breeders in China has achieved stable growth from 37.5 million sets in 2018 to 43.0 million sets in 2020 as consumers considered chicken as an alternative to pork. After a slight decrease in 2021, due to (i) the recovery of the year-end stock volume of pigs and production volume of pigs, and (ii) the continuous rise in the price of poultry feed that year, the stock volume of yellow-feathered parent stock chicken breeders still grew at a CAGR of 1.0% from 2018 to 2022. For the next few years, the stock volume of yellow-feathered parent stock chicken breeders is expected to reach 42.0 million sets in 2027, representing a CAGR of 1.5% from 2022.

Stock Volume of Yellow-Feathered Parent Stock Chicken Breeders (China), 2018-2027E



Source: China Animal Agriculture Association ("CAAA"), Frost & Sullivan

Competitive Landscape of Yellow-feathered Parent Stock Chicken Breeder Market

China's yellow-feathered parent stock chicken breeder market is highly concentrated. The top three players accounted for an aggregate market share of 51.0% in terms of the sales volume of yellow-feathered parent stock chicken breeders in 2022. We were the second largest yellow-feathered parent stock chicken breeder provider in terms of sales volume of yellow-feathered parent stock chicken breeders, with a market share of 19.3% in 2022.

Top Three Yellow-feathered Parent Stock Chicken Breeder Providers in Terms of Sales Volume (China), 2022

Ranking	Yellow-feathered parent stock broiler breeder providers	Sales volume of yellow-feathered parent stock DOCs (million sets)	Market share (%)
1	Company B	2.9	24.2%
2	**The Group**	**2.3**	**19.3%**
3	Company O	0.9	7.5%
	Top three	**6.1**	**51.0%**
	Total	**12.0**	**100.0%**

Note:

1 Company O is an A-share listed agriculture company headquartered in Jiangsu. It principally engaged in breeding and raising of yellow-feathered broilers and pigs.

Source: Frost & Sullivan

CHINA'S YELLOW-FEATHERED BROILER MARKET

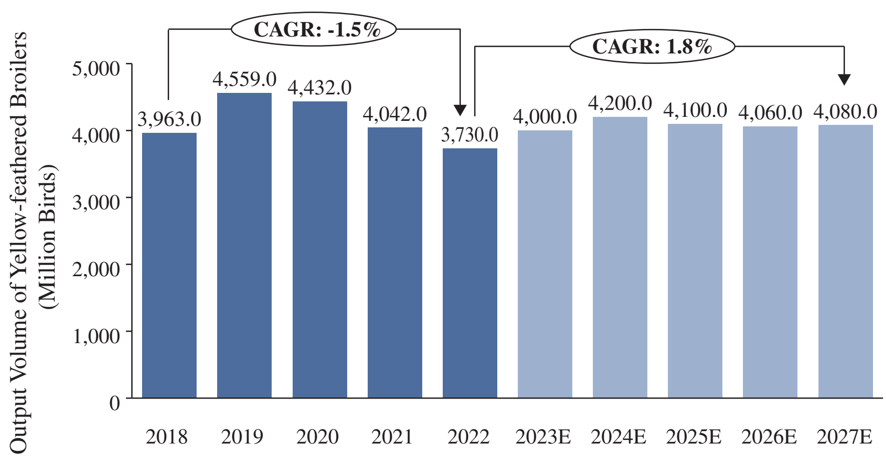
Overview of Yellow-Feathered Broilers

Broilers are raised to produce chicken meat products for sale. Broilers mainly include yellow-feathered broilers and white-feathered broilers. These two types of broilers have dominated China's chicken meat production. White-feathered broilers are closely associated with the light meal market due to their higher protein, lower fat, lower cholesterol and lower calorie content, as well as their economical and environmentally-friendly breeding. White-feathered broilers are more suitable for western cooking, and frying is the most common cooking method. Yellow-feathered broilers are a domestically bred species in China. Yellow-feathered chicken meat is preferred in China because it is considered by many Chinese consumers to be more flavourful and tasteful than white-feathered chicken meat, and is more suitable for Chinese cuisine, fit for a variety of cooking methods.

Market Size of Yellow-Feathered Broilers

The yellow-feathered broiler is a traditional poultry breed in China that is well known for its unique meat flavour and great taste. The output volume of yellow-feathered broilers increased rapidly from 3,963.0 million birds in 2018 to 4,559.0 million birds in 2019 due to the decrease in pork supply. The subsequent increased demand for poultry further drove the expansion of the yellow-feathered broiler industry. However, by 2020, this expansion started to slow down due to the recovery of China's swine herds. In addition, the outbreak of COVID-19 also had an impact on the yellow-feathered broiler industry. Live bird markets and wholesale wet markets are the primary sales outlets for yellow-feathered broilers. Since January 2020, many live bird markets have been closed due to COVID-19 concerns, and although most Chinese cities have lifted transportation restrictions, many live bird markets remain closed. As such, the output volume of yellow-feathered broilers declined to 3,730.0 million birds in 2022. With COVID-19 gradually easing and consumers' rising demand for high-protein and low-fat meat, the output volume of yellow-feathered broilers is expected to recover gradually, reaching a high output volume in 2024. From 2022 to 2027, the output volume of yellow-feathered broilers is predicted to increase from approximately 3,730.0 million birds to approximately 4,080.0 million birds.

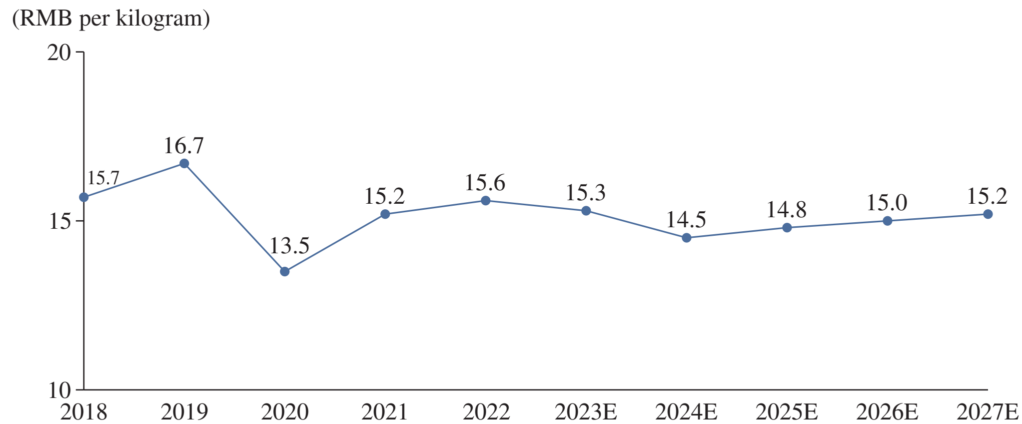
Output Volume of Yellow-feathered Broilers (China), 2018-2027E



Source: CAAA, Frost & Sullivan

The average wholesale price of yellow-feathered broilers achieved rapid growth from RMB15.7 per kilogram in 2018 to RMB16.7 per kilogram in 2019, primarily attributable to the shortage of swine herds as affected by African Swine Fever outbreak in 2018. In addition, due to overcapacity, decline in catering service revenue, and COVID-19 restrictions in 2020, the average wholesale price of yellow-feathered broilers dropped significantly in 2020. Due to the increase in yellow-feathered broilers' breeding costs, the average wholesale price of yellow-feathered broilers rose to RMB15.2 per kilogram in 2021, showing a growth rate of 12.6% from 2020. The average wholesale price of three types of yellow-feathered broilers also showed an increasing trend from 2020 to 2021. According to the CAAA, the average wholesale prices of fast-growing, medium-growing, and slow-growing yellow-feathered broilers were RMB11.3 per kilogram, RMB13.6 per kilogram, and RMB17.5 per kilogram in 2021, respectively, showing a growth rate of 14.9%, 18.1%, and 11.2% from 2020, respectively. The average wholesale price of yellow-feathered broilers further increased to RMB15.6 per kilogram in 2022 as compared with that in the same period of 2021 due to the decrease in the output volume of yellow-feathered broilers by individual farmers and farming companies in 2022. The average wholesale price of yellow-feathered broilers is expected to remain relatively stable and reach RMB15.2 per kilogram by the end of 2027, representing a CAGR of -0.5% from 2022.

Average Wholesale Price of Yellow-feathered Broilers (China), 2018-2027E



Source: CAAA, Frost & Sullivan

Market Drivers

Growth of China's economy and sustained urbanisation. With the steady growth of China's economy, continuing urbanisation, and consumption upgrades, Chinese consumers are increasingly willing to consume high-protein and low-fat meat, such as chicken meat. According to the United States Department of Agriculture ("USDA"), the consumption of chicken meat in the PRC increased from 11.6 million tonnes in 2018 to 16.1 million tonnes in 2022, representing a CAGR of 8.5%, and is expected to increase to 20.1 million tonnes in 2027 at a CAGR of 4.6% from 2022.

Thriving new retail models and Chinese cuisine market. Broiler manufacturers leverage the thriving online retail model and China's fast and convenient delivery network to penetrate regional markets. In recent years, the emergence of new data-driven retail models and efficient supply chain have driven the sales of chilled/frozen chicken products and offered superior customer experience. In addition, Chinese cuisine, as a major consumption scenario for yellow-feathered broilers, accounted for the largest portion of China's catering market, showed a growing trend during the past several years, and is expected to increase from 2023 to 2027. These have transformed the yellow-feathered broiler industry and are expected to drive chicken consumption in China.

Scale development and industry chain extension. Industrial scaled development helps reduce management costs and facilitates the implementation of new technologies. The integration of the broiler industry is expected to improve the product quality and safety and extend the industry chain to downstream deep processing markets to enhance the value of the products, such as prepared chicken and chicken snacks. Moreover, compared with companies that participate in only part of the value chain, integrated companies engaging in whole value chain business are able to guarantee the supply of upstream raw materials, the stability of raw material prices, and the quality of downstream products.

Diversified chicken products to meet consumers' various demand. The chicken products on the market are becoming increasingly diversified in terms of variety, such as green-footed chicken and yellow-footed chicken, as well as in terms of ways to serve in order to cater for consumers' various needs and the dietary habits in different regions. As a result, more consumer groups are expected to be covered in the future.

Changes in consumption structure and nutritional structure. Nowadays, consumers are increasingly pursuing healthy diets, which feature lower fat, lower calories, less sugar as well as rich fibre and nutrition. As a result, the consumption of chicken, which has relatively low fat and high protein, is expected to increase in the future.

Market Trends

Branding. Since there are only a few well-known chilled products brands, there is still limited brand awareness of the yellow-feathered broiler in the downstream market. Consumers are not familiar with brands of chilled and deep-processed foods, so the consumption volume of these products is relatively small. In the future, with the development of the chilled products and the establishment of downstream deep-processed food brands, it is expected that the consumption of yellow-feathered broilers will gradually increase.

Deep processing and chilled products. Traditionally, over 80% of yellow-feathered broilers are sold live. However, the number of live markets and urban wet markets are shrinking due to the avian influenza outbreak and COVID-19. As a result, an increasingly large number of yellow broilers are being slaughtered outside of populated areas and brought to market chilled. Large poultry producers have introduced new chilled products, including pre-cut packages for convenient at-home preparation. Companies are more willing to develop a wider variety of products. As such, product offerings are more diversified and consumer groups are further expanded. Consumers are becoming increasingly receptive to deep-processed products.

Indoor farming. Indoor farming is one of the trends in the yellow-feathered broiler market in the future. Through indoor farming, automated machines will be deployed to improve the efficiency of yellow-feathered broiler farming and the sanitary conditions of the farming environment, such as temperature, humidity, air quality, and lighting. Indoor farming allows a farmer to monitor and control the production more easily and would help prevent the spread of infectious diseases. Therefore, the indoor farming trend is expected to reduce yellow-feathered broilers' death rate further and enhance food safety in the downstream market.

Competitive Landscape

China's yellow-feathered broiler market is relatively concentrated. The top five players accounted for an aggregate market share of 44.5% and 43.8%, respectively, in terms of the sales value and the sales volume of yellow-feathered broilers in 2022. In 2022, the Group ranked third in terms of both sales value and sales volume of yellow-feathered broilers, with a market share of 2.7% and 2.1%, respectively.

Top Five Yellow-feathered Broilers Providers in Terms of Sales Value and Sales Volume (China), 2022

Ranking	Yellow-feathered Broilers Providers	Sales Value of Yellow-feathered Broilers (RMB billion)	Market Share (%)
1	Company B	31.9	28.0%
2	Company O	12.8	11.2%
3	**The Group**	**3.1**	**2.7%**
4	Company P	1.5	1.3%
4	Company Q	1.5	1.3%
	Top five	**50.8**	**44.5%**
	Total	**114.0**	**100.0%**

Ranking	Yellow-feathered Broilers Providers	Sales Volume of Yellow-feathered Broilers (million birds)	Market Share (%)
1	Company B	1,052.4	28.2%
2	Company O	407.0	10.9%
3	**The Group**	**78.6**	**2.1%**
4	Company P	48.0	1.3%
4	Company Q	48.0	1.3%
	Top five	**1,634.0**	**43.8%**
	Total	**3,730.0**	**100.0%**

Notes:

1 Company P is a private enterprises headquartered in Guangxi. It principally engaged in poultry and pigs breeding and raising, as well as food and feed processing, etc.

2 Company Q is a private agriculture company headquartered in Guangxi. It principally engaged in poultry and broiler breeding and raising.

Source: Frost & Sullivan

IMPACT OF AFRICAN SWINE FEVER ON THE PIG AND BROILER FARMING INDUSTRIES

Impact on the Pig Farming Industry

Pig production and price. As African Swine Fever intensified in the second half of 2018, the stock volume of sows and supply of pigs dropped sharply. Therefore, the price of pigs witnessed a rapid increase from 2018 to 2019, rising from RMB12.7 per kilogram to RMB21.9 per kilogram. The average price of pigs continued to increase and reached RMB34.1 per kilogram in 2020. With the effective prevention and control of African Swine Fever, the output volume of pigs recovered in 2021 and 2022, resulting in lower pig prices of RMB20.3 per kilogram in 2021 and RMB18.7 per kilogram in 2022.

Establishment of a pig epidemic prevention system. According to the "Opinions on Strengthening the Prevention and Control of African Swine Fever" (《關於加強非洲豬瘟防控工作的意見》) issued by the State Council in 2019, it is necessary to strengthen the cross-departmental sharing of information systems and implement "Internet+" regulation of all links in the prevention and control of African Swine Fever. The regulation of pig epidemic prevention shall be further improved by using information technology, intelligence technology, and big data to ensure the development of the pig farming industry in the future.

Impact on the Broiler Farming Industry

Promotion of chicken meat consumption. Driven by the protein substitution effect of protein sources impacted by African Swine Fever outbreak in late 2018, the consumption of white-feathered broilers increased. Since demand exceeded supply, the price of white-feathered broilers increased, which gradually shifted the demand to yellow-feathered broilers. Additionally, pigs and broilers are complementary products that are expected to hedge market risks.

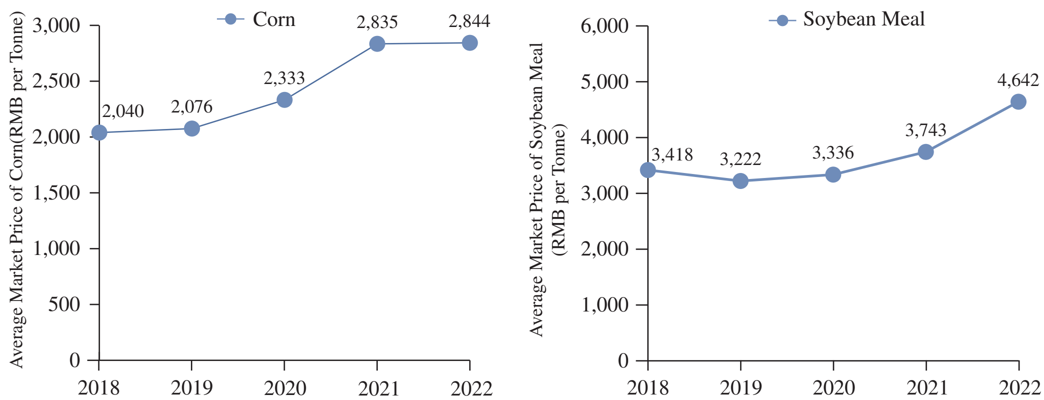
Promotion of the cold chain development. Long-distance transportation of live livestock and poultry is an important cause of the spread of animal epidemics. While actively responding to the impact of African Swine Fever on the pig industry chain, China has also strengthened defensive measures in the poultry industry. Live poultry transactions are being gradually cancelled, thereby promoting the development of chilled fresh products. Prompted by African Swine Fever, consumers pay more attention to food safety which further promotes the development of cold chain technology.

CHINA'S PIG AND POULTRY FEED MARKET

Overview

Feed for pigs and poultry accounts for the majority of the costs for daily farming operation. Feed can be classified into compound feed (配合飼料), concentrate feed (濃縮料), and premix feed (預混料). Feed for pigs and poultry primarily consist of corn and soybean meal. The selling prices for corn and soybean meal are subject to various factors, including demand and supply dynamics, government policies, weather conditions, pests and other acts of nature. The average selling price of corn increased from RMB2,040 per tonne in 2018 to RMB2,844 per tonne in 2022, with a CAGR of 8.7% from 2018 to 2022. For soybean meal, the average selling price remained relatively steady from RMB3,418 per tonne in 2018 to RMB3,743 per tonne in 2021, and rose rapidly to approximately RMB4,642 per tonne in 2022, with a CAGR of 8.0% during the same period. The main drivers for the increase in average selling prices of corn and soybean meal in the PRC from 2018 to 2022 include (i) strong demand for corn and soybean meal from downstream industries, (ii) restrictions on the supply chain and logistics of corn and soybean meal due to the outbreak of COVID-19, and (iii) deteriorating crop conditions due to extreme weather in China. In the future, the average selling price of corn and soybean meal is expected to slightly increase or keep stable, partly because of the strong downstream demand.

Average Market Price of Corn and Soybean Meal (China), 2018-2022

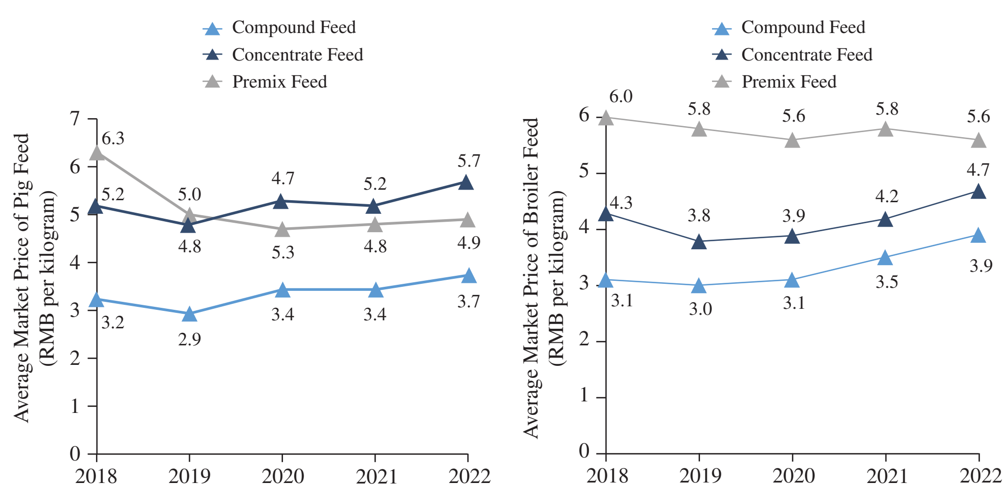


Source: Ministry of Agriculture and Rural Affairs of the PRC

Price of Pig Feed and Broiler Feed in China

For the past few years, the selling prices for both compound feed and concentrate feed for pigs and broilers have been relatively stable with a mild uptrend, and they are expected to remain steady or slightly increase from 2023 to 2027. The selling prices for premix feed for both pigs and broilers witnessed a downward trend from 2018 to 2022.

Average Selling Price of Pig Feed and Broiler Feed (China), 2018-2022



Source: CAAA

POLICIES RELATING TO LIVESTOCK AND POULTRY FARMING, FEED PRODUCTION AND FOOD PROCESSING INDUSTRIES

In recent years, China has put in place comprehensive laws and regulations for husbandry and related industries, which are mainly based on the Animal Husbandry Law of the PRC (《中華人民共和國畜牧法》), which was approved by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 2005 and implemented on 1 July 2006, and last amended on 30 October 2022 and implemented on 1 March 2023, the Animal Epidemic Prevention Law of the PRC (《中華人民共和國動物防疫法》) (the "**Animal Epidemic Prevention Law**"), which was approved by the SCNPC on 3 July 1997 and implemented on 1 January 1998, and last revised on 22 January 2021 and implemented on 1 May 2021, the Food Safety Law of the PRC (2021 Amendment) (《中華人民共和國食品安全法(2021修正)》) (the "**Food Safety Law (2021 Amendment)**"), which was approved by the SCNPC on 28 February 2009 and implemented on 1 June 2009, and last amended and implemented on 29 April 2021, the Agricultural Product Quality and Safety Law of the PRC (2022 Revision) (《中華人民共和國農產品質量安全法(2022修正)》) approved by the SCNPC on 29 April 2006 and implemented on 1 November 2006, and last amended on 2 September 2022 and implemented on 1 January 2023.

Establishment and Operation of Livestock and Poultry Farms

Record Filing of Livestock and Poultry Farms

According to the Animal Husbandry Law of the PRC, the entity establishing a livestock and poultry farm or farming cluster shall file the name, address of the farm and farming cluster, species of livestock and poultry as well as the scale of breeding with the animal husbandry and veterinary administrative department under the county-level government where the farm or farming cluster is located, and obtain labels and codes for the livestock and poultry. To establish a livestock and poultry farm or farming cluster an entity should meet the following conditions:

(1) To have production premises and supporting facilities commensurate with its farming scale;

(2) To have animal husbandry and veterinary technicians in its service;

(3) To meet the conditions for epidemic prevention, as provided for by laws and administrative regulations and the provisions of the animal husbandry and veterinary administrative department of the State Council;

(4) To have facilities such as firedamp pools for the comprehensive utilisation of livestock dung, waste water and other solid wastes, or other innocuous treatment facilities; and

(5) To meet other conditions provided for by laws and administrative regulations.

Production and Operation of Breeding Livestock and Poultry

According to the Animal Husbandry Law of the PRC, an entity or individual engaged in the production and operation of breeding livestock and poultry or in the production of young commercial livestock and poultry shall obtain a licence for the production and operation of breeding livestock and poultry (種畜禽生產經營許可證). To apply for the licence for production and operation of breeding livestock and poultry, an applicant shall meet the following conditions:

(1) The breeding livestock and poultry for production and operation must be of the species and the supporting lines that have gone through the verification or identification by the National Commission for Livestock and Poultry Genetic Resources, or the species and supporting lines introduced from abroad upon approval;

(2) To have animal husbandry and veterinary technicians commensurate with the scale of production and operation;

(3) To have the breeding facilities and equipment commensurate with the scale of the production and operation;

(4) To meet the conditions of epidemic prevention for the breeding livestock and poultry, as provided for by laws and administrative regulations and the provisions of the animal husbandry and veterinary administrative department of the State Council;

(5) To have comprehensive systems for quality control and breeding record-keeping; and

(6) To meet other conditions as provided for by laws and administrative regulations.

No entity or individual is allowed to produce or operate breeding livestock or poultry without a license for production and operation of breeding livestock and poultry or in violation of the provisions relevant to such license. It is also prohibited to forge, alter, transfer or lease the license for production and operation of breeding livestock and poultry. Anyone, in violation of the abovementioned provisions, may be subject to administrative penalties, including fines, confiscation of illegal income, orders to cease illegal activities. For serious violations, the licence for production and operation of breeding livestock and poultry shall be revoked concurrently.

Animal Epidemic Prevention

Animal Epidemic Prevention

According to the Animal Epidemic Prevention Law, to operate an animal farm, animal isolation site, animal slaughtering and processing place, as well as an innocuous treatment facility of animals and animal products shall apply to the competent agricultural and rural authorities of the local government at or above the county level for a certificate for animal epidemic prevention conditions (動物防疫條件合格證). Animal farming sites, animal isolation sites, animal slaughtering and processing place and innocuous treatment facilities of animals and animal products shall comply with the following provisions:

(1) The facilities are located at a distance from public places, such as residential areas, sources of drinking water, schools and hospitals as prescribed by the competent department of agriculture and rural affairs of the State Council;

(2) The enclosure and isolation of the production and operation area and the engineering design and relevant processes shall meet the requirements for animal epidemic prevention;

(3) There shall be sewage and waste treatment facilities commensurate with their scale, the facilities and equipment for the innocuous treatment or refrigeration of animals dead of diseases and diseased animal products, and the facilities and equipment for cleaning and disinfection;

(4) There shall be licensed veterinarians or technicians for animal epidemic prevention commensurate with the scale;

(5) There should be comprehensive animal prevention systems including those relating to isolation and disinfection, purchase and sales records and routine inspection;

(6) Other conditions for animal epidemic prevention as prescribed by the competent department of agriculture and rural affairs of the State Council shall be met.

In addition to meeting the conditions prescribed in the preceding provisions, an innocuous treatment facility of animals and animal products shall be pathogen detection equipment, detection capability, and special vehicles in compliance with the requirements for animal epidemic prevention.

Pursuant to the Measures for the Examination of Animal Epidemic Prevention Conditions (《動物防疫條件審查辦法(2022)》), which was issued by the MARA on 7 September 2022 and implemented on 1 December 2022, where an animal farm, animal isolation site, animal slaughtering and processing place, as well as an innocuous treatment facility of animals and animal products is to be established, a site selection request shall be submitted to the competent department of agriculture and rural affairs of the local county-level government. After a certificate for animal epidemic prevention conditions is obtained, in case of any address or business scope changes, a new certificate shall be applied, the original certificate for animal epidemic prevention conditions concurrently shall be returned. Any alteration of the layout, facilities, equipment or systems that may cause changes in the conditions for animal epidemic prevention shall be reported to the original certificate-issuing authority 30 days in advance. In case of any changes in the name of the entity or its legal representative (responsible person), such certificate for animal epidemic prevention conditions shall be applied for modifying within 15 days after the change. The certificate holder shall, by the end of March each year, report the status of animal epidemic prevention of the previous year and the implementation of the epidemic prevention systems to the competent agriculture and rural affairs departments of the local county-level government.

Failure to comply with the above provisions related to the certificate for animal epidemic prevention conditions may result in administrative penalties, including fines and orders to make corrections.

Prevention and Control of African Swine Fever

The prevention and control of African Swine Fever are mainly governed by the Animal Epidemic Prevention Law of the PRC, the Regulations on Handling Major Animal Epidemic Emergencies (《重大動物疫情應急條例》), which was issued by the State Council on 18 November 2005 and implemented on the same date, and last amended on 7 October 2017 and implemented on the same date, the Regulations on the Administration of Slaughtering of Pigs (《生豬屠宰管理條例》), which was issued by the State Council on 19 December 1997 and implemented on 1 January 1998, and last amended on 25 June 2021 and implemented on 1 August 2018, the National Plan for Handling Major Animal Epidemic Emergencies (《國家突發重大動物疫情應急預案》), which was issued by the State Council on 27 February 2006 and implemented on the same date, and Measures for Administration of Animal Quarantine (《動物檢疫管理辦法》) which was issued by the former Ministry of Agriculture on 24 May 2002 and implemented on 1 July 2002, and last amended by the MARA on 7 September 2022 and implemented on 1 December 2022.

Pursuant to the requirements of the Opinions of the General Office of the State Council on Strengthening Prevention and Control of African Swine Fever (Guo Ban Fa [2019] No. 31 (《國務院辦公廳關於加強非洲豬瘟防控工作的意見》(國辦發[2019]31號)) issued by the General Office of the State Council on 22 June 2019 and implemented on the same date, local governments are responsible for implementing measures to strengthen the prevention and control of African Swine Fever. This document encourages the promotion of standardised large-scale farming of pigs and gradual reduction of the proportion of free-range farming, and urges the implementation of farming management systems such as closed farming and all-in-all-out farming, so as to improve the level of biosecurity protection in pig farming sites (households); provides guidance for pig farming sites (households) to effectively implement measures such as cleaning and disinfection, innocuous treatment, etc., and strict management of vehicles and personnel entering and leaving the site; urges pig farming sites (households) to report on epidemics in a strict and standardised manner, handle epidemics properly and prevent the spread of epidemics. It encourages the establishment of standardised production systems and continued efforts to create high-quality and standardised demonstration farms. It calls for the refining of policies for facility agricultural land and ensures land supply for the construction of relevant supporting facilities for large-scale pig farming sites (households), and supports pig farming enterprises' development throughout the whole industry chain in provincial or regional jurisdictions.

According to the requirements of the Notice of the Ministry of Agriculture and Rural Affairs on Effectively Strengthening the Supervision of the Movement of Pigs and Pig Products (《農業農村部關於切實加強生豬及其產品調運監管工作的通知》) (Nong Ming Zi [2018] No. 29) issued by the MARA on 31 August 2018 and implemented on the same date, live pigs and their products shall not be transported from high-risk to low-risk areas; breeding pigs from a province with epidemic-affected areas shall be subject to laboratory testing and quarantine for African Swine Fever before they can be transported out of the province; and inter-provincial transportation of pigs via land transport shall be diverted around the epidemic-affected province. According to the requirements of the Notice of the Ministry of Agriculture and Rural Affairs on Further Strengthening the Supervision of Inter-provincial Transport of Live Pigs and Their Products (Nong Ming Zi [2018] No. 33) (《農業農村部關於進一步加強生豬及其產品跨省調運監管的通知》) (農明字[2018]第33號)) issued by the MARA on 11 September 2018 and implemented on the same date, the provinces adjacent to a province where African Swine Fever spreads shall suspend inter-provincial transport of live pigs and temporarily shut down all the live pig trading markets in those provinces. The suspension period shall span from the occurrence of the epidemic in any neighbouring province to the lifting of blockades in all neighbouring provinces.

According to the requirements of the Notice of the Ministry of Agriculture and Rural Affairs on Regulating the Transport of Live Pigs and Pig Products (Nong Mu Fa [2018] No. 23) (《農業農村部關於規範生豬及生豬產品調運活動的通知》) (農牧發[2018]23號)) issued by the MARA on 27 December 2018 and implemented on the same date, breeding pigs and market piglets from outside epidemic-affected counties are subject to testing and quarantine for African Swine Fever before they can be transported out of the province.

The Notice of the Ministry of Agriculture and Rural Affairs on the Circulation of the Plan on Prevention and Control of African Swine Fever and other Major Animal Diseases by Region (Trial Implementation) (Nong Mu Fa [2021] No. 12) (《農業農村部關於印發<非洲豬瘟等重大動物疫病分區防控工作方案(試行)>的通知》) (農牧發[2021]12號)) (issued by the MARA on 16 April 2021 and implemented on the same date) divided China into five regions to carry out prevention and control by region. The Notice calls for the regulation of pig transport, pursuant to which, in principle, pigs other than breeding pigs, piglets and pigs in areas and subareas free from African Swine Fever and other major animal diseases shall not be transported outside the region, so as to promote the shift from "pig transport" to "pork transport". It also calls for the phased improvement and implementation of the "point-to-point" cross-regional and cross-provincial transport policy, which allows "point-to-point" transport of qualified pigs between the regional, where necessary.

Use of Veterinary Medicines, Feed and Feed Additives

The operation of livestock and poultry farms also involves the use of veterinary medicines, feed and feed additives, which is governed by the Regulations on Administration of Feed and Feed Additives (《飼料和飼料添加劑管理條例》) issued by the State Council on 29 May 1999 and implemented on the same date, and last revised on 1 March 2017 and implemented on the same date, the Regulations on Administration of Veterinary Medicines (《獸藥管理條例》) issued by the State Council on 21 May 1987 and implemented on 1 January 1988 and last amended on 27 March 2020 and implemented on the same date, and the Medicines Varieties Catalogue Regarding the Prohibition on Use in Feed and Animal Drinking Water (《禁止在飼料和動物飲用水中使用的藥物品種目錄》) issued by the former Ministry of Agriculture, the former Ministry of Health, the National Medical Products Administration (國家藥品監督管理局) on 21 March 2002 and implemented on the same date.

According to the Regulations on Administration of Feed and Feed Additives, enterprises applying to engage in the production of feed and feed additives should apply to the relevant competent authorities to obtain a Feed Production Licence (飼料生產許可證).

Pursuant to the Regulations on Administration of Veterinary Medicines, enterprises dealing in veterinary medicines which meet relevant conditions should apply to the relevant competent authorities to obtain a Veterinary Medicine Operation Licence (獸藥經營許可證).

Use of Water Resources

Pursuant to the Water Law of the PRC (《中華人民共和國水法》) promulgated on 21 January 1988 and latest amended on 2 July 2016, the Regulations on the Administration of the Water Abstraction Licensing and the Levy of Water Resources Fees (《取水許可和水資源費徵收管理條例》) promulgated on 21 February 2006 and amended on 1 March 2017 and the Measures for the Administration of Water Abstraction Licensing (《取水許可管理辦法》) promulgated on 9 April 2008 and latest amended on 22 December 2017, any entity or individual that abstracts water resources shall, except for certain circumstances, apply for and obtain a water abstraction license (取水許可證) and pay water resources fees. An applicant may not build water abstraction engineering structures or facilities until its application for water abstraction has been approved by the competent authority.

Failure to comply with the above provisions related to the use of water resources may result in administrative penalties, including fines, orders to make corrections and revocation of the water abstraction license.

Food Business

The Administrative Measures for Food Business Licensing (《食品經營許可管理辦法》) which was issued on 31 August 2015 by the former State Food and Drug Administration and implemented on 1 October 2015, and last amended on 17 November 2017 and implemented on the same date, a food business permit shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. The effective period for a food business permit (食品經營許可證) is five years.

Whoever engages in food business activities with no food business permit obtained shall be punished by the local food and drug administration at or above the county level in accordance with relevant provisions of the Food Safety Law (2021 Amendment) meaning that the food safety supervision and administration department of the government at or above the county level shall confiscate any illegal income or any food illegally produced or dealt in and impose a fine.

Product Quality and Safety and Liability

Product Quality Law in General

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**") promulgated by the SCNPC on 22 February 1993 and latest amended on 29 December 2018 is the principal law governing the supervision and administration of product quality and applies to all production and marketing activities within the territory of the PRC.

According to the Product Quality Law, producers are liable for the quality of products they produce and sellers must take reasonable actions to ensure the quality of the products they sell.

The producers shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective products of the producer unless the producer is able to prove that: (i) it has not circulated the product; (ii) the defect did not exist at the time when the product was circulated; or (iii) the state of scientific or technological knowledge at the time when the product was circulated was not sufficient for the detection of the existence of the defect.

The seller will be liable to compensate for any bodily harm or damage to property (other than defective product itself) caused by the defective products it sold if such defect is attributable to the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the producer or the seller.

Any producer or seller that produces or sells products not up to the relevant national or industry standards for ensuring personal health and safety and property security shall be ordered to suspend production and sale with illegally produced products confiscated, and be imposed a fine with any illegal income confiscated. Where the case is serious, the business license shall be revoked concurrently. Where a criminal offence is constituted, the offenders will be pursued for criminal liabilities.

The Civil Code of the PRC (《中華人民共和國民法典》), issued by the National People's Congress on 28 May 2020 and implemented on 1 January 2021, stipulates that producers shall bear tort liability for damage caused to others by their defective products. If the defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures including the cessation of sales, issuance of a warning, recall of products, etc. in a timely manner. The producers or the sellers shall also bear tort liability if they fail to take remedial measures in a timely manner or have not made effective efforts to take remedial measures, thus causing more damages. In the event of a recall, the producer or seller shall bear the necessary expenses so incurred by the tort victim.

Agricultural Products Safety

The Law on Quality and Safety of Agricultural Products of the PRC (2022 Revision) (《中華人民共和國農產品質量安全法(2022修正)》) (the "**Agricultural Products Safety Law**"), governs the supervision and administration of the quality and safety of agricultural products, namely plants, animals, microorganisms and other products obtained in the course of agricultural activities. The Agricultural Products Safety Law regulates agricultural products in the following aspects to ensure that they meet the requirements necessary to protect people's health and safety, including: (i) the quality and safety standards of agricultural products; (ii) the production premises of agricultural products; (iii) the production of agricultural products; and (iv) the packaging and labelling of agricultural products.

According to the Agricultural Products Safety Law, producers of agricultural products shall reasonably use chemical products in order to avoid contaminating production premises of agricultural products. The agricultural producers shall also ensure that the preservatives, additives and other chemicals used in the process of production, packaging, preservation, storage and transportation of agricultural products shall be in conformity with the relevant compulsory technical specifications set by the State.

Food Safety

Pursuant to the Food Safety Law (2021 Amendment) and Implementing Regulation for the Food Safety Law of the People's Republic of China (2019 Revision) (《中華人民共和國食品安全法實施條例(2019修訂)》) which was promulgated by the State Council on 20 July 2009 and last amended on 11 October 2019 and implemented on 1 December 2019, adopt measures and requirements in to improve food safety and prevent large scale food safety accidents which including but not limited to the following aspects: (i) to strengthen the role of local governments in food safety regulation and coordination; (ii) to strengthen food safety risk monitoring and assessment, and early intervention into and swift control over food safety accidents; (iii) to revise the standards for the use of food additives and strengthen regulation of the use of food additives; (iv) to establish a food recall system; (v) to abolish the food safety inspection exemption system; (vi) to clarify the fundamental principles in formulating food safety standards; and (vii) to develop a approval system for food distribution.

According to the Regulations on the Administration of Slaughtering of Pigs, the state implements a system whereby pigs are slaughtered by designated establishments and quarantined in a centralised manner. The pig products produced or distributed by entities or individuals that engage in the sale of pig products or production and processing of meat food products, or by catering service operators, or by entities providing centralised dining services, must be produced by designated pig slaughter plants and slaughterhouses and pass quarantine and the inspection of meat product quality.

Labelling of Food

The Provisions for the Administration of Food Labelling (《食品標識管理規定》), which became effective on 22 October 2009, sets forth that, food labels shall display the name, place of production, date of production, expiry date, net content, list of ingredients, name, address and contact information of the manufacturer, and the code of safety standards adopted by the manufacturer.

If the name or the description of a food product includes wording such as "nutrition" or "strengthening", the nutritional ingredients and the amount of energy contained in such food product shall be clearly indicated in the labelling, and the format of such labelling shall comply with the relevant state requirements. The labelling of food products that require a manufacturing licence shall include the manufacturing licence number and a QS (Quality Safe) mark.

Production Safety

The Work Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Work Safety Law**"), which was issued on 29 June 2002 by the SCNPC and implemented on 1 November 2002, and last amended on 10 June 2021 and implemented on 1 September 2021, is the principal law governing the supervision and administration of production safety. Pursuant to such law, the state implements a system of accountability for production safety accidents. The production and operation entities shall comply with the production safety conditions as stipulated under relevant laws, administrative regulations and national or industry standards before engaging in production and operation activities. Any production and operation entities which fail to meet the legal requirements shall not be allowed to engage in production activities in the PRC. Violation of the Work Safety Law may result in the imposition of fines, penalties, suspension or cessation of operations, or even criminal liabilities in severe cases.

Environmental Protection

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) issued by the SCNPC on 28 October 2002 and implemented on 1 September 2003, and last amended on 29 December 2018, the state implements classified management on the environmental impact assessment of construction projects in accordance with the degree of environmental impact of the construction projects. The construction entities shall organise the preparation of the environmental impact report, the environmental impact report form or fill out the environmental impact registration form according to the Classified Management Catalogue of Environmental Impact Assessments for Construction Projects (《建設項目環境影響評價分類管理名錄》) issued by the Ministry of Ecology and Environment on 30 November 2020 and implemented on 1 January 2021.

Pursuant to the Classified Management Catalogue of Environmental Impact Assessments for Construction Projects, the livestock and poultry farms and breeding areas shall prepare environmental impact reports or fill out environmental impact registration forms, under which, (1) for large-scale livestock and poultry farming with an annual output of 5,000 pigs or the equivalent scale for other livestock and poultry species and above/large-scale livestock and poultry farming with 2,500 pigs in stock (or the equivalent scale for other livestock and poultry species) and above with no output, large-scale livestock and poultry farming involving environmentally sensitive areas (referring to national parks, nature reserves, scenic spots, world cultural and natural heritage sites, special protection marine areas, drinking water source protection areas; areas whose main functions are residential, medical and health care, culture and education, scientific research, administrative offices, etc., as well as heritage conservation entities), environmental impact reports should be prepared; (2) livestock and poultry farms and breeding areas of other scales (except those below large scale) shall fill out environmental impact registration forms.

For pig breeding projects, according to the Notice on Further Work Related to Environmental Impact Assessment Management of Pig Breeding Scale (Huan Ban Huan Ping Han [2019] No. 872) (《關於進一步做好當前生豬規模養殖環評管理相關工作的通知》 (環辦環評函[2019]872號)) issued by the General Office of Ministry of Ecology and Environment and the General Office of the MARA on 29 November 2019 and implemented on the same date, more than 96% of pig breeding projects (pig breeding projects with an annual output of less than 5,000 pigs) are required to fill in the environmental impact registration form online, with no need to obtain environmental impact assessment approval. For pig breeding projects with an annual output of more than 5,000 pigs, pilot implementation of the environmental impact assessment notification and commitment regime reform shall be explored. The construction entity shall submit the signed notification and commitment letter, environmental impact report and other necessary documents to the Environmental Impact Assessment and Approval Department before construction commences. Upon receipt of the commitment letter and the environmental impact report, the Environmental Impact Assessment and Approval Department may directly make the approval decision without assessment or review. The pilot period shall be from the date of publication of the notice to 31 December 2021. For pig breeding projects below large scale and pig breeding projects above large scale without sewage discharge outlets, no pollutant discharge permit and total quantity index shall be required. In the construction of new (reconstructed or expanded) pig breeding projects, supporting facilities for the utilisation of fecal waste resources should be built simultaneously, and land returned to the fields commensurate with the farming scale should be implemented. Where fecal waste cannot be used as resources, measures for waste treatment shall be clearly defined and its discharge shall meet the standards stipulated by state and local regulations.

According to the Interim Measures for the Acceptance Inspections of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) issued by the former Ministry of Environmental Protection on 20 November 2017 and implemented on the same date, a construction entity shall be responsible for the environmental protection-related inspection and acceptance of the completed construction project. It shall organise the inspection and acceptance of the supporting environmental protection facilities, prepare the inspection and acceptance report, disclose relevant information, and be open to public supervision. With the exception of water and air pollution prevention and control facilities which require a pollutant discharge permit to be obtained, the acceptance period of other environmental protection facilities generally shall not exceed 3 months; where such environmental protection facilities need to be tested or rectified, the acceptance period can be extended as appropriate, but the maximum period shall not exceed 12 months.

Failure to comply with the above provisions related to the construction project environmental protection may result in administrative penalties, including fines and orders to cease production or use, or to shut down the construction.

The Regulations on the Prevention and Control of Pollution from Large-scale Farming of Livestock and Poultry (《畜禽規模養殖污染防治條例》) issued by the State Council on 11 November 2013 and implemented on 1 January 2014, provides that the construction, reconstruction and expansion of livestock and poultry farms and farming clusters shall comply with the development plans for the animal husbandry industry and plans for pollution prevention and control in livestock and poultry farming, meet the requirements of animal epidemic prevention, and undertake environmental impact assessment. The state encourages and supports the comprehensive utilisation of waste from the farming of livestock and poultry by way of returning manure to the field, producing biogas and organic fertilisers, etc. For diseased livestock and poultry farming wastes including disease-infected livestock and poultry and their excrement, products made from disease-infected livestock and poultry, and carcases or excrement of livestock and poultry dead of diseases or unknown causes, shall be treated in accordance with the relevant laws, regulations and the requirements of the competent departments of agriculture and animal husbandry of the State Council, through innocuous treatments such as deep burial, chemical treatment, and incineration, and no arbitrary treatment shall be allowed.

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) last amended by the SCNPC 24 April 2014 and effective on 1 January 2015, provides that the site selection, construction, and management of farms, farming clusters, and designated slaughter enterprises of livestock and poultry shall comply with the provisions of relevant laws and regulations. Entities and individuals engaging in livestock and poultry breeding or slaughter shall take measures to dispose of livestock and poultry manure and corpses, sewage, and other wastes in a scientific manner to prevent environmental pollution.

According to the Water Pollution Prevention and Control Law of the PRC (2017 Revision) (《中華人民共和國水污染防治法(2017修正)》) last amended on 27 June 2017 and effective on 1 January 2018, livestock and poultry farming sites and clusters shall guarantee the normal operation of their facilities and make sure that the discharge of sewage meets the relevant standards so as to prevent water environment from being polluted. Where there is a high concentration of free-range livestock and poultry farming, the county or township government shall organise the separate collection and centralised treatment and utilisation of livestock and poultry sewage.

Pursuant to the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (2018 Amendment) (《中華人民共和國大氣污染防治法(2018修正)》) last amended and effective on 26 October 2018, livestock and poultry farming sites and clusters shall collect, store, clean, and innocuously treat sewage and the excrement and carcasses of livestock and poultry in a timely manner so as to prevent odors.

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) promulgated on 10 January 2018 and partially revised on 22 August 2019 by the Ministry of Ecology and Environment, enterprises and public institutions as well as other producers and operators included in the Catalogue of Classified Administration of Pollutant Discharge Permit for Stationary Pollution Sources shall apply for and obtain a pollutant discharge permit within a prescribed time limit. Any enterprise that fails to obtain a pollutant discharge permit as required shall not discharge pollutants.

The Catalogue of Classified Administration List of Pollutant Discharge Permits for Stationary Pollution Sources (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the Ministry of Ecology and Environment on 20 December 2019 and implemented on the same date provides that, pollutant-discharging entities which produce and discharge pollutants exerting minimal environmental impact shall be subject to discharge registration. Pollutant-discharging entities subject to discharge registration are not required to apply for a pollutant discharge permit, but should fill in a pollutant discharge registration form on the National Pollutant Discharge Permit Administration Information Platform. Large-scale livestock and poultry farming sites and clusters without sewage outfalls, and for livestock and poultry farming sites and clusters below large scale with sewage outfalls shall be subject to discharge registration, which means that they are only required to fill in the pollutant discharge registration form on the National Pollutant Discharge Permit Administration Information Platform.

The State Council issued the Regulations on Pollutant Discharge Permit Administration (《排污許可管理條例》) on 24 January 2021 to further enhance the pollutant discharge administration. Pollutant-discharging entities shall practice focused and streamlined management pursuant to the amount of pollutants generated and discharged and the level of impact on the environment. The review, decision-making and information disclosure of pollutant discharge permit shall be handled through the National Pollutant Discharge Permit Administration Information Platform. The pollutant discharge permit is valid for 5 years and the discharging entities should apply for renewal of the pollutant discharge license 60 days before its expiry.

LAWS AND REGULATIONS RELATING TO LAND USE

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) issued by the SCNPC on 25 June 1986 and implemented on 1 January 1987, and last amended on 26 August 2019 and implemented on 1 January 2020), land in China is classified into agricultural land, construction land and unused land. Land in urban areas is owned by the state; land in rural areas and suburban areas is owned collectively by the peasants, except for that which belong to the state under the law. Land collectively owned by peasants which belongs to village peasants collectively in accordance with the law shall be operated and managed by the village collective economic organisation or village committee.

Use of State-Owned Land

According to the Land Administration Law of the PRC and Rules for Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) last revised on 2 July 2021 by the State Council and implemented on 1 September 2021 and the Provisional Regulations of the People's Republic of China Concerning the Grant and Transfer of the Right to Use State Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) issued by the State Council on 19 May 1990 and implemented on the same date, and last amended on 29 November 2020 and implemented on the same date, except for assignment by the state under the law as state-owned land use rights, the state implements a system of compensated use of state-owned land in accordance with the law. The methods of compensated use of state-owned land mainly include transfer of state-owned land use rights, leasing of state-owned land, and using state-owned land use rights as a way of capital contribution or investment in exchange for equity. Transfer of land use rights can be conducted by means of agreement, tender, and auction. Transfer of land use rights requires the signing of a land use right transfer contract and payment of land premium.

Collectively Owned Land

Contracting of collectively owned land

According to the Rural Land Contracting Law of the PRC (《中華人民共和國農村土地承包法》) which was issued by the SCNPC on 29 August 2002 and implemented on 1 January 2003, and last amended on 29 December 2018 and implemented on 1 January 2019, the Organic Law of Villagers' Committees of the PRC (《中華人民共和國村民委員會組織法》) approved by the SCNPC on 4 November 1998 and implemented on the same date, and last amended on 29 December 2018 and implemented on the same date, the state implements a rural land contracting management system. Project establishment and contracting plans involving the village's land contracting management plan and the village collective project shall be handled upon approval by the villagers' meeting after deliberation.

Rural land contracting takes the form of household contracting within the rural collective economic organisation. For rural lands such as barren mountains, barren ditches, barren hills, and barren swamplands that are not suitable for household contracting, contracting can be contracted through tenders, auctions, and public negotiations, and on a pari passu basis, members of the collective economic organisation shall have right of first refusal to contracting rural lands through the above-mentioned channels. The state encourages the use of abandoned land and unused land such as barren mountains, barren ditches, barren hills and barren swamplands to carry out large-scale and standardised livestock and poultry breeding. Land for livestock and poultry breeding shall be managed as agricultural land, and the land for production facilities and necessary pollution prevention and control and other auxiliary facilities shall be designated in accordance with relevant regulations of the State.

The awarding party may contract out the rural land to entities or individuals other than the collective economic organisation with prior consent of more than two-thirds of the members of the collective economic organisation or more than two-thirds of the villager representatives and shall report the contracting to and obtain approval from the people's government at the township level.

A written contract shall be signed by the awarding party and the contractor. The contracting period is 30 years for arable land, 30 to 50 years for grassland, and 30 to 70 years for woodland.

Circulation of land operation rights

According to the Rural Land Contracting Law of the PRC (《中華人民共和國農村土地承包法》), the contractor can independently decide to circulate the land operation rights to others through leasing (subcontracting), exchange for shares or by other means according to the law, provided that the transfer shall be filed with the awarding party. The circulation of land operation rights shall follow the following principles: (1) it shall be lawful, voluntary, and compensated, and no organisation or individual may force or hinder the circulation of the land operation rights; (2) the nature of land ownership and the agricultural use of land shall not be changed, and the comprehensive agricultural production capacity and agricultural ecosystem concerned shall not be impaired; (3) the transfer period shall not exceed the remaining period of the contract period; (4) the transferee must have the ability or qualifications for agricultural operations; (5) on a pari passu basis, members of the collective economic organisation shall have right of first refusal.

According to the Measures for the Administration of Circulation of Rural Land Management Right (《農村土地經營權流轉管理辦法》) issued by the MARA on 26 January 2021 and implemented on 1 March 2021, when effecting circulation of land operation rights, the contractor shall negotiate with the transferee and a written transfer contract shall be signed on agreed terms. The circulation contract for rural land operation rights shall be filed with the awarding party and the department in charge of land contracting of the township-level government. After the expiration of the circulation period, the transferee has the right to first renew the contract on a pari passu basis. The transferee is prohibited from changing the agricultural use of the land.

Where the contractor voluntarily entrusts the awarding party, intermediary organisation or others to circulate its land operation rights, the contractor shall issue a letter of trust for the circulation which shall specify the entrusted matter, authority and term and be signed or affixed with official chop by the trustor and the trustee. The transferee of the circulation of land operation rights shall be organisations and individuals with agricultural operation capabilities or qualifications. Under the following circumstances, the contractor can unilaterally terminate the land operation right circulation contract, and if otherwise, the awarding party has the right to terminate the land operation right circulation contract: (1) unauthorised change of the agricultural use of the land; (2) farmland being deserted and left desolate for more than two consecutive years; (3) serious damage being caused to the land or being inflicted on the ecosystem of the land; and (4) other serious breaches of contract.

Administration of Agricultural Facility Land

According to the Circular of the Ministry of Natural Resources and the Ministry of Agriculture and Rural Affairs on Matters Concerning the Administration of Agricultural Facility Land (Zi Ran Zi Gui [2019] No. 4) (《自然資源部、農業農村部關於設施農業用地管理有關問題的通知》(自然資規[2019]4號)) issued by the Ministry of Natural Resources and the MARA on 17 December 2019 and implemented on the same date, effective for 5 years, agricultural facility land includes facility land directly used for crop planting and livestock, poultry and aquaculture farming in agricultural production. Facility land for livestock, poultry and aquaculture farming includes facility land for farming production and the directly associated manure treatment, inspection and quarantine, excluding land for slaughtering and meat processing sites. Application shall be filed regarding the agricultural facility land with the township government by the rural collective economic organisation or the operator, and the township government regularly summarises the information and submits it to the competent county-level natural resources authority. Where replenishment of permanent basic farmland is involved, approval from the competent county-level natural resources authority must be obtained before construction commences.

According to the Notice of the General Office of the Ministry of Natural Resources on Issues Concerning the Guarantee of Land for Pig Farming (Zi Ran Zi Dian Fa [2019] No. 39) (《自然資源部辦公廳關於保障生豬養殖用地有關問題的通知》(自然資電發[2019]39號)) issued by the Ministry of Natural Resources on 4 September 2019 and implemented on the same date, land for pig farming is regarded as agricultural facility land and shall be managed as agricultural land, and is not subject to the approval procedures for construction land. The scale of the land used for production facilities such as pig farming pens, passageways in the production sites and green isolation belts shall be determined according to the scale of farming; the scale of supporting facilities have been increased and the 15-mu upper limit has been cancelled to satisfy the demand for facility land including that for waste treatment in pig farming.

According to the Notice of the Office of the State Forestry and Grassland Administration on Issues Related to the Use of Forest Land in Pig Farming (Ban Zi Zi [2019] No. 163) (《國家林業和草原局辦公室關於生豬養殖使用林地有關問題的通知》(辦資字[2019]163號)), where suitable forest land in the plan for the protection and utilisation of forest land to be used for pig farming, the farming enterprise (household) may sign a lease contract with the rural collective economic organisation, forest land contractor or business unit, and submit them to the competent forestry and grassland department at the county level for the record, and such suitable forest land shall be used according to the principle of not changing the usage of the forest land and not occupying the forest land quota. After the pig farming activities finish, farming enterprises (households) should restore forestry production conditions in a timely manner.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**") is revised by the SCNPC on 17 October 2020 and came into effect on 1 June 2021. According to the current Patent Law, when the invention or utility model patent is granted, unless otherwise stipulated in the Patent Law, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products for business purpose, or use the patented method and use, offer to sell, sell or import the products directly obtained with the patented method. Implementing the patent without the approval of the patent owner constitutes the infringement of patent rights. Any dispute in connection with this shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the patent owner or the relevant stakeholders may file a lawsuit in the people's court or turn to the patent administration authorities for handling.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which was revised by the SCNPC on 23 April 2019 and became effective on 1 November 2019 (the "**Trademark Law**"), the registered trademark has a validity period of 10 years starting from the registration date. The trademark registrant enjoys the exclusive right to use the trademark. Any dispute in connection with the activities the infringe the exclusive right to use a registered trademark set out in Article 57 of the Trademark Law shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the trademark registrant or the relevant stakeholders may file a lawsuit in court or turn to the industrial and commercial administrative department for handling.

Copyright and Software Registration

Copyright is protected by the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on 7 September 1990 and last amended on 11 November 2020 and effective from 1 June 2021 and the Implementation Regulations of the Copyright Law of PRC (《中華人民共和國著作權法實施條例》) issued by the State Council on 2 August 2002 and last amended on 30 January 2013, which provided provisions on the classification of works and the obtaining and protection of copyright and the related rights.

The Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on 4 June, 1991 and amended in 2001, 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatization of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organizations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognised by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items.

According to the Computer Software Protection Regulations and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on 20 February, 2002, the National Copyright Administration is mainly responsible for the registration and management of national software copyright, and the China Copyright Protection Centre is recognised as the software registration agency. The China Copyright Protection Centre will grant registration certificates to computer software copyright applicants who conform to the Measures for Registration of Computer Software Copyright and the Regulations on Computer Software Protection.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was issued by the Ministry of Industry and Information Technology on 24 August 2017 and came into effect on 1 November 2017, the Ministry of Industry and Information Technology is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

REGULATIONS RELATED TO LABOUR AND EMPLOYMENT

Employment

According to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) effective on 1 January 1995, and revised on 29 December 2018 and implemented on the same date, and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) revised on 28 December 2012 and taking effect on 1 July 2013, a labour contract shall be signed when the employer establishes labour relationship with the worker. The labour contracts shall be signed in written. When agreement is reached after negotiation, labour contracts, including fixed term labour contract, open term labour contract or labour contract based on the completion of work, shall be signed, and the salary shall be no less than the local minimum wage standard. The employer and the worker shall each fully perform their respective obligations in accordance with the labour contract.

Social Securities

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》) which was issued by the SCNPC on 28 October 2010 and came into effect on 1 July 2011 and was newly revised on 29 December 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to rectify within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. If the employer fails to pay social insurance contributions on time and in full, the social insurance agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate of 0.05% shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but not exceeding three times the amount shall be demanded by the authoritative administrative department. Meanwhile, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) issued by the State Council on 22 January 1999 and came into effect on the same day and was recently revised on 24 March 2019 prescribes the details concerning the social securities.

Housing Provident Fund

According to Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) revised by the State Council and implemented on 24 March 2019, the enterprises shall fully pay the housing provident fund contribution for the employees on time, with the contribution ratio no less than 5% of the average monthly salary of the relevant employee in the previous year. The housing provident fund contribution paid by the employees and the employers shall be owned by the employees.

LAWS AND REGULATIONS RELATED TO OVERSEAS LISTING

Overseas Securities Offering and Listing by Domestic Enterprises

On 17 February, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), together with five interpretative guidelines thereof, which became effective on 31 March, 2023 (the "**Implementation Date**").

The Trial Measures, comprehensively improve and reform the regulatory regime for overseas offering and listing of PRC domestic companies' securities, and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. The Trial Measures provide that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the PRC domestic company intending to make the securities offering and listing, or its controlling shareholder and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the PRC domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

According to the Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC within three working days after submitting the listing application documents to the overseas supervisory authorities and report relevant information. In addition, subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities or subsequent securities offerings and listings of an issuer in other overseas markets than where it has offered and listed shall fulfil the filing procedure with the CSRC under the Trial Measures. In the event of the occurrence of any of the following material events, the issuer shall make a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant event: (i) change in controlling rights; (ii) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (iii) changing listing status or changing the listing board; (iv) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its overseas offering and listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within three working days after the occurrence of the relevant change to provide an explanation of the relevant situation.

Where a PRC domestic company fail to fulfil the filing procedures or offer and list in an overseas market against the prohibited circumstances, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine of between RMB1 million and RMB10 million. Directly liable persons-in-charge and other directly liable persons shall be warned and each imposed a fine of between RMB0.5 million and RMB5 million. Controlling shareholders and actual controllers of the PRC domestic company that organise or instruct the aforementioned violations shall be imposed a fine of RMB1 million and RMB10 million. Directly liable persons-in-charge and other directly liable persons shall be each imposed a fine of between RMB0.5 million and RMB5 million. Also, where the filing documents submitted by a PRC domestic company contains misrepresentation, misleading statement or material omission, the CSRC shall issue correction orders and warnings, and impose a fine of between RMB1 million and RMB10 million. Directly liable persons-in-charge and other directly liable persons shall be warned and each imposed a fine of between RMB0.5 million and RMB5 million. Controlling shareholders and actual controllers of the PRC domestic company that organise or instruct the aforementioned violations, or enable the aforementioned violations by concealing relevant matters, shall be imposed a fine of RMB1 million and RMB10 million. Directly liable persons-in-charge and other directly liable persons shall be each imposed a fine of between RMB0.5 million and RMB5 million.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that domestic companies do not need to file with the CSRC if they have already obtained the approval of H shares offering from the CSRC before the Implementation Date, as long as they complete their overseas offering and listing within the validity period of the approval; if domestic companies fail to complete their overseas offering and listing within the validity period of the approval, they shall complete the filing procedures with the CSRC accordingly. We have obtained the approval of H shares offering from the CSRC on 30 March 2023.

On 24 February 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**"), which became effective on 31 March, 2023. The Confidentiality and Archives Administration Provisions require, among others, that PRC domestic companies seeking to list securities in overseas markets, either directly or indirectly, shall establish the confidentiality and archives policies, and shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level, if such PRC domestic companies or their overseas listing entities provide or publicly disclose documents or materials involving state secrets and work secrets of PRC government agencies to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals. Moreover, a PRC domestic company that (i) plans to, either directly or through its overseas-listed entity, publicly disclose or provide to relevant individuals and entities including securities companies, securities service providers and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest; (ii) provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfil due procedures in compliance with applicable national regulations, shall strictly fulfil relevant procedures stipulated by applicable national regulations. In addition, working papers produced in the Chinese mainland by securities companies and securities service providers in the process of undertaking businesses related to overseas offering and listing by domestic companies shall be retained in the Chinese mainland. Where such documents need to be transferred or transmitted outside the Chinese mainland, relevant approval procedures stipulated by national regulations shall be followed.

H-share Full Circulation

"Full circulation" means listing and circulating on the stock exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On 14 November 2019, the CSRC issued the Guidelines for the "Full Circulation" Programme for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) (the "**Guidelines for the Full Circulation**"), which was revised and implemented on 10 August 2023.

According to the Guidelines for the Full Circulation, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share company may be entrusted to file with the CSRC for full circulation. Unlisted domestic joint stock companies may file with the CSRC for full circulation simultaneously when applying for its overseas initial public offering and listing. After the application for full circulation has been approved by the CSRC, the H-share company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with CSDCC of the shares related to the application has been completed.

On 31 December 2019, CSDCC and the Shenzhen Stock Exchange ("SZSE") jointly announced the Measures for Implementation of H-share Full Circulation Business (《H股"全流通"業務實施細則》) (the "**Measures for Implementation**"). The businesses in relation to the H-share full circulation business, such as cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. are subject to the Measures for Implementation.

In order to fully promote the reform of H-share full circulation and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDCC promulgated the Circular on Issuing the Guide to the Programme for Full Circulation of H-shares (《H股"全流通"業務指南》) on 7 February 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralised custody, and other relevant matters. In February 2020, China Securities Depository and Clearing (Hong Kong) Limited also promulgated the Guide of China Securities Depository and Clearing (Hong Kong) Limited to the Programme for Full Circulation of H-shares to specify the relevant escrow, custody, agent service, arrangement for settlement and delivery, risk management measures and other relevant matters.

According to the Measures for Implementation and the Guide to the Programme for Full Circulation of H-shares, shareholders who apply for H Share Full Circulation ("Participating Shareholders") shall complete the cross-border transfer registration for conversion of relevant domestic unlisted shares into H Shares before dealing in the shares, i.e., CSDCC as the nominal shareholder, deposits the relevant securities held by Participating Shareholders at China Securities Depository and Clearing (Hong Kong) Limited ("**CSDC (Hong Kong)**"), and CSDC (Hong Kong) will then deposit the securities at [**REDACTED**] in its own name, and exercise the rights to the securities issuer through [**REDACTED**], while [**REDACTED**] as the ultimate nominal shareholder is listed on the register of shareholders of H-share listed companies.

According to the Guide to the Programme for Full Circulation of H-shares, H-share listed companies shall be authorised by Participating Shareholders to designate the only domestic securities company ("**Domestic Securities Company**") to participate in the transaction of converted H shares. The specific procedure is as follows:

Participating Shareholders submit trading orders of the converted H Shares through the Domestic Securities Company, which transmits the orders to the Hong Kong Securities Company designated by the Domestic Securities Company through Shenzhen Securities Communications Co., Ltd.; and Hong Kong Securities Company conducts corresponding securities transactions in the Hong Kong market in accordance with the aforementioned trading orders and the rules of the Hong Kong Stock Exchange.

According to the Guide to the Programme for Full Circulation of H-shares, upon the completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDCC, CSDCC and the Domestic Securities Company, and the Domestic Securities Company and the Participating Shareholders, will all be conducted separately.

OUR HISTORY

Overview

We are one of the major enterprises dedicated to the breeding and farming of pigs and yellow-feathered broilers in the PRC. The Group's history can be traced back to 2011 when our Controlling Shareholder, Mr. Wang Degen (王德根) recognised the potential of the husbandry industry and personally acquired a 42% equity interest in Chongqing Tequ from Sichuan Tequ and continued to develop the pig and poultry business of Chongqing Tequ. Upon the acquisition, Mr. Wang Degen became the largest single shareholder of Chongqing Tequ, which was renamed as Chongqing Dekon in 2012 and subsequently became a wholly-owned subsidiary of the Company. For details of the establishment and change of shareholding of Chongqing Dekon, please refer to the section headed "– The Corporate Development of our Company".

On 11 April 2014, we established our Company as the holding company of the Group under the laws of the PRC to regulate the corporate structure of our pig, poultry, food processing and other businesses. Since the establishment of our Company, we have undergone several capital increases and equity transfers. For details of the capital increases and equity transfers of our Company, please refer to the section headed "– The Corporate Development of our Company – Major Changes in our Company's Shareholding Structure and Registered Capital".

Over the years, we received a number of recognitions from various authorities in the PRC, including Agriculture Industrialisation National Key Enterprises (農業產業化國家重點龍頭企業) and Demonstration Forms for Livestock Farming Standardisation (畜禽養殖標準化示範場). Our operations cover 13 provinces, municipals and autonomous regions across China, with more than 8,000 employees.

Milestones

Set out below are the key milestones of our business development:

Year	**Event**
September 2011	Mr. Wang Degen acquired a 42% equity interest in Chongqing Tequ to continue to develop pig and poultry business.
May 2013	We established the No. 1 Family Farm model.
March 2013	We imported 868 breeding pigs from a Canadian pig genetics company specialising in pig breeding to build our own pig breeding system.

April 2014	The Company was established with the equity of Chongqing Dekon and cash capital contribution.
September 2015	Our farming projects of 500,000 heads of pigs in Hechuan District, Chongqing City were executed and implemented to develop our whole industry chain in Hechuan area.
November 2015	We acquired 50.5% of the equity interest of Guangdong Wizagricultural Science & Technology Co., Ltd. (廣東智威農業科技股份有限公司), an Agriculture Industrialisation National Key Leading Enterprise (農業產業化國家重點龍頭企業), which equipped us with a key laboratory of poultry genetic breeding under MARA and a new matching system for national livestock and poultry validation for the "Lingnanhuang" series.
December 2015	We established the No. 2 Family Farm model.
November 2018	Our Jianshan Nucleus Breeding Pig Farm in Zigong City, Sichuan Province was awarded the "National Nucleus Pig Breeding Farm" (國家生豬核心育種場) qualification certificate by the MARA, making us one of the 100 Nucleus breeding pig farms in China.
July 2019	Our gene bank and breeding base for yellow-feathered broilers located in Yingde City, Guangdong Province has been completed and put into production, which provides a solid basis to our quality chicken breeders and broilers product structure. We imported 500 breeding pigs from a renowned provider of advanced genetic solutions to form our terminal sire herd.
October 2020	We signed a cooperation agreement with Tönnies, one of the largest integrated meat product enterprise in Germany. We will establish a slaughterhouse with a target initial annual slaughtering capacity of two million heads of pigs in Meishan City, Sichuan Province, marking our firm step towards quality food production (EU standard).
January 2021	We became one of the first enterprises in China to introduce and implement pig futures, indicating our employment of financial instruments to effectively manage the risks of pig price fluctuations.

	Our pigs slaughtering and refined meat product processing project with an annual capacity of 3 million pigs in Nanxi District, Yibin City, Sichuan Province was officially launched.
February 2021	Our farm in Taiping, Sihong County, Jiangsu Province passed the evaluation for National African Swine Fever Free Zone, indicating the acknowledgement by the authorities for the Group's prevention and control efforts against African Swine Fever.
	Three of our pig farms were accredited as demonstration farms for livestock and poultry farming standardisation recognised by the MARA, indicating that standardisation of our livestock and poultry farming management had reached the advanced level of industry development.
April 2022	Guiyang Dekang Animal Husbandry Co., Ltd. (Zhongzhai breeding pig farm) was selected as a national core pig breeding farm.
May 2023	Our "MARA Pig Breeding and Multiplication Key Laboratory in Southwest China" was selected as the "MARA Enterprise Key Laboratory" by the MARA.

THE CORPORATE DEVELOPMENT OF OUR COMPANY

The Establishment and Development of Chongqing Dekon (formerly known as Chongqing Tequ)

On 21 April 2008, Sichuan Tequ, being a connected person of our Company, and our executive Director, Mr. Hu Wei (胡偉), contributed 85% and 15%, respectively to establish Chongqing Tequ, with a registered capital of RMB20 million. Our Controlling Shareholder, Mr. Wang Degen, and our executive Director, Mr. Hu Wei , were elected as Directors upon its establishment. At the early stage of its establishment, Chongqing Tequ was engaged in poultry business. On 7 September 2011, Mr. Wang Degen acquired 42% equity interest in Chongqing Tequ from Sichuan Tequ at a consideration of RMB10.4 million, and Sichuan Tequ transferred the remaining 35% equity interest to Mr. Chen Yuxin (陳育新) at RMB7 million, 3% to Mr. Liu Guofeng (劉國峰) at RMB0.75 million, 3% to Mr. Rao Hui (饒暉) at RMB0.75 million and 2% to Mr. Wang Dehui at RMB0.50 million. On the same date, Mr. Hu Wei transferred 5% equity interest he held in Chongqing Tequ to Mr. Tang Jianyuan (唐健源) at RMB1.24 million Chongqing Tequ was renamed as Chongqing Dekon on 5 March 2012.

Our Company was established as a limited liability company in the PRC on 11 April 2014 with a registered capital of RMB100 million. In April 2014, seven individuals, including Mr. Wang Degen, Mr. Chen Yuxin, Mr. Hu Wei, Mr. Tang Jianyuan, Mr. Rao Hui, Mr. Liu Guofeng and Mr. Wang Dehui (王德輝), jointly established the Company through contribution of their equity interest in Chongqing Dekon (valued at RMB70 million in aggregate based on assessed valuation) and cash of RMB30 million in proportion to their then shareholding in Chongqing Dekon. The shareholding structure of our Company upon its establishment is as follows: Mr. Wang Degen (42.00%), Mr. Chen Yuxin (35.00%), Mr. Hu Wei (10.00%), Mr. Tang Jianyuan (5.00%), Mr. Rao Hui (3.00%), Mr. Liu Guofeng (3.00%) and Mr. Wang Dehui (2.00%). Upon completion of the abovementioned capital contribution and transfer of equity interest, our Company became the sole shareholder of Chongqing Dekon.

Mr. Wang Degen is the younger brother of Mr. Wang Dehui, and both of them are executive Directors of the Company. Mr. Chen Yuxin is one of the substantial shareholders of the Company. For details, please refer to the section headed "Substantial Shareholders". Mr. Wang Dehui and Mr. Hu Wei are our executive Directors. For details, please refer to the section headed "Directors, Supervisors and Senior Management". Mr. Tang Jianyuan, Mr. Rao Hui and Mr. Liu Guofeng are Independent Third Parties. As mentioned in the section "Changes in shareholdings from April 2014 to May 2019", Mr. Rao Hui transferred his shareholding in the Company to Mr. Wang Degen in 2018 and is no longer a Shareholder of the Company. Mr. Tang Jianyuan was a director of the Company from March 2014 to March 2017. At our subsidiary level, he has been serving as a director of our subsidiary, Tweebie Hope (Sichuan) Food Co., Ltd. (特威比希望(四川)食品有限公司), since April 2015. Mr. Tang Jianyuan previously served as a director of Chongqing Dekon Agriculture and Animal Husbandry (Group). Co., Ltd. (重慶德康農牧(集團)有限公司) from September 2011 to December 2018, Jilin Dekon Investment Co., Ltd. (吉林德康投資有限公司) from July 2016 to October 2020, Guangdong Wizagricultural Science & Technology Co., Ltd. (廣東智威農業科技股份有限公司) from January 2016 to December 2019. He also served as the chairman of board of directors and legal representative of Sichuan Genyuan Deyi Biotechnology Co., Ltd. (四川根源德億生物科技有限公司) (dissolved) from June 2016 to December 2018, a supervisor of Guang'an Dekon Food Co., Ltd. (廣安德康食品有限公司) (dissolved) from September 2013 to July 2016 and previously held interest in Chongqing Dekon Agriculture and Animal Husbandry (Group). Co., Ltd. and Anshun Dekon Feed Co. Ltd. (安順德康飼料有限公司). Mr. Liu Guofeng was a director of the Company from March 2014 to March 2017. At our subsidiary level, he previously served as a director of Songtao Dekon Agricultural and Animal Husbandry Co., Ltd. (松桃德康農牧有限公司) from February 2012 to July 2017 and Chongqing Dekon Agriculture and Animal Husbandry (Group) Co., Ltd. from September 2011 to December 2018. Mr. Liu Guofeng also served as the legal representative of Xishui Dekon Agriculture and Animal Husbandry Co., Ltd. (習水德康農牧有限公司) from June 2012 to December 2017 and Guiyang Dekon Agriculture and Animal Husbandry Co., Ltd. (貴陽德康農牧有限公司) from May 2011 to October 2015. In addition, he previously held interest in Chongqing Dekon Agriculture and Animal Husbandry (Group). Co., Ltd.

Major Changes in our Company's Shareholding Structure and Registered Capital

Since the establishment of our Company, our Company has undergone a series of capital increases to raise funds for the development of its business and to bring in new Shareholders to the Company. The major shareholding changes of our Company are set out below:

Changes in shareholdings from April 2014 to May 2019

Pursuant to an equity transfer agreement dated 18 January 2015, Mr. Wang Degen transferred 2% equity interest he held in our Company, representing RMB2 million of the registered capital, to Mr. Chen Yuhe (陳玉和) at a price of RMB20 million. The consideration was settled on 13 February 2015.

Pursuant to an equity transfer agreement dated 11 July 2015, Mr. Chen Yuxin transferred 5% equity interest he held in our Company, representing RMB5 million of the registered capital, to Mr. Peng Benping at a price of RMB55 million. The consideration was settled on 4 August 2015.

Pursuant to an equity transfer agreement dated 5 November 2016, Mr. Chen Yuxin transferred 6% equity interest he held in our Company, representing RMB6 million of the registered capital, to CEL Maiming at a consideration of RMB120 million, which was settled on 24 November 2016.

Pursuant to an equity transfer agreement dated 30 March 2017, Mr. Chen Yuxin transferred 3% equity interest he held in our Company, representing RMB3 million of the registered capital, to Chengdu Jiakun at a consideration of RMB60.60 million, which was settled on 26 April 2017. Pursuant to another equity transfer agreement dated 30 March 2017, Mr. Chen Yuxin transferred 2% equity interest he held in our Company, representing RMB2 million of the registered capital, to Sichuan Hebang Investment Group Co., Ltd. (四川和邦投資集團有限公司) at a consideration of RMB40.40 million, which was settled on 27 April 2017. Mr. Liu Guofeng and Sichuan Hebang Investment Group Co., Ltd. entered into an equity transfer agreement dated 30 March 2017, pursuant to which Mr. Liu Guofeng transferred 1% equity interest he held in our Company, representing RMB1 million of the registered capital, to Sichuan Hebang Investment Group Co., Ltd. at a consideration of RMB20.20 million, which was settled on 27 April 2017.

Pursuant to an equity transfer agreement dated 22 December 2017, Mr. Wang Degen transferred 40% equity interest he held in our Company, representing RMB40 million of the registered capital (at a consideration of RMB119.30 million) to Desheng Ronghe, wholly-owned by him, as equity contribution to Desheng Ronghe.

Pursuant to an equity transfer agreement dated 1 June 2018, Mr. Hu Wei transferred 6% equity interest he held in our Company, representing RMB6 million of the registered capital, to Ms. Song Fuxian (宋福賢), who was an ex-associate of Mr. Hu Wei, at nil consideration. Ms. Song Fuxian is a passive investor and has never been involved in the operations of the Group, nor held any position of the Company or the subsidiaries of the Company. Pursuant to another equity transfer agreement dated 1 June 2018, Mr. Hu Wei transferred 1% equity interest he held in our Company, representing RMB1 million of the registered capital, to Mr. Wang Degen at a price of RMB20 million. The consideration was settled on 27 March 2019.

Pursuant to an equity transfer agreement dated 13 September 2018, Mr. Chen Yuxin transferred 4% equity interest he held in our Company, representing RMB4 million of the registered capital, to Desheng Ronghe at a consideration of RMB80 million, which was settled on 13 September 2018. Pursuant to an equity transfer agreement dated 13 September 2018, Mr. Rao Hui, transferred 3% equity interest he held in our Company, representing RMB3 million of the registered capital, to Mr. Wang Degen at a consideration of RMB60 million, which was settled on 12 May 2021.

On 27 November 2018, the registered capital of our Company was increased from RMB100 million to RMB101.70 million, with the additional RMB1.70 million subscribed at par value by Mr. Yao Hailong (姚海龍), Mr. Xu Wei (徐偉) and Mr. Tang Xiaoping for RMB1 million, RMB0.5 million and RMB0.2 million, respectively.

Pursuant to an equity transfer agreement dated 7 December 2018, Sichuan Hebang Investment Group Co., Ltd. transferred 2.94985% equity interest it held in our Company, representing RMB3 million of the registered capital, to Ms. Song Yuanfang (宋遠芳), an Independent Third Party, at a price of RMB72 million. The consideration had been settled on 7 December 2018.

Conversion into a joint stock company with limited liability

On 9 May 2019, the share capital of our Company comprised 250,000,000 Shares with a nominal value of RMB1 each based on the audited net assets of the Company on a pro rata basis, which were allotted to the then Shareholders in proportion to their respective capital contribution to our Company, and our Company was converted into a joint stock company with limited liability.

Changes in shareholdings from May 2019 to October 2020

On 29 June 2019, the Company resolved to issue an additional 33,295,430 ordinary Shares with a nominal value of RMB1 each. The registered capital was increased from RMB250 million to RMB283,295,430, which was subscribed by Mr. Shu Dingming (舒鼎銘) as to 3,807,107 Shares at a price of RMB15.23 million (RMB4 per Share), Zhongcheng Jinyi, an Employee Shareholding Platform of our Company, as to 7,814,213 Shares at a price of RMB77 million (RMB9.85 per Share); the remaining 16,255,549 Shares were issued to CEL Maiming at a price of RMB180 million (RMB11.07 per Share), which was paid by way of debt-to-equity swap pursuant to the debt-to-equity swap agreement dated 17 December 2018 and Suzhou Houqi as to 5,418,561 Shares at a price of RMB60 million (RMB11.07 per Share).

On 14 November 2019, our Company resolved to issue an additional 5,665,909 ordinary Shares with a nominal value of RMB1 each. The registered capital was increased from RMB283,295,430 to RMB288,961,339, which was subscribed in full by Yixing CEL at a price of RMB200 million (RMB35.30 per Share).

On 15 December 2019, our Company resolved to issue an additional 1,422,221 ordinary Shares with a nominal value of RMB1 each. The registered capital was increased from RMB288,961,339 to RMB290,383,560, which was subscribed in full by Tongchuang Deheng at a price of RMB42.80 million (RMB30.11 per Share). Tongchuang Deheng is an Employee Shareholding Platform of our Company.

On 21 April 2020, our Company resolved to issue an additional 6,701,159 ordinary Shares with a nominal value of RMB1 each. The registered capital was increased from RMB290,383,560 to RMB297,084,719, which was subscribed in full by Yixing CEL at a price of RMB300 million (RMB44.77 per Share), which was paid by way of debt-to-equity swap pursuant to the debt-to-equity swap agreement dated 14 November 2019.

Pursuant to an equity transfer agreement dated 25 June 2020, Yixing CEL transferred 2,233,720 Shares it held in our Company, representing a shareholding of 0.75%, at a price of RMB100 million to Changzhou Mailun.

Capitalisation Issue

On 30 October 2020, our Company resolved to increase the registered capital of the Company out of the undistributed profit of the Company in the amount of RMB62,915,281 on pro rata basis according to the shareholding ratios of the existing Shareholders (the "**Capitalisation Issue**"). After the completion of the Capitalisation Issue, the registered capital of our Company increased to RMB360 million.

Changes in shareholdings from October 2020 to the Latest Practicable Date

Pursuant to an equity transfer agreement dated 28 December 2020 and as a matter of family wealth arrangement, Mr. Peng Benping (彭本平) transferred 2,978,799 Shares he held in our Company, being one fifth of the shareholding held by Mr. Peng Benping before the transfer, to his brother, Mr. Peng Bengang (彭本剛), at a transfer price of RMB11 million, being one fifth of Mr. Peng Benping's investment cost of his shareholding before the transfer. Pursuant to an equity transfer agreement dated 4 January 2021 and as a matter of family wealth arrangement, Mr. Peng Bengang transferred the 2,978,799 Shares to his spouse, Ms. Song Yuanfang, at a transfer price of RMB11 million, which was determined with reference to the cost of acquiring the relevant Shares by Mr. Peng Bengang and was settled on 5 January 2021.

On 3 December 2021, the Company resolved to issue an additional 1,963,636 ordinary Shares with a nominal value of RMB1 each. The share capital was increased from RMB360 million to RMB361,963,636, which was subscribed in full by Shanghai Xunran at a price of RMB120 million (RMB61.11 per Share), which was settled on 16 December 2021.

Pursuant to an equity transfer agreement dated 6 December 2022 and as a matter of family wealth arrangement between family members, Ms. Song Yuanfang transferred 11,915,197 Shares she held in our Company to her spouse, Mr. Peng Bengang, at a transfer price of RMB83 million, which was determined with reference to the cost of acquiring the relevant Shares by Ms. Song and was fully settled on 8 December 2022.

Employee Shareholding Platforms

To incentivise our employees to make greater contributions to the Group, our Company allotted 7,814,213 Shares at a consideration of RMB9.85 per Share to Zhongcheng Jinyi on 29 June 2019, and allotted 1,422,221 Shares to Tongchuang Deheng on 15 December 2019 at a consideration of RMB30.11 per Share. The consideration per Share was based on the valuation of the Company, taking into account the discount given to the relevant platform. Both Zhongcheng Jinyi and Tongchuang Deheng are limited partnership enterprises, which interests are all held by the employees of our Company. The purpose of establishment is to subscribe for and hold the Shares. As at the Latest Practicable Date, the interests in Zhongcheng Jinyi were held by 36 employees, and the interests in Tongchuang Deheng were held by 30 employees.

The executive partner of Zhongcheng Jinyi and Tongchuang Deheng is Sichuan Dinghui Ronghe Enterprise Management Co., Ltd. (四川鼎輝榮和企業管理有限公司), which is wholly-owned by Mr. Wang Dehui. As at the Latest Practicable Date, Zhongcheng Jinyi and Tongchuang Deheng held approximately 2.62% and 0.48% of the issued share capital of our Company, respectively. For the interests of our Directors and Supervisors on the Employee Shareholding Platforms, please refer to the section headed "Appendix VI – Statutory and General Information – Further Information about our Directors, Supervisors and Substantial Shareholders – 5. Employee Incentive Scheme".

Our Principal Subsidiaries

As at the Latest Practicable Date, our Company has a total of 121 subsidiaries, out of which nine are directly held by the Company. The principal business activities, the dates of establishment of each member of our Group that has made major contributions to our operating results during the Track Record Period are set out below:

Name of company	Place and date of establishment	Principal business	Effective percentage of interest held by the Group as at the Latest Practicable Date
Chengdu Dekon Animal Husbandry Technology Co., Ltd. (成都德康畜牧科技有限公司)	PRC, 29 December 2017	Holding company	100%
Chengdu Dekon Chicken Breeding Co., Ltd. (成都德康雞業有限公司)	PRC, 10 October 2014	Holding company	100%

Name of company	Place and date of establishment	Principal business	Effective percentage of interest held by the Group as at the Latest Practicable Date
Chengdu Xindekon Food Co., Ltd. (成都新德康食品有限公司)	PRC, 17 August 2020	Holding company	100%
Chengdu Dekon Animal Health Technology Service Co., Ltd. (成都德康動物健康技術服務有限公司)	PRC, 6 November 2018	Trading	100%
Mianzhu Dekon Pig Farming Co., Ltd. (綿竹德康生豬養殖有限公司)	PRC, 13 June 2012	Pig farming	100%
Sihong Dekon Farming and Technology Co., Ltd. (泗洪德康農牧科技有限公司)	PRC, 18 April 2018	Pig farming	65%[(1)]
Horqin Right Front Banner Dekon Agriculture and Animal Husbandry Co., Ltd. (科爾沁右翼前旗德康農牧有限公司)	PRC, 13 December 2016	Pig farming	70%[(2)]
Chongqing Hechuan Dekon Pig Farming Co., Ltd. (重慶市合川區德康生豬養殖有限公司)	PRC, 28 October 2015	Pig farming	100%
Xuanwei Dekon Pig Farming Co., Ltd. (宣威德康生豬養殖有限公司)	PRC, 18 October 2012	Pig farming	100%
Xishui Dekon Agriculture and Animal Husbandry Co., Ltd. (習水德康農牧有限公司)	PRC, 4 July 2012	Pig farming	100%
Baotou Dekon Agriculture and Animal Husbandry Co., Ltd. (包頭德康農牧有限公司)	PRC, 10 September 2015	Pig farming	70%[(3)]

Name of company	Place and date of establishment	Principal business	Effective percentage of interest held by the Group as at the Latest Practicable Date
Ceheng Dekon Agriculture and Animal Husbandry Co., Ltd. (冊亨德康農牧有限公司)	PRC, 19 September 2016	Pig farming	100%
Fushun Dekon Pig Breeding Co., Ltd. (富順德康生豬養殖有限公司)	PRC, 20 May 2015	Pig farming	100%
Quxian Dekon Pig Farming Co., Ltd. (渠縣德康生豬養殖有限公司)	PRC, 17 May 2012	Pig farming	100%
Jiangan Dekon Pig Farming Co., Ltd. (江安德康生豬養殖有限公司)	PRC, 27 April 2012	Pig farming	100%
Songtao Dekon Agriculture and Animal Husbandry Co., Ltd. (松桃德康農牧有限公司)	PRC, 1 March 2012	Pig farming	100%
Anshun Dekon Agriculture and Animal Husbandry Co., Ltd. (安順德康農牧有限公司)	PRC, 9 May 2011	Pig farming	100%
Yuechi Yincheng Dekon Animal Husbandry Co., Ltd. (岳池銀城德康畜牧有限公司)	PRC, 21 January 2008	Pig farming	100%
Chongqing Wanzhou Dekon Agriculture and Animal Husbandry Technology Co., Ltd. (重慶萬州德康農牧科技有限公司)	PRC, 3 December 2018	Pig farming	76%(4)
Xinping Dekon Agriculture and Animal Husbandry Co., Ltd. (新平德康農牧有限公司)	PRC, 1 March 2017	Pig farming	100%

Name of company	Place and date of establishment	Principal business	Effective percentage of interest held by the Group as at the Latest Practicable Date
Renshou Dekon Agriculture and Animal Husbandry Co., Ltd. (仁壽德康農牧有限公司)	PRC, 4 December 2018	Pig farming	100%
Zigong Dekon Animal Husbandry Technology Co., Ltd. (自貢德康農牧科技有限公司)	PRC, 31 October 2019	Pig farming	100%
Guigang Dekon Pig Farming Co., Ltd. (貴港德康生豬養殖有限公司)	PRC, 21 September 2016	Pig farming	100%
Taijiang Dekon Agriculture and Animal Husbandry Co., Ltd. (台江德康農牧有限公司)	PRC, 31 May 2017	Pig farming	100%
Pengan Dekon Pig Breeding Co., Ltd. (蓬安德康種豬繁育有限公司)	PRC, 5 March 2008	Pig farming	100%
Guangan Dekon Pig Farming Co., Ltd. (廣安德康生豬養殖有限公司)	PRC, 18 January 2013	Pig farming	100%
Suqian Dekon Agriculture and Animal Husbandry Co., Ltd. (宿遷德康農牧有限公司)	PRC, 8 June 2020	Pig farming	100%
Yiyang Dekon Pig Farming Co., Ltd (弋陽縣德康種豬繁育有限公司)	PRC, 17 July 2015	Pig farming	95%(5)
Jiangsu Dekon Animal Husbandry Technology Co., Ltd. (江蘇德康農牧科技有限公司)	PRC, 14 December 2017	Pig farming	65%(6)
Guizhou Guian New Area Dekon Poultry Farming Co., Ltd. (貴州貴安新區德康家禽養殖有限公司)	PRC, 20 May 2011	Yellow-feathered broiler farming	99%(7)

Name of company	Place and date of establishment	Principal business	Effective percentage of interest held by the Group as at the Latest Practicable Date
Shilin Dekon Poultry Farming Co., Ltd. (石林德康家禽養殖有限公司)	PRC, 28 January 2011	Yellow-feathered broiler farming	95%[(8)]
Kunming Dekon Poultry Farming Co., Ltd. (昆明德康家禽養殖有限公司)	PRC, 30 September 2009	Yellow-feathered broiler farming	98%[(9)]
Deyang Dekon Poultry Farming Co., Ltd. (德陽德康家禽養殖有限公司)	PRC, 24 September 2009	Yellow-feathered broiler farming	100%
Xifeng Dekon Poultry Farming Co., Ltd. (息烽德康家禽養殖有限公司)	PRC, 16 December 2008	Yellow-feathered broiler farming	99%[(10)]
Guangdong Zhicheng Foods Co., Ltd. (廣東智成食品有限公司)	PRC, 23 August 2007	Yellow-feathered broiler farming	92%[(11)]
Chongqing Bishan Dekon Poultry Farming Co., Ltd. (重慶市璧山區德康家禽養殖有限公司)	PRC, 27 April 2007	Yellow-feathered broiler farming	88%[(12)]
Guangdong Wizagricultural Science & Technology Co., Ltd. (廣東智威農業科技股份有限公司)	PRC, 10 July 2003	Yellow-feathered broiler farming	92%[(13)]
Kaiping Jinjiwang Poultry Co., Ltd. (開平金雞王禽業有限公司)	PRC, 11 November 2002	Yellow-feathered broiler farming	92%[(14)]

Notes:

(1) As at the Latest Practicable Date, Sihong Dekon Farming and Technology Co., Ltd. was wholly-owned by Jiangsu Dekon Animal Husbandry Technology Co., Ltd. (江蘇德康農牧科技有限公司), which was in turn owned by Chengdu Dekon Animal Husbandry Technology Co., Ltd. (成都德康畜牧科技有限公司), a wholly-owned subsidiary of the Company, and Xuzhou Qiwang Industrial Co., Ltd. (徐州啟望實業有限公司), an Independent Third Party, as to 65% and 35%, respectively.

(2) As at the Latest Practicable Date, Horqin Right Front Banner Dekon Agriculture and Animal Husbandry Co., Ltd. was wholly-owned by Jilin Dekon Investment Co., Ltd. (吉林德康投資有限公司), which was in turn owned by Chengdu Dekon Animal Husbandry Technology Co., Ltd. (成都德康畜牧科技有限公司), a wholly-owned subsidiary of the Company, and Jilin Huixin Tiancheng Investment Co., Ltd. (吉林匯鑫天成投資有限公司), an Independent Third Party, as to 70% and 30%, respectively.

(3) As at the Latest Practicable Date, Baotou Dekon Agriculture and Animal Husbandry Co., Ltd. was wholly-owned by Jilin Dekon Investment Co., Ltd. (吉林德康投資有限公司), which was in turn owned by Chengdu Dekon Animal Husbandry Technology Co., Ltd. (成都德康畜牧科技有限公司), a wholly-owned subsidiary of the Company, and Jilin Huixin Tiancheng Investment Co., Ltd. (吉林匯鑫天成投資有限公司), an Independent Third Party, as to 70% and 30%, respectively.

(4) As at the Latest Practicable Date, Chongqing Wanzhou Dekon Agriculture and Animal Husbandry Technology Co., Ltd. was owned as to 76% by Chengdu Dekon Animal Husbandry Technology Co., Ltd. (成都德康畜牧科技有限公司), a wholly-owned subsidiary of the Company, 10% by Chongqing Wanzhou Kaiwuxiang Trade Co., Ltd. (重慶市萬州區開武祥貿易有限公司), an Independent Third Party, 10% by Chongqing Tebao Agriculture and Animal Husbandry Technology Co., Ltd. (重慶特寶農牧科技有限公司), which is in turn owned as to 97% by Mr. Wang Degen's brother, Mr. Wang Dewu (王德武) and his spouse, and 4% by Liang Wenhai (梁文海), an Independent Third Party.

(5) As at the Latest Practicable Date, Mr. Fang Ping (方平), an Independent Third Party, held 5% of the equity interest of Yiyang Dekon Pig Farming Co., Ltd.

(6) As at the Latest Practicable Date, Jiangsu Dekon Animal Husbandry Technology Co., Ltd. (江蘇德康農牧科技有限公司) was owned as to 65% by Chengdu Dekon Animal Husbandry Technology Co., Ltd. (成都德康畜牧科技有限公司), a wholly-owned subsidiary of the Company, and 35% by Xuzhou Qiwang Industrial Co., Ltd. (徐州啟望實業有限公司), an Independent Third Party.

(7) As at the Latest Practicable Date, Mr. Wan Deshun (萬德順), an Independent Third Party, held 1% of the equity interest of Guizhou Guian New Area Dekon Poultry Farming Co., Ltd..

(8) As at the Latest Practicable Date, each of the following Independent Third Parties, namely Ms. He Taojuan (何桃娟), Ms. Wang Lingli (汪玲麗), Mr. Zhang Xu (張旭), Mr. Lu Zheng Lin (陸正林) and Mr. Luo Jie (羅傑), held 1% of the equity interest of Shilin Dekon Poultry Farming Co., Ltd., respectively.

(9) As at the Latest Practicable Date, each of the following Independent Third Parties, namely Ms. Jiang Liuya (蔣劉婭) and Mr. Zhang Shu (張樹), held 1% of the equity interest of Kunming Dekon Poultry Farming Co., Ltd., respectively.

(10) As at the Latest Practicable Date, Mr. Wan Deshun (萬德順), an Independent Third Party, held 1% of the equity interest of Xifeng Dekon Poultry Farming Co., Ltd..

(11) As at the Latest Practicable Date, Guangdong Zhicheng Foods Co., Ltd. was wholly-owned by Guangdong Wizagricultural Science & Technology Co., Ltd. (廣東智威農業科技股份有限公司), which was in turn owned by Chengdu Dekang Chicken Industry Co., Ltd. (成都德康雞業有限公司), a wholly-owned subsidiary of the Company, Guangdong Agri-Sciences Group Corporation (廣東省農科資產經營有限公司), an Independent Third Party, and Academy of Agricultural Sciences Livestock Research Institute (廣東省農業科學院畜牧研究所), an Independent Third Party, as to 92.00%, 4.63% and 3.37%, respectively.

(12) As at the Latest Practicable Date, the following Independent Third Parties, namely Mr. Yin Huagui (尹華貴), Mr. Peng Chunhui (彭春暉), Mr. Zhu Changjiu (朱長久), Mr. Yu Shixin (余世新) and Mr. Cao Lixin (曹立新), held 4%, 2.5%, 2.5%, 2% and 1% of the equity interest Chongqing Bishan Dekon Poultry Farming Co., Ltd., respectively.

(13) As at the Latest Practicable Date, Guangdong Wizagricultural Science & Technology Co., Ltd. was owned by Chengdu Dekon Chicken Breeding Co., Ltd. (成都德康雞業有限公司), a wholly-owned subsidiary of the Company, Guangdong Agri-Sciences Group Corporation (廣東省農科資產經營有限公司), an Independent Third Party, and Academy of Agricultural Sciences Livestock Research Institute (廣東省農業科學院畜牧研究所), an Independent Third Party, as to 92.00%, 4.63% and 3.37%, respectively.

(14) As at the Latest Practicable Date, Kaiping Jinjiwang Poultry Co., Ltd. was wholly-owned by Guangdong Wizagricultural Science & Technology Co., Ltd. (廣東智威農業科技股份有限公司) which was in turn owned by us as to 92%. For details of the shareholding of Guangdong Wizagricultural Science & Technology Co., Ltd. please refer to note (13) above.

For changes in the share capital of our principal subsidiaries, please refer to the section headed "Appendix VI – Statutory and General Information – Further Information about Our Company – 5. Changes in Share Capital of Our Subsidiaries".

No special rights were granted to any minority shareholders of any of our subsidiaries.

ACQUISITIONS AND DISPOSALS DURING THE TRACK RECORD PERIOD

During the Track Record Period, our Company did not conduct any acquisition which would constitute an acquisition of a major subsidiary under Rule 4.05A of the Listing Rules. A significant acquisition conducted by the Company during the Track Record Period is set out below.

Acquisition of 85% equity interest in Xishui Runkang Livestock Breeding Co., Ltd. (習水潤康畜牧養殖有限公司)

Chengdu Dekon Animal Husbandry Technology Co., Ltd. ("**Chengdu Dekon**"), our wholly-owned subsidiary entered into an equity transfer agreement with Leshan Jinxin Agricultural Development Co. Ltd. (樂山錦鑫農業發展有限公司) dated 21 April 2020, pursuant to which, Chengdu Dekon acquired 85% equity interest in Xishui Runkang Livestock Breeding Co., Ltd. from Leshan Jinxin Agricultural Development Co. Ltd., an Independent Third Party, at a total consideration of RMB17 million, which was determined based on the asset valuation report issued by an independent valuer. Pursuant to the valuation report, the aggregate book value of the equity interest was RMB19,875,900 as at 29 February 2020. The purchase price was settled on 8 April 2020. Following the completion of the acquisition, the Company held 85% equity interest in Xishui Runkang Livestock Breeding Co., Ltd. through Chengdu Dekon, and the remaining 15% equity interest were held by Leshan Jinxin Agricultural Development Co. Ltd.

Xishui Runkang Livestock Breeding Co., Ltd. was engaged in the business of pig farming in Xishui County, Guizhou Province. This acquisition will benefit the Group in its regional development and expansion of production scale.

PRE-[REDACTED] INVESTMENTS

Overview

Our Company has received several rounds of Pre-[**REDACTED**] Investments since its establishment, the principal terms of which are summarised as follows:

Investor	Date of the investment(1)	Investment consideration	Full settlement date	Post-money Valuation(2)	Investment cost per Share on the date of investment(3)	[REDACTED]	Amount received by the Company
Mr. Chen Yuhe	18 January 2015	RMB20,000,000	13 February 2015	RMB1,000 million	RMB10	[REDACTED]	Nil(11)
Mr. Peng Benping(8)	11 July 2015	RMB55,000,000	4 August 2015	RMB1,100 million	RMB11	[REDACTED]	Nil(11)
CEL Maiming	5 November 2016	RMB120,000,000	24 November 2016	RMB2,000 million	RMB20	[REDACTED]	Nil(11)
Chengdu Jiakun	30 March 2017	RMB60,600,000	26 April 2017	RMB2,020 million	RMB20.2	[REDACTED]	Nil(11)
Mr. Yao Hailong	27 November 2018	RMB1,000,000	9 June 2015	RMB102 million(5)	RMB1(5)	[REDACTED]	RMB1,000,000
Mr. Xu Wei	27 November 2018	RMB500,000	1 December 2014	RMB102 million(5)	RMB1(5)	[REDACTED]	RMB500,000
Mr. Tang Xiaoping	27 November 2018	RMB200,000	19 June 2015	RMB102 million(5)	RMB1(5)	[REDACTED]	RMB200,000
CEL Maiming	17 December 2018	RMB180,000,000 (debt-to-equity swap agreement)(7)	20 December 2018	RMB3,137 million	RMB11.07	[REDACTED]	RMB180,000,000
Suzhou Houqi	29 June 2019	RMB60,000,000	24 May 2019	RMB3,137 million	RMB11.07	[REDACTED]	RMB60,000,000
Mr. Shu Dingming	29 June 2019	RMB15,230,000	30 May 2019	RMB1,133 million(6)	RMB4(6)	[REDACTED]	RMB15,230,000
Yixing CEL	14 November 2019	RMB300,000,000 (debt-to-equity swap agreement)(8)	21 April 2020	RMB13,300 million(9)	RMB44.77	[REDACTED]	RMB300,000,000
Yixing CEL	26 November 2019	RMB200,000,000	2 December 2019	RMB10,200 million(9)	RMB35.3	[REDACTED]	RMB200,000,000
Changzhou Mailun	25 June 2020	RMB100,000,000	29 June 2020	RMB13,300 million	RMB44.77	[REDACTED]	Nil(11)
Shanghai Xunran	3 December 2021	RMB120,000,000	16 December 2021	RMB22,120 million	RMB61.11	[REDACTED]	RMB120,000,000
Mr. Peng Bengang(10)	6 December 2022	RMB83,000,000	8 December 2022	RMB2,521 million	RMB6.97	[REDACTED]	Nil(11)

Notes:

(1) The date refers to the date of the relevant equity transfer agreement, share transfer agreement, investment agreement subscription agreement or shareholder resolution.

(2) Post-money valuation equals the valuation of the Company immediately following the respective investment.

(3) Before the Company was converted to a joint stock company on 9 May 2019, the Company did not have any shares. Cost per Share the conversion was calculated with reference to the investment consideration and the corresponding registered capital subscribed.

(4) Assuming HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]).

(5) Mr. Yao Hailong, Mr. Xu Wei, and Mr. Tang Xiaoping were employees of the Company. They made relevant capital contribution at the early stage of the incorporation of the Company, which was formally recognised by the shareholder resolution dated 27 November 2018. Considering their contribution to the development of the Company, the investment cost per Share offered to them by the Company was lower than that for other investors in the same period.

(6) Mr. Shu Dingming was an employee of the Company. Considering his contribution to the development of the Company, the investment cost per Share offered to him by the Company was lower than that for other investors in the same period.

(7) Pursuant to a debt-to-equity swap agreement dated 17 December 2018, CEL Maiming provided the Company with a loan in the amount of RMB180 million for a term of 4 years from the investment date, subject to CEL Maiming's right to convert the aforementioned loan into the equity of the Company based on a post-investment valuation of RMB3 billion and CEL Maiming would acquire 6% of the share capital of the Company upon completion of the conversion. On 29 June 2019, CEL Maiming subscribed for 16,255,549 Shares at a price of RMB180 million (RMB11.07 per Share) by exercising its right of conversion under the debt-to-equity swap agreement. Upon completion of the conversion, there was no outstanding loan owed by the Company to CEL Maiming under the debt-to-equity swap agreement.

(8) Pursuant to a debt-to-equity swap agreement dated 14 November 2019, Yixing CEL provided the Company with a loan in the amount of RMB300 million for a term of 3 years from the investment date, subject to Yixing CEL's right to convert the aforementioned loan into the equity of the Company based on a pre-investment valuation of RMB130 billion, provided that the conversion would be completed prior to 30 June 2020 and Yixing CEL would acquire approximately 2.31% of the share capital of the Company upon completion of the conversion. On 21 April 2020, Yixing CEL subscribed for 6,701,159 Shares at a price of RMB300 million (RMB44.77 per Share) by exercising its right of conversion under the debt-to-equity swap agreement. Upon completion of the conversion, there was no outstanding loan owed by the Company to Yixing CEL under the debt-to-equity swap agreement.

(9) The valuation in relation to the agreement dated 26 November 2019 was determined with reference to the Company's valuation on the date of the agreement while the valuation in relation to the agreement dated 14 November 2019 was determined with reference to the Company's valuation in April 2020 as disclosed in note 7 above.

(10) Mr. Peng Benping transferred 2,978,799 Shares to his brother, Mr. Peng Bengang, pursuant to an equity transfer agreement dated 28 December 2020. Mr. Peng Bengang then transferred the same number of shares to his spouse, Ms. Song Yuanfang, pursuant to an equity transfer agreement dated 4 January 2021. Ms. Song later on transferred her entire shareholding in the Company to Mr. Peng Bengang pursuant to an equity transfer agreement dated 6 December 2022. For details, please refer to "– The Corporate Development of our Company – Major Changes in our Company's Shareholding Structure and Registered Capital".

(11) The investment was a transfer of equity/shares between the relevant shareholders. For details, please refer to "– The Corporate Development of our Company – Major Changes in our Company's Shareholding Structure and Registered Capital".

Use of proceeds from the Pre-[REDACTED] Investments

We used the proceeds from the Pre-[**REDACTED**] Investments by CEL Maiming, Yixing CEL and Suzhou Houqi and Shanghai Xunran, being RMB180 million, RMB500 million, RMB60 million and RMB120 million, respectively, in our daily business development and operation, fixed asset acquisition, purchase of production equipment and buildings. As at the Latest Practicable Date, we had utilised the above-mentioned proceeds from the Pre-[**REDACTED**] Investments in full.

Other Pre-[**REDACTED**] Investments were transfers between the relevant Shareholders and the Company did not receive any investment amount.

Strategic benefits the Pre-[REDACTED] Investors brought to our Company

At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the knowledge and experience of the Pre-[**REDACTED**] Investors, as well as the additional capital brought by the investments to our Company.

Our Directors believed that our Company could benefit from their industry insights and guidance. Our Directors also believed that our Company could benefit from the Pre-[**REDACTED**] Investors' commitment to our Company, as their investment demonstrates their confidence in and endorsement of the performance, management and prospects of our Group.

Basis of determining the consideration paid

The consideration for each Pre-[**REDACTED**] Investment was determined on arm's length negotiations between our Company or Shareholders and the Pre-[**REDACTED**] Investors after taking into account the timing of the subscription and the illiquidity of the Shares of our Company as a private company when the Pre-[**REDACTED**] Investments were made.

[**REDACTED**]

Pursuant to the PRC Company Law and the undertakings made by each of the Pre-[**REDACTED**] Investors, the Shares held by each of the Pre-[**REDACTED**] Investors shall not be transferred within one year from the [**REDACTED**].

BACKGROUND OF THE PRE-[REDACTED] INVESTORS

CEL Maiming, Yixing CEL and Changzhou Mailun

CEL Maiming is a limited partnership established in the PRC on 27 February 2015, while Changzhou Mailun is a limited partnership established in the PRC on 19 May 2017. CEL Huiling Investment (Shanghai) Limited (光控匯領投資(上海)有限公司) is the executive partner of CEL Maiming and Changzhou Mailun. CEL Huiling Investment (Shanghai) Limited (光控匯領投資(上海)有限公司) is a wholly-owned subsidiary of CEL Venture Capital (Shenzhen) Limited (光大控股創業投資(深圳)有限公司), which is a wholly-owned subsidiary of China Everbright Limited.

Yixing CEL, a limited company established in the PRC on 26 September 2008, is a wholly-owned subsidiary of CEL Venture Capital (Shenzhen) Limited (光大控股創業投資(深圳)有限公司), which is a wholly-owned subsidiary of China Everbright Limited.

For limited partnerships established in the PRC, their executive partner is CEL Huiling Investment (Shanghai) Limited (光控匯領投資(上海)有限公司). CEL Huiling Investment (Shanghai) Limited (光控匯領投資(上海)有限公司) is a wholly-owned subsidiary of CEL Venture Capital (Shenzhen) Limited (光大控股創業投資(深圳)有限公司), which is a wholly-owned subsidiary of China Everbright Limited.

China Everbright Limited (a company whose shares are listed on the Main Board of the Stock Exchange, stock code: 165) is principally engaged in the provision of financial services through its subsidiaries and associates, and persistently pursues the cross-border macro asset management strategy, with specific focuses on fund and investment business.

For details of the shareholding of China Everbright Limited in our Company, please refer to the section headed "Substantial Shareholders".

Suzhou Houqi

Suzhou Houqi is a limited partnership enterprise established in the PRC on 5 January 2018 and a private equity investment fund with a capital contribution of RMB1 billion. It mainly invests in the coffee, food packaging, catering and consumer product industries. As at the Latest Practicable Date, Suzhou Houqi was owned as to 67.0% by Suzhou Houqi Zhengde Investment Centre (Limited Partnership) (蘇州厚齊正德股權投資中心(有限合夥)), 15.35% by South Hope Industry Company Limited (南方希望實業有限公司)), 5.0% by Xijie (Liaocheng) Biotech Company Limited (希杰(聊城)生物科技有限公司), 5.0% by Huafeng (Shanghai) Investment Management Company Limited (華烽(上海)投資管理有限公司), 7.65% by Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司) and 0.0001% by Beijing Housheng Investment Management Centre (北京厚生投資管理中心(有限合夥)), which is also the executive partner of Suzhou Houqi.

Mr. Peng Benping

Mr. Peng is the chairman of Sichuan Hengbang Tianfu Group Co., Ltd. (四川恒邦天府集團有限公司) and Sichuan Hengbang Energy Group Co., Ltd. (四川恒邦能源股份有限公司), which are mainly engaged in businesses related to real estate development, hotel management, urban fuel gas operation and clean energy development. Mr. Peng is an Independent Third Party.

Chengdu Jiakun

Chengdu Jiakun is a limited partnership established in the PRC on 22 January 2017, its scope of business includes corporate image planning, market research, etc. Ms. Song Yuanfang holds 97.38% interests in Chengdu Jiakun. Ms. Song Yuanfang's spouse is Mr. Peng Bengang, who is a brother of Mr. Peng Benping. The remaining equity interest of Chengdu Jiakun is held as to 1.64% by Ningbo Zhixin Hengbang Corporate Management Company Limited (寧波致新恒邦企業管理有限公司) and as to 0.98% by Cheng Sheng (程晟), all of them are Independent Third Parties.

Mr. Chen Yuhe

Mr. Chen Yuhe is mainly engaged in real estate project investments, and is currently the chairman of Shanghai Chengtai Real Estate Development Co., Ltd. (上海丞泰房地產開發有限公司). Mr. Chen Yuhe is an Independent Third Party.

Mr. Xu Wei

Mr. Xu is an employee of the Company and currently serving the Company as the chairman of northern region and vice president of food segment.

Mr. Tang Xiaoping

Mr. Tang is an employee of the Company and currently serving the Company as the head of family farm management department. Mr. Tang held 0.4677% interest in Zhongcheng Jinyi as a limited partner.

Mr. Shu Dingming

Mr. Shu is an employee of the Company and currently serving the Company as the chief scientist.

Shanghai Xunran

Shanghai Xunran is a company with limited liabilities established in the PRC on 11 August 2016. Its scope of business includes business information consultation, enterprise management consultation, etc. Shanghai Xunran is wholly owned by Mr. Wu Fuhua (吳福華). Mr. Wu Fuhua is an Independent Third Party.

Mr. Peng Bengang

Mr. Peng Bengang is the executive director of Sichuan Hengbang Shuanglin Industrial Group Co., Ltd. (四川恒邦雙林實業集團有限公司), which is mainly engaged in businesses related to real estate development. Mr. Peng Bengang is the spouse of Ms. Song Yuanfang, who held 2.47% of the issued share capital of our Company indirectly. Mr. Peng is an Independent Third Party. While Mr. Peng Bengang is an acquaintance of Mr. Wang Degen, to the best knowledge of the Company, Mr. Peng Bengang and Mr. Wang Degen do not have any past or present business relationships or co-investments, other than their respective interests in the Company.

SPECIAL RIGHTS OF THE PRE-[REDACTED] INVESTORS

Pursuant to the agreements entered into between CEL Maiming, Yixing CEL, Suzhou Houqi and Shanghai Xunran with our Company, respectively, CEL Maiming, Yixing CEL, Suzhou Houqi and Shanghai Xunran have the following special rights: (i) pre-emptive rights; (ii) anti-dilution rights; (iii) tag-along rights; (iv) rights to information; (v) exclusive rights and no more favourable terms; (vi) financial compensation rights and/or (vii) divestment rights. Such special rights were terminated prior to the submission of the [**REDACTED**] to the Stock Exchange.

Compliance with Interim Guidance and Guidance Letters

Based on the documents provided by our Company relating to the Pre-[**REDACTED**] Investments, the Joint Sponsors confirm that the Pre-[**REDACTED**] Investments are in compliance with Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017, Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017, and Guidance Letter HKEX-GL-44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

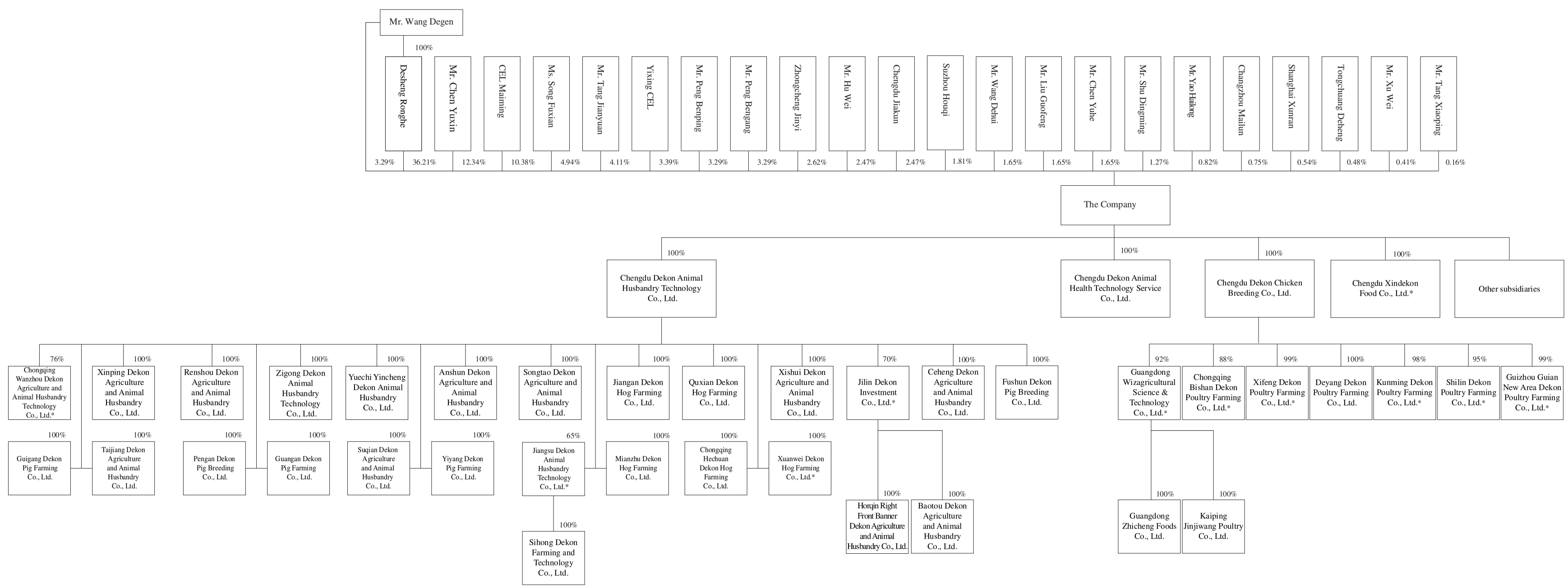
[REDACTED]

Upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the Conversion of Domestic Shares into H Shares, the H Shares held by our eight existing Shareholders, representing approximately [**REDACTED**]% of the total issued share capital, will be counted towards the [**REDACTED**]. All Domestic Shares will not be counted towards the [**REDACTED**]. Please refer to the section headed "Share Capital" for details.

CORPORATE STRUCTURE

Our Group's Shareholding Structure Immediately prior to the [REDACTED]

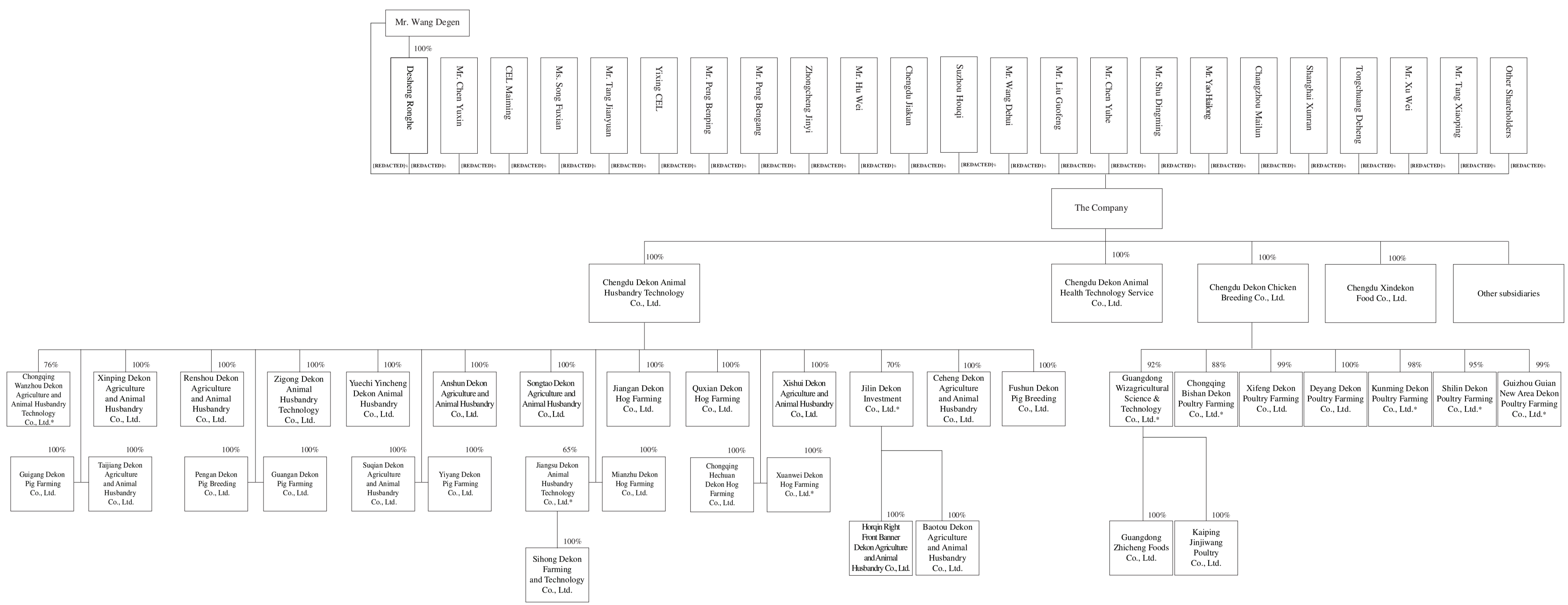
As at the Latest Practicable Date, the Company has a total of 121 subsidiaries, out of which nine are directly held by the Company. The following diagram illustrates our shareholding structure and the structure of our principal subsidiaries which have made major contributions to our operating results during the Track Record Period immediately prior to the [**REDACTED**]:



*: For information about the other shareholders of these subsidiaries, please refer to the section headed " – Our Principal Subsidiaries".

Our Group's Shareholding Structure after the [REDACTED]

The following diagram illustrates our shareholding structure and the structure of our principal subsidiaries which have made major contributions to our operating results during the Track Record Period immediately following the completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised:



*: For information about the other shareholders of these subsidiaries, please refer to the section headed " – Our Principal Subsidiaries".

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 in China. Apart from the Self-operated Farm model, we also adopt the Family Farm model, under which we cooperate primarily with individual owners of farms which are Independent Third Parties in our pigs and broiler production. Our results of operation have grown rapidly since our inception, with an increase in the sales volume of our pigs by more than 100 times in the last 10 years. As at 31 May 2023, our business footprint covered 39 cities across 13 provinces and autonomous regions in China. According to the Frost & Sullivan Report, 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 China in terms of sales volume of yellow-feathered broilers, in 2022.

Our business consists of three segments, namely pig, poultry, and ancillary products, which mainly include feed ingredients. Products of our pig segment mainly include market hogs, breeding pigs, market piglets and boar semen. Products of our poultry segment mainly include yellow-feathered broilers and chicks. In addition to breeding and farming of pigs and yellow-feathered broilers at our own facilities, we also cooperate with farm owners in pig and poultry production. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, our pig segment contributed to 70.6%, 72.4%, 78.1%, 75.2% and 78.8% of our total revenue, our poultry segment contributed to 28.1%, 26.4%, 21.4%, 24.3% and 19.9% of our total revenue, and our ancillary products segment contributed to 1.3%, 1.2%, 0.5%, 0.6% and 1.3% of our total revenue, respectively.

We have rich pig and yellow-feathered broiler genetic resources and an advanced breeding system. Our advanced breeding technologies and facilities together constitute a self-sufficient breeding system, which allows us to continuously produce quality lines. We also have a portfolio of highly competitive pig and yellow-feathered broiler products. With our rich genetic resources and advanced breeding system, we are able to continuously improve the performance of our products, build a highly competitive product portfolio, reduce production costs, and rapidly increase production scale. This allows us to gain significant competitive advantages over other enterprises that have no or insufficient breeding capability.

We have advanced R&D capabilities in China, and we were the only breeding and farming enterprise in China that had two national key leading enterprises in agricultural industrialisation (農業產業化國家重點龍頭企業) and two national-level core pig breeding farms (國家級生豬核心育種場) as at 31 December 2022 according to the Frost & Sullivan Report. As at the Latest Practicable Date, we have established the Key Laboratory for Poultry Genetics and Breeding of the Ministry of Agriculture (農業部家禽遺傳育種重點實驗室), the Leading Enterprise Technology Innovation Centre of the National Spark Programme (國家星火計劃龍頭企業技術創新中心), two national-level core pig breeding farms, the National Huiyang Bearded Chicken Breeding Farm, the "Guangdong Biological Germplasm Resource

Bank – Domestic Livestock & Poultry Germplasm Resource Bank" (廣東省生物種質資源庫 – 畜禽種質資源庫) and was selected as one of the National Livestock and Poultry Agriculture Constituent Enterprises (國家畜禽種業陣型企業). We have also cooperated with research institutions to build a number of national and ministerial breeding platforms and key laboratories, including the National Pig Technology Innovation Centre – Breeding R&D Centre (國家生豬技術創新中心 – 養殖研發中心). In recent years, by leveraging our strong R&D capabilities, excellent genetic resources and breeding system, we have conducted more than 50 national, provincial and ministerial R&D projects, including multiple National High-tech R&D Programs of China (863 Programme).

Our tightly integrated pig farming business model consists of our No. 1 Family Farm model, No. 2 Family Farm model, and Self-operated Farming model. Under our No. 1 Family Farm model, farm owners are only responsible for fattening the weaned piglets they receive from us. Under the No. 2 Family Farm model, farm owners are responsible for raising the sows they receive from us as well as producing weaned piglets that are fattened either in the No. 2 Family Farm or nearby No. 1 Family Farms. In particular, we adopted the asset-light, cost-effective and production-efficient No. 2 Family Farm model in China. Compared with other farming models, the No. 2 Family Farm model (i) is less capital intensive and more scalable; (ii) has stronger profitability; (iii) is more conducive to the prevention and control of animal diseases and the protection of the biological assets of crossbred sows; (iv) has a higher entry barrier and offers a more comprehensive training programme for farm owners, which enables farm owners to master more professional farming technologies; and (v) generates higher and more stable income for and provides stronger incentives to farm owners.

With our highly standardised farm management system and farming business model, the scale of our business had grown rapidly during the Track Record Period. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, the sales volume of our pigs amounted to approximately 1.4 million heads, 3.7 million heads, 5.4 million heads, 2.3 million heads and 2.9 million heads, respectively, and the sales volume of our yellow-feathered broilers amounted to approximately 72.4 million birds, 75.8 million birds, 78.6 million birds, 29.4 million birds and 34.6 million birds, respectively. During the same periods, our revenue amounted to RMB8,145.3 million, RMB9,901.6 million, RMB15,037.0 million, RMB4,581.2 million and RMB6,362.2 million, respectively.

We believe that we are well-positioned to capture the strong and steady-growing pork and chicken consumption demand in China. Along with the improvement of living standard and the increase in meat consumption, Chinese consumers' demand for animal-based protein continues to grow. According to the Frost & Sullivan Report, in terms of revenue, the scale of pig and yellow-feathered broiler breeding and farming industry in China is expected to exceed RMB1.5 trillion by 2027, with a trend of increasing market concentration. According to the same report, for 2022, CR10 of China's pig farming enterprises was only approximately 18.0%, as compared with approximately 50.6% in the United States, which indicates that there is still ample room for leading enterprises to grow.

OUR COMPETITIVE STRENGTHS

Desirable scale and growth rate in China, well-positioned to achieve sustainable rapid growth

Since inception, we have experienced rapid growth in terms of sales volume of our pigs and yellow-feathered broilers, which were dual drivers for our business growth

We are a rapidly growing livestock and poultry breeding and farming enterprise in China. For 2022, according to the Frost & Sullivan Report, the sales volume of our pigs amounted to approximately 5.4 million heads, ranking sixth among pig suppliers in China in terms of sales volume of pigs, and we ranked third among all yellow-feathered broiler suppliers in China in terms of sales volume of yellow-feathered broilers.

We have experienced rapid growth since our inception in 2011, with an increase in the sales volume of our pigs by more than 100 times in the last 10 years. We ranked first in terms of CAGR in sales volume from 2020 to 2022 among the top ten enterprises in China, according to the Frost & Sullivan Report. Our mutually beneficial and asset-light family farm models have contributed to our sustainable, quality and rapid growth. With pork and chicken being the two primary sources of animal protein for Chinese consumers and having long dominated the meat consumption market, our pig and poultry segments are not only dual drivers for our business growth, but also provide us with significant flexibility in our business strategies as well as strong resistance against market volatility risks.

An ample stock of quality nucleus and multiplication herds

We have an excellent nucleus breeding herd in terms of stock volume. As at 31 May 2023, we had two national-level core pig breeding farms. As at the same date, we had a nucleus herd of approximately 14,800 breeding pigs (including gilts and studs) and 148,100 purebred breeding pigs, which formed an established breeding and multiplying system that spans from the great grand parent, grand parent to parent generations of pigs. As at 31 May 2023, we had also established 14 chicken breeder farms, which can continuously breed quality chicken breeders and DOCs. As at 31 May 2023, we had a nucleus flock of approximately 267,500 chicken breeders and were a major player in the industry among large-scale livestock and poultry breeding and farming enterprises in China according to the Frost & Sullivan Report.

Our ample stock of nucleus and multiplication herd provides adequate resources of piglets and DOCs, which afford us our core cost competitiveness and enable us to increase profitability by swiftly ramping up production when pork and chicken prices rise. As at 31 May 2023, based on our nucleus herd, we had the ability to reach a production scale of over 550,000 heads of quality sows, which can support an annual production capacity of over 30.0 million heads of piglets. As at the same date, our nucleus flock can support an annual production capacity of approximately 147.3 million birds of DOCs. Our breeding stock breeding system can satisfy our demand for piglets and DOCs without relying on external breeding stocks. Given the industry's continuous increase in scale, the ability to achieve self-sufficiency of piglets and DOCs supports our business expansion, ensures the stability of our industry chain, and provides us control over the costs of piglets and DOCs. Furthermore, geographical locations of our nucleus and multiplication herds are highly compatible with those of our farms, which effectively ensures that our farms' demands for sows, piglets and chicks can be met by nearby nucleus and multiplication herds, thereby reducing the risks and costs of transportation.

Continuous increase in market concentration, providing ample room for development

Currently, China's breeding and farming industry still has a relatively low concentration. For 2022, CR10 of China's pig farming enterprises was approximately 18.0%, as compared with approximately 50.6% in the United States, which indicates that there is still ample room for leading enterprises to increase their market share in China, according to the Frost & Sullivan Report. The development of China's breeding and farming industry in recent years is characterised by a rapid increase in concentration and scale. Furthermore, as the Chinese government continues to attach great importance to food safety, environmental protection and other related issues, the increasingly stringent industry standards for pig production provide a favourable environment for scaled farms that are equipped with advanced technologies to enhance their competitive advantages.

We have a vertically integrated business model covering the entire industry chain from feed production to breeding and farming of pigs and yellow-feathered broilers. Our business model enables us to effectively control production costs and monitor production processes, and supports the continuous expansion of our business scale. We believe that with our ample stock of nucleus herds with significant advantages, advanced breeding and ancillary technology supporting system, and mature and standardised farming models, we will be able to capitalise on the industry consolidation trend and continue to solidify our scale advantage and sustain rapid growth.

Mutually beneficial farming models with strong penetration and expansion capabilities, improving farming efficiency

Synergistic farming models, laying the foundation for our asset-light expansion

Our tightly integrated farming business model consists of the Self-operated Farm model, the No. 1 Family Farm model and the No. 2 Family Farm model which support and complement each other, laying a solid foundation for our development. Under the Self-operated Farm model, we breed and farm sows and piglets and fatten market hogs. Under the No. 1 Family Farm model, farm owners only fatten market hogs. Under the No. 2 Family Farm model, farm owners use crossbred sows and boar semen they receive from us to produce piglets that are either fattened at the No. 2 Family Farm or nearby No. 1 Family Farms.

Our self-operated farms provide quality sows for family farms and enable us to establish and continuously optimise our standardised farming system. The large-scale of our family farms allows us to obtain abundant breeding and farming data, including data in relation to the performance of pigs, fattening technology and feed nutrition technology to continuously improve our breeding and farming performance. Furthermore, the mature and standardised fattening technology and management system developed in our self-operated farms can be applied across our family farms.

Our family farms operate based on an asset-light model that supports our rapid expansion. During the Track Record Period, the growth in our sales volume was primarily driven by family farms, with the sales of pigs raised under the No. 1 Family Farms contributing to 63.1%, 54.9%, 68.7%, 66.3% and 69.0% of our total revenue from the sales of pigs for 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, respectively. The family farm models lower our overall capital investment and enhance our investment returns, thereby facilitating our scale expansion. In particular, our No. 2 Family Farms and No. 1 Family Farms are adjacently located to complement each other. Piglets bred by No. 2 Family Farms can be used to meet the demand for piglets and improve the farming scale and efficiency of the surrounding No. 1 Family Farms. This arrangement also reduces the movement of piglets, thereby mitigating the risk of loss of biological assets from diseases and stress and improving the safety of our biological assets. We typically have higher knowledge and skill requirements for our No. 2 Family Farm owners, and we train No. 1 Family Farm owners, who have strong fattening skills and willingness to learn and a strong sense of responsibility, into No. 2 Family Farm owners.

Family farm models mutually benefiting farm owners and us, forming the bedrock of our business

The family farm models allow us to continuously expand our business scale using an asset-light approach. Under the family farm models, we provide farm owners with production materials such as sows, piglets, feed, medicines and vaccines on open account terms subject to farm owners' payment of deposits, which reduces the capital requirement for daily operation and alleviates the financial pressure on farm owners. Farm owners are mainly responsible for providing the fixed assets required for farming, such as lands and farming facilities.

We provide farm owners with technical support and guidance to help them raise pigs with confidence as well as a stable source of income. We provide farm owners with comprehensive trainings, including ad-hoc training sessions to facilitate the exchange of farming experience, to continuously enhance the farming knowledge of our farm owners. We have dedicated technical personnel who regularly monitor and visit farm owners to help resolve problems they encounter in the farming process and veterinarians who provide timely technical advice to our farm owners. Furthermore, this arrangement ensures that farm owners are adequately compensated and motivated to invest in farming on a long-term basis, and improves their breeding and farming technology, which in turn increases our pig sales volume and revenue.

Our mutually beneficial business model has earned us a good reputation among farm owners, which facilitates the expansion of the scale of our cooperation. For 2022, the average annual income of our farm owners was approximately RMB247,450, which was approximately 3.1 times the disposable income of a four-person household in rural China. We have a close and long-standing cooperation relationship with farm owners. As at 31 May 2023, family farms with whom we had more than three years of cooperation accounted for approximately 37.0% of our family farms. As a result, new farm owners continue to join and cooperate with us, thereby facilitating our penetration and expansion in rural China.

Efficient No. 2 Family Farm model, further improving our farming and expansion efficiency

Our pig farming business mainly adopts the family farm models. In our constant exploration and optimisation of the family farm models, we have adopted the No. 2 Family Farm model in China, which has significant advantages compared to other farming models.

The No. 2 Family Farm model provides farm owners with more stable and predictable income, which incentivises farm owners to continuously improve their farming techniques, which in turn increases the sales volume and revenue of our pigs. The breeding scale of sows raised by farm owners can better support the demand for piglets on the farm, and the ability to ensure stable supply of piglets minimises disruptions to the farms' production plans. Compared with the No. 1 Family Farm model which adopts an all-in-all-out model in its production, the farm owners are responsible for raising crossbred sows under the No. 2 Family Farm model, which provides the farm owners a more reliable source of piglets, and more stable and predictable income. As a result, the No. 2 Family Farm model is more stable in terms of operation and provides farm owners with a stronger sense of security. Under the No. 2 Family Farm model, the efforts made by the farm owners are directly reflected in key performance indicators such as the survival rate of piglets, which has a more direct impact on the income of the farm owners.

The No. 2 Family Farm model can effectively reduce risks in relation to disease prevention and control. Our sows are dispersed and raised in various regions across China. Our No. 2 Family Farms are usually moderate-scale farms that are less prone to epidemics such as African Swine Fever, which in turn improves the safety of our biological assets and ensures the continuous, efficient and stable growth of our sow population and the stability of our production. In addition, the No. 2 Family Farm model enables individual farms to be self-reliant by having sufficient piglets to meet their own production needs. This model also reduces the risks of losses and diseases associated with transportation of piglets.

Farm owners under the No. 2 Family Farm model are more technically capable and sticky. For No. 2 Family Farms, we select high-quality farm owners and provide them with longer-term and comprehensive training to enhance their farming and disease prevention and control techniques. Our No. 2 Family Farm model has cultivated a large number of high-quality and diligent farm owners, whose stickiness and loyalty have further strengthened our competitive position.

Moderate-scale farming optimal for China, enabling us to work with farm owners to revitalise rural communities

Increasing the scale of production is one of the key indicators of development in modern animal husbandry, and that of China's breeding and farming industry is still relatively low. According to the Frost & Sullivan Report, as at 31 December 2022, the proportion of pig farms with an annual output volume of 500 or more heads accounted for approximately 60.8% of the total number of pig farms as compared with approximately 97.0% in the United States. This indicates that China's breeding and farming industry still has plenty of room for growth in terms of production scale.

We believe that moderate-scale farms with a stock volume of 500 to 5,000 heads of pigs, which constitute the majority of our farms, are optimal for China. As a result of China's diversified geographical landscape, uneven economic development and fragmented market demand, there are many constraints on the development of farms with stock volume of over 5,000 heads of pigs. Moderate-scale family farms with a stock volume of 500 to 5,000 heads of pigs have the requisite scale and standard to enable division of labour and benefit sharing mechanism between farming enterprises and farm owners, and are environmentally friendly, efficient and sustainable. During the Track Record Period, the scale of our family farms were generally maintained at 50 to 500 sows per farm, 1,000 to 3,000 market hogs per farm and 10,000 to 50,000 broilers per farm, respectively.

The opportunity to participate in the investment and management of farms not only meets the needs of "homecoming farm owners" who returned to their hometowns to start their own businesses, but is also well suited for these farm owners in terms of the required knowledge and production experience. Farms that operate under the cooperation of enterprises and individual farm owners can serve as examples in local areas and promote economic development. Our family farm models are in line with the Chinese government's initiative on scaled farming and "homecoming farm owners". While continuing to expand our business scale, we work with farm owners to help them escape poverty and become prosperous, which in turn contribute to the rural revitalisation in China. We were awarded, among others, the honorary title of Advanced Private Enterprise in the National "Thousands of Enterprises Helping Thousands of Villages" Targeted Poverty Alleviation Action jointly by the All-China Federation of Industry and Commerce and the State Council Leading Group Office of Poverty Alleviation and Development (國務院扶貧開發領導小組辦公室) in 2020. Please refer to the section headed "– Major Awards and Recognition" for details.

Business model with strong penetration and expansion capabilities

We are deeply rooted in Southwest China. As at 31 May 2023, we had 2,196 family farms in Southwest China, forming an established farming system in the region. Our business model equips us with strong penetration capabilities. For example, as at the same date, we had 170 family farms in Hechuan County, Chongqing alone, and there remains immense potential for us to further expand in the Southwest China market.

In addition, we have established our operations throughout the main food production and pig sales regions in South China, East China and Northeast China. As at 31 May 2023, we had three nucleus breeding farms, two boar studs, and 20 multiplying farms to support our future expansion plans in these regions.

Our family farm models are scientific and efficient with mature management systems, which lay a solid foundation for our national business expansion. In the future, while we will continue to lead and cultivate the Southwest China region, we also plan to replicate our family farm models across the country.

Advanced platform and technology system with significant advantages and outstanding performance

Advanced technological platform, reinforcing our competitiveness

We also have cooperated with research institutes to build the National Pig Technology Innovation Centre – Breeding R&D Centre (國家生豬技術創新中心 – 養殖研發中心), and the Southwest Branch of the National Pig Health Collaborative Innovation Centre (國家生豬健康協同創新中心西南分中心). These R&D facilities provide us with a first-class domestic R&D platform for pig and poultry breeding, healthy farming and precision nutrition, and a first-class domestic R&D team. In addition, as at 31 May 2023, we had five national and five provincial and municipal R&D platforms, which primarily serve to facilitate the R&D of breeding and farming technology, covering areas including genetic researches, operation enhancement, new product development, collaboration with universities and research institutions. We have two national core pig breeding farms and was selected as one of the National Livestock and Poultry Agriculture Constituent Enterprises (國家畜禽種業陣型企業). In recent years, by leveraging our strong technological advantages, genetic resources and breeding system, we have undertaken more than 50 national, provincial and ministerial major R&D projects, including multiple National High-tech R&D Programs of China (863 Programme). Please refer to the section headed "– Research and Development" for details.

Self-sufficient breeding system, excellent performance of breeding pigs and chicken breeders

We are equipped with a range of advanced breeding technologies, which include pure line genetic evaluation technology, such as genome selection technology, marker-assisted selection and conventional breeding technology, targeted matching technology for pure line and hybrid matching, and AI and induction technology based high-throughput phenomics assay technology. Through combining various breeding technologies, we have constructed an efficient and advanced breeding system. As a result of our continuous investment in our in-house breeding system, our breed supply capabilities have been continuously enhanced. Quality breeds form the core competitive strengths of breeding and farming enterprises, which we have been able to develop on the foundation of our breeding system.

For each of the twelve months ended 31 December 2022, our national-level core pig breeding farms were consistently ranked one of the top farms by the Monthly Data Analysis Report of National Core Pig Breeding Farm (《生豬國家核心育種場月度數據分析報告》) issued by the National Pig Genetic Evaluation Centre (全國種豬遺傳評估中心). Among others, in May 2022, one of our national-level core pig breeding farms ranked first in China in terms of the growth performance of Duroc, Large White and Landrace.

As at 31 May 2023, we had five foreign breeding pig variety lines with excellent performance and two domestic local pig variety lines and 45 proprietary variety lines of broilers. Furthermore, as at the Latest Practicable Date, one of our supporting broiler lines has been awarded the National Certificate for New Breeds (Supporting Lines) of Livestock and Poultry (國家畜禽新品種(配套系)證書), and two other supporting broiler lines were in the course of applying for the National Certificate for New Breeds (Supporting Lines) of Livestock and Poultry. For example, through research on the protection, development and utilisation of Huiyang beard chickens, we have successfully bred "Lingnan Yellow-Feathered Chicken No. 3", a new supporting line of nationally recognised broilers, the egg production of which is double and the feed consumption for egg production is half that of the original breed.

Precision nutrition technology system, improving the efficiency of livestock and poultry breeding and farming

Our nutrition technology system includes five major aspects, namely precision nutritional needs, precision raw materials, precision formula, precision processing and precision feeding, which allows us to maximise the reproduction and growth performance of pigs. This technology adopts different nutritional strategies for pigs at different growth stages. It enables accurate evaluation and use of raw materials through in vitro bionic digestion technology, near-infrared detection technology and dynamic raw material database. It adopts net energy/digestible amino acid/digestible phosphorus system for formula design. We also have feed production and processing technology, which is characterised by high maturity, high precision and high efficiency.

We adopt different feed formulas to accurately meet the nutritional needs of pigs at different growth stages and achieve optimal feeding and production efficiency. For sows feeding, we use dynamic data-based fat measurement and seasoning technology to achieve precise nutrition. They can decrease the annual feed consumption per sow by more than 49 kilograms while increasing PSY by more than 1.61 heads. The feed conversion rate of 110 kilograms of body weight were 2.47, 2.52, 2.50 and 2.48, respectively, for 2020, 2021, 2022 and the five months ended 31 May 2023.

We have a comprehensive feed cost control system, including raw material valuation assessment and valuation procurement technology, high-efficiency enzyme preparation technology, low-protein diet technology and low corn/low soybean meal diet technology. This system enables us to promptly adjust the formulas and procurement strategies and increase the proportion of unconventional feed ingredients, such as peanut meal, sunflower meal and rice polishing powder, when the prices of major feed ingredients rise, thus allowing us to effectively control our feed costs, save grains and reduce emissions. When the price of corn and soybean meal is relatively high, we apply low corn or low soybean meal diet technology to some of our feed. For example, since 2021, we employed a technique that can reduce the proportion of corn and soybean meal in feed to only approximately 5.0% and 2.8%, respectively, which allowed us to significantly reduce the cost per head of pig without lowering their performance.

In addition, we have successfully applied antibiotic-free technology to our feed. Our fermentation technology also improves the digestibility and utilisation rate, which can reduce the cost of each market hog. In addition, we apply advanced feed technology to our self-operated feed mills. Furthermore, we have built our own feed mills to enhance our control over the quality of our products. As at 31 May 2023, we had 12 feed mills across China, with an aggregate annual production capacity of up to 2.7 million tonnes and an overall feed self-sufficiency rate of approximately 55.4% for 31 May 2023. Our feed mills are well situated and close to our major pig and yellow-feathered broiler farms to minimise transportation cost.

A sound animal health management system, ensuring our biological and food safety

Animal health management is essential to ensure our steady development. We have taken active prevention and control measures for the outbreak of African Swine Fever and other diseases, purification of major diseases, and food safety enhancement through our biosafety system and related disease purification technologies. We have established an effective biosecurity system that covers, among others, the following aspects:

Site selection. We develop and implement strict biosecurity specifications, including terrain, separation of roads for entry and exit, distance from dangerous areas, water quality, air quality, distribution and ventilation of the barns. Ecological environment and means of isolation are also considered holistically to ensure that the farm has a natural barrier against epidemic.

Application of advanced design concepts. We adopt various advanced concepts in designing our facilities, including that (i) the planning and design of our farms strictly follow the principle of separating the areas of personnel isolation, living, production and environmental protection; (ii) the layout of the production sites of our pig farms are well-suited to the production process, which reduces the time and distance for the transfer of pigs during different stages of production; (iii) the pig house follows the model of large buildings and small units, which is conducive to cooling in the summer and heat preservation in the winter, facilitating all-in and all-out of units and epidemic prevention and control; and (iv) decontamination facilities are installed in each area.

Use of advanced hardware. We leverage advanced biosecurity facilities and equipment on and off-site to decontaminate materials, personnel and vehicles to reduce the risks of contamination in the pig farms. We use advanced ventilation and modern environmental control equipment to stabilise the environment, including air quality and temperature, and reduce the risk of the spread of diseases. Due to our rapid expansion in recent years, we enjoy latecomer advantage as the design, construction, and scale of our pig farms and relevant equipment are relatively modernised, advanced and complete, which allow us to maintain optimal biosecurity conditions.

Comprehensive biosafety training system. We have a well-established biosecurity training system for all employees to raise their awareness, enhance their skills and sense of responsibility, and lay a foundation for a strong organisational commitment to disease prevention and control.

Close supervision. We have formulated a strict and effective biosecurity system and supervision mechanism for livestock and poultry farms to ensure that all personnel, materials, vehicles and livestock and poultry are transported, cleaned, disinfected and isolated in accordance with biosecurity regulations, and we monitor the infection pressure in the areas surrounding the pig farms in order to detect early warning of infection pressure in the surrounding environment. We have also established a quality traceability system through which we are able to strictly control and monitor the flow of our products along the industry value chain.

Disease purification technology, ensuring food safety of poultry and livestock products

We are committed to providing safe, quality and reliable products, and we believe that the continuous development of disease purification technology is key to ensuring safety. We have designed and deployed a laboratory system based on the regional distribution of our pig farms. The system specifies the positioning and functions, is equipped with standards for the construction and operation of laboratories at all levels and establishes pathogens, serology and other detection technologies to meet various testing needs and ensure the timeliness and accuracy of testing.

We formulate a customised health monitoring plan for each pig herd to monitor the overall antibody level and pathogen prevalence. We have systematically carried out and achieved notable progress on the purification of several key swine diseases, including African Swine Fever.

For yellow-feathered chicken breeders, we have established a disease monitoring, prevention and control system that integrates pathogen isolation, identification, drug resistance monitoring, host serology monitoring, immunity prevention and control, and clinical prevention and treatment. We have purified Mycoplasma synoviae through purification technologies such as biosecurity and vaccination and have reduced (i) the incidence rate of leg diseases caused by Mycoplasma synoviae in our chicken breeders by approximately 42% and the incidence rate within the flock by 90%, and (ii) the average cost of medicine for a single chicken breeder by approximately RMB0.12.

An efficient and standardised operation and management system, covering all business aspects from procurement to production and sales

Procurement process

We adopt a centralised procurement strategy. The vast majority of our raw materials are purchased in bulk by the headquarters through centralised procurement, which allows us to leverage economies of scale, reduce overall procurement cost and achieve greater efficiency.

Production process

We have a complete, efficient and standardised family farm operation system, which affords us a high degree of control over the entire production process, ensures stable product quality, reduces overall operating costs and improves production efficiency. The system covers various aspects of our business operation, spanning from farm site selection, farm construction, animal safety management, feeding and production, training and supervision of farm owners, product quality control of pigs and broilers to environmental protection, in particular:

Selection of farm owners. We select farm owners with reference to their financial resources, education background, integrity as well as conditions of the family farms. As at 31 May 2023, approximately 13.6% of our family farm owners held a college degree or above. Please refer to the section headed "– Production – Pig Production – Pig farming – Selection and supervision of farm owners" for details.

Batch production. Our pig farms adopt a batch production model. We set the production of the pig farms to a regular schedule of mating, farrowing, weaning and immunisation within a fixed period of time to ensure more regular production. This allows us to manage the production of pigs more efficiently and enables us to raise the per capita feeding capacity to over 200 heads of breeding pigs, thereby reducing the management cost per capita for each pig.

Medicine withdrawal period management. We strictly implement the medicine withdrawal period management system to ensure that all pigs and broilers reach the medicine withdrawal period before sampling for medicine residue testing. We have also established a special medicine residue testing system that trains and monitors the execution of testing personnel on a regular basis to ensure the accuracy of execution and stability of testing.

Environmental protection. In respect of our environmental protection efforts, we have established noise, wastewater and solid waste treatment systems. For example, we recycle biogas to use as fuel in pig farms. We use a hazard-free high-temperature biodegradation machine to treat sick and dead pigs in pig houses, and use the by-products as raw materials for organic fertiliser. In terms of management mechanism, we implement a grid-based management of headquarter personnel and a three-level management system for regional companies. Please refer to the section headed "– Environment and Social Matters" for details.

Sales process

We have established a sales prediction model to predict the best timing for the sales of pigs to maximise profits. Based on years of market research and the accumulation of massive data, we have established a visual forecasting model based on a number of parameters, such as pig growth curve, dynamic farming cost and market sales price, to predict the optimal weight and timing for the sales of pigs. In addition, we have established the "Dekon Group Pig Selling System (德康集團生豬銷售系統)", through which our customers can order pigs by bidding after registering and paying a deposit. The system allows us to expand the pool of customers, sell our pigs at the best price, achieve standardisation, and improve the efficiency and effectiveness of our sales process.

A visionary and practical management team, supported by all-round talents

Mr. Wang Degen, our founder, is an entrepreneur with a history of continuous business success, and he has extensive experience in the breeding and livestock feed industry with a strategic vision. For details of Mr. Wang Degen's experience, please refer to the section headed "Directors, Supervisors and Senior Management" in this document. Our senior management members, with an average of more than ten years of industry experience, are committed to our mission of "doing real work to provide high-quality food for Chinese consumers" and strive to develop our Company into a high-end food ecosystem builder. Under their leadership, we have grown rapidly and have been able to focus on solving the bottleneck problem of breeding, achieving self-sufficiency in breeding pigs and chicken breeders.

We have a highly qualified R&D team. As at 31 May 2023, our R&D team had 147 employees, among which 82 held master's degree or above, including nine holding doctor's degree. As at the same date, the majority of the members of our R&D team were holders of bachelor's degrees or above. In addition, we have established a multi-disciplinary R&D team with experts in fields such as genomics, genetics, mathematical statistics, breeding, nutrition and veterinary medicine.

We have the ability to attract global talents. We have engaged various experts as our regular technical and R&D consultants to provide advice on our R&D strategies and direction when we encounter technical bottlenecks. These experts include Professor Guosheng Su, an internationally renowned breeding expert from Aarhus University, Denmark, as well as leading domestic R&D teams from various universities. Please refer to the section headed "– Production – Pig Production – Pig Breeding" for details.

We place great emphasis on the recruitment and training of talents. As at 31 May 2023, we had 8,670 employees, which we believe can adequately support our long-term development. As at 31 May 2023, approximately 30.7% of our employees held associate degrees, 17.7% held bachelor's degrees and 1.8% held master's degrees or above. We also place great importance on talent training to help our employees achieve career development and hold key positions within our Group in the future. For example, as at 31 May 2023, we had sponsored over 100 visits for our employees to participate in exchanges of technology and experience relevant to our business abroad. Please refer to the section headed "– Employees" for details.

OUR BUSINESS STRATEGIES

By leveraging our No. 2 Family Farm model and the integration of our self-operated farms and family farms, we intend to achieve cost-effective and efficient expansion of our pig and yellow-feathered broiler farming business to solidify our market position

Further expand the footprint of our farms nationwide through integration of our self-operated farms and family farms

With the sustained operation of our self-operated farms, we have developed breeding and farming know-how, including our breeding technique, precise nutrition strategies and farming technique. We plan to continuously promote the application of these know-how to No. 1 Family Farms and No. 2 Family Farms, so as to allow farm owners to improve their breeding efficiency. While we will continue to strengthen our market position in the Southwest China where we currently operate, we intend to further expand our geographical presence, focusing on regions such as provinces in South China and East China where demand and price for pork are high and feeding and transportation costs are low. Through the above strategies, we strive to become a top three player in terms of sales volume among all pig suppliers in China in the next five years.

Rapidly increase our pig farming scale by promoting the No. 2 Family Farm model in China

For pig farming, while we will maintain sound operation and expand our self-operated farms and No. 1 Family Farms, we will also continue to focus on the development of our No. 2 Family Farm model so as to expand our network and breeding scale under this model, increase our R&D investment and improve our breeding efficiency, thereby solidifying our market position and cost advantages to enhance high entry barriers to our competitors. Under the No. 2 Family Farm model, farm owners are responsible for feeding a certain portion of sows, as well as the fattening of piglets, which helps us increase the number of sows using an asset-light approach. While better supporting the needs of farm piglets and expansion of the breeding scale, the No. 2 Family Farm model also offers unique advantages in terms of biosecurity, farming costs, expansion capabilities, internal replication, decentralisation, sustainable development, and asset investment.

In addition, we plan to increase our R&D investment in No. 2 Family Farms to strengthen the nurturing and promotion of quality variety lines, in order to enhance competitiveness of the products. We also plan to improve the IT systems in No. 2 Family Farms and promote digitalisation of their breeding processes with a goal of enhancing breeding efficiency, achieving standardisation and ensuring safety. We will continue to optimise the No. 2 Family Farm model and further extend our farming network from Southwest China to South China, East China and other major provinces where there is strong demand for pork consumption.

Through the No. 2 Family Farm model, we are committed to observing the PRC government's policy on supporting the development and modernisation of the rural agriculture industry and helping farm owners build inheritable family businesses to increase their income, so as to achieve sustainable development that benefits farm owners, enterprises and the country as a whole.

Continuously expand the scale of yellow-feathered broiler farming, and realise the dual-wheel driver of the pig and yellow-feathered broiler segment

We will continue to leverage our broiler breeding resources to further expand our farming scale and increase the proportion of slow and medium-growth yellow-feathered broilers in our product portfolio. We will also improve the quality of our products to differentiate from our competitors' and further enhance our market share in the high-quality yellow-feathered broiler market, which we believe will complement our business in the pig segment and create a dual-wheel driver for both business segments.

Continue to increase investment in R&D to improve breeding and farming technology, and further improve breeding efficiency and cost-effectiveness

Apply digital intelligent breeding technology to accelerate breeding selection to comprehensively improve the genetic performance of breeding pigs and chicken breeders, thereby enhancing market competitiveness

We will continue to increase our investment in R&D of breeding and farming technologies to maintain our advantages in this regard. We will utilise our rich genetic resources to conduct selective breeding through advanced genome selection technology to accelerate genetic progress, further optimise pig and yellow-feathered broiler breeds, and improve genetic performance such as meat quality, reproductive performance, and growth speed, in order to improve the market competitiveness and lower production costs of our products.

Furthermore, in response to consumers' pursuit of better quality and healthier products, we strive to develop varieties and products (such as pork products with high intramuscular fat content) that meet consumer needs through variety development and nutritional strategies. By adjusting the feeds during the farming process, we aim to create unique products that can become differentiated product resources for our downstream food business that will soon be put into production.

Increase investment in R&D of farming technology, improve farming efficiency, animal health management and product quality

We plan to continuously improve our farm design, feed nutrition management, precision feeding technology, animal health management, food safety control and our ability to capture optimal timing for sales of our products, so as to improve our production efficiency. For example, we plan to reduce feeding cost, feed to meat ratio and meat production cost through accurate assessment of raw materials required, increased use of local raw materials, precise evaluation of nutritional needs, as well as the development of new feeding equipment and feeding models.

In addition, we will continue to accelerate our application of digital intelligence throughout the stages of feed preparation, farming, and slaughtering. We intend to develop a pig and yellow-feathered broiler breeding platform based on "AI + Internet of Things + Cloud Computing + Big Data", and continue to develop related technologies to facilitate pig farming management, farming technology, disease prevention, biosecurity and data collection throughout the process of pig farming. With the use of technology and big data, we believe that we can ensure food safety and achieve environmental protection on one hand, and improve our production efficiency on the other, thereby improving the economic, ecological and social benefits of our business.

Furthermore, we will continue to strengthen cooperation with domestic and foreign universities and research institutions. We will continue to improve and optimise our technical know-how through cooperation with the R&D platforms, domestic and foreign universities and research institutions.

Expand our business into the production and processing of meat products to achieve upstream and downstream integration, and strive to become a leader of quality food in China

Expand into food business, and create an integrated upstream and downstream model with food safety, quality products and cost advantages

With the goal of producing quality and reliable products, we are committed to building a high-end and trusted food brand through the integration from our upstream farming to downstream end-user consumption. Our farming business provides a stable supply of quality pig products to our food business. We have implemented stringent quality management and food safety control measures in accordance with national regulations for our upstream farming business, which allows us to provide quality, safe and stable raw materials for our downstream slaughtering and food processing businesses. By leveraging the advantages of upstream and downstream integration and through modern production lines and cold chain logistics system, we believe that we will be able to ensure food safety and trace food sources through controlling and monitoring the quality of the whole industry value chain from farming to meat processing, transportation and sales, and establish a complete industry value chain "from farm to table". We believe that providing services throughout the entire industry value chain can also generate strong synergies . For example, as our farming business provides a stable supply of quality pig products to our food processing business, we can control the cost of our downstream food processing business. Furthermore, we believe by expanding our business to food business, we can diversify our product offerings which allows us to mitigate the impact of pig and poultry price fluctuations on our business.

With the advantage of our upstream and downstream integration model, we plan to promote the use of technology that meets the European Union standards, adopt an eco-friendly farming model, and produce differentiated high-end food products through variety development and nutrition strategy to meet our consumers' demand. By leveraging our quality control from upstream farming to downstream consumption and as a natural extension of our existing businesses, we also plan to tap into the business of pre-made food production and produce quality and safe pre-made food.

Steadily develop our branded fresh food and deep processing production, following the commencement of production of our food processing plant in Yibin

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. 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 quality food manufacturing business.

In anticipation of the commencement of production of our first food processing plant in Yibin in the fourth quarter of 2023, we have conducted market research on the cooked food product market and plan to launch our food processing business. We expect that the construction of our food processing production line will be completed by the fourth quarter of 2023, with an estimated annual capacity of over 60,000 tonnes. We will utilise this production line as a benchmark to gradually establish a large-scale and branded production model and system, and replicate it continuously.

Enhance competitiveness through domestic and foreign investment, acquisitions and cooperation opportunities around our industry value chain

We will seek opportunities for domestic and foreign investment or acquisitions relevant to our industry value chain to diversify our product mix and improve our product quality, thereby further expanding our business footprint. We will selectively look for domestic investment, acquisition and cooperation opportunities, such as breeding farms with high-quality genetic resources, research institutions with revolutionary technologies in pig and poultry farming, food processing, and other high-end food brands, which could further unleash the commercial potential of our established business operations in the industrial chains. In addition, we also plan to look for potential investment, joint venture and cooperation opportunities from well-established overseas food companies, through which, we believe that, we will be able to introduce recognised brands and food processing technology to enhance the attractiveness of our products, and benefit from long-term synergies by assisting these overseas companies in entering the Chinese market, thereby enhancing the layout and advantages of our integrated value chain.

Continue to attract, train and motivate talents, strengthen cooperation with world-class talents in R&D and lay a solid foundation for long-term development

We focus on the development of our talents, and since inception, we have formed an outstanding professional team, covering talents from genomics, genetics, mathematical statistics, breeding, nutrition and other profession.

Internally, we will continue to provide our employees with various training programs to help them achieve career growth. In the future, we will continue to utilise our internal talent pool and nurture professional and management talents through our internal training. We will also continue to motivate our employees through share award incentive scheme and distribution of dividends. Externally, we will recruit top talents to solidify our advantage in human resources. We will also continue to provide trainings for our business partners, such as technical guidance for farm owners to improve their breeding and farming skills. We will also continue to strengthen cooperation with world-class talents in R&D to further enhance our R&D capabilities.

Increase investment in ESG, including the investment in the "Hundred Villages and Million Pigs (百村百萬)" project, observe the national action plan for fertiliser reduction, put into practice the cycling of planting and farming, and create a benchmark for sustainable agricultural development.

We are committed to practicing our strategy of promoting rural revitalisation and contributing to the construction of a strong agricultural country (推進鄉村振興，建設農業強國), working with the government to create a benchmark for sustainable agricultural development. We adhere to our business motto – "Six Ones (六個一)" and strive to carry out the "Hundred Villages and Million Pigs (百村百萬)" project with the following targets: benefiting 100 villages in one county, employing 10,000 people, annual production of 1 million pigs, construction of slaughtering and processing plants with an annual capacity of 1 million pigs, annual production of 100,000 mu of organic vegetables and fruits, and construction of one feed mill with an annual capacity of 360,000 tonnes. We will also actively observe the national policy of fertilisers and pesticides reduction, and will continue to help create an environmentally friendly and sustainable farming model in accordance with stringent requirements, so as to put into practice the integration and cycling of planting and farming, and create a benchmark for sustainable agricultural development in line with the national policy. To this end, we intend to:

- leverage our technical advantages to develop and provide better environmentally friendly technologies to our family farms, and improve soil fertility through environmentally friendly farming processes, thereby creating an organic growth environment for healthy food;

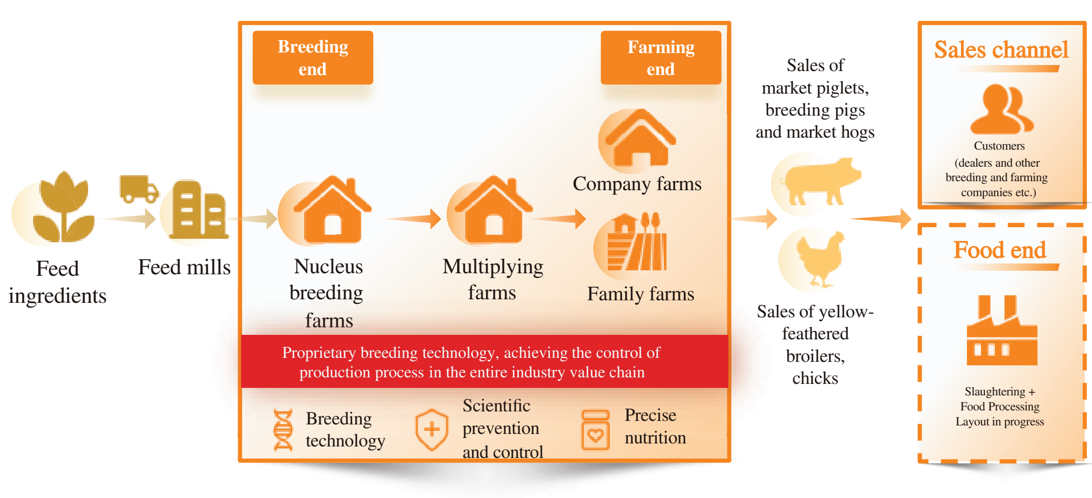
- continue to implement energy-saving and carbon-reduction programmes, and develop carbon emission reduction measures in our upstream and downstream businesses, such as encouraging the use of biogas and manure as fuel and fertilisers to reduce carbon emission. We will also encourage our peers to assume social responsibility and jointly reduce carbon emissions to create a green ecology; and

- closely cooperate with the government, other enterprises and research institutions to promote sustainable development of planting and farming, drive the development of high-quality rural revitalisation through our family farm models to help alleviate poverty in rural China, and complement China's strategy to build an agriculturally strong country.

OUR BUSINESS MODEL AND PRODUCTS

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

The diagram below illustrates our business model:



Main Products of Pig Segment

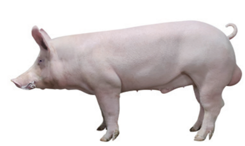
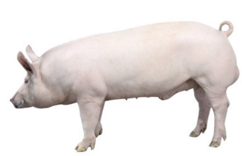
Our pig products mainly include market hogs, breeding pigs, market piglets and boar semen. According to the Frost & Sullivan Report, for 2022, we were one of the top ten breeding pig providers in the PRC in terms of sales volume of breeding pigs; for 2022, we ranked sixth among all pig suppliers in China in terms of sales volume of pigs. For our pig production, we had 156 pig farms and 2,608 family farms as at 31 May 2023. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, our pig farms and family farms had an aggregate output volume of approximately 1.4 million, 3.7 million, 5.4 million, 2.3 million and 2.9 million heads of pigs, respectively.

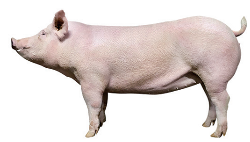
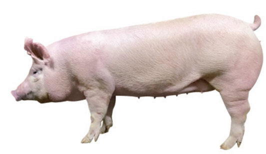
Market hogs and Market Piglets

Market hogs and market piglets are pigs primarily held for trading and production of pork products, with market piglets being small market hogs. Pigs that are not selected as breeding pig candidates will be raised and sold as market hogs and market piglets. In addition, breeding pig candidates that are not used for our own production or sold as breeding pigs will also be sold as market hogs.

Breeding Pigs

Our breeding pigs include purebred and crossbreeding pigs. As a result of our continuous effort to enhance our breeding stocks, the genetic performance of our breeding pigs has improved rapidly over the years. For the five months ended 31 May 2023, in terms of growth performance, the adjusted days to 100 kilograms of our Yorkshire, Landrace and Duroc breeding pigs decreased to 146.0, 144.1 and 146.7, respectively. For the same period, in terms of breeding performance, the average littering size of our Yorkshire and Landrace breeding pigs increased to 15.3 heads and 13.4 heads, respectively. The table below sets out our main varieties of breeding pigs and their respective features:

	Breed	Sample pictures	Characteristics
1.	Dekon Series E breeding pig (德康E系列種豬)		• Terminal sire imported from a leading Dutch swine genetics company • Fast growth • Good feed conversion rate
2.	Yorkshire Z-line breeding pig		• A female parent breeding pig produced by continuous improvement of a leading Dutch swine genetics company based on Yorkshire breeding pigs • Excellent breeding performance, large litter size and excellent litter carrying performance

	Breed	Sample pictures	Characteristics
3.	Landrace breeding pig		• Excellent female parent breeding pig • Large litter size • Strong resilience • Strong and plump size
4.	Yorkshire breeding pig		• Sire • Fast growth • Healthy, strong with plump muscles • Good feed conversion rate, high lean yield and premium meat quality
5.	Duroc breeding pig		• Classic terminal sire • Fast growth • Healthy, strong with plump muscles • Good feed conversion rate • High lean yield and premium meat quality
6.	Crossbred sow		• Market sow • Excellent breeding and litter carrying performance

Boar Semen

Boar semen is produced by breeding boars at our nucleus breeding farms. We produce boar semen for our internal pig breeding and production purposes. We also sell excess boar semen on the market.

Main Products of Poultry Segment

The main products of our poultry segment include yellow-feathered broilers and chicks. We ranked second among all yellow-feathered parent stock chicken breeder providers in China in terms of sales volume of yellow-feathered Parent Stock DOCs for 2022, and third among all yellow-feathered broiler suppliers in China in terms of sales volume of yellow-feathered broilers for 2022, according to the Frost & Sullivan Report.

Yellow-feathered broilers

We sell yellow-feathered broilers, which are mainly used for the production of chicken products. Our well-recognised brands mainly include "Lingnanhuang" (嶺南黃®), "Yupinfeng (御品鳳®)", "Xiangyuema (香粵麻®)" and "Dexiang (德鄉®)". Among others, our Lingnanhuang (嶺南黃®) chickens have been recognised by the MARA as the National Agricultural Leading Variety. The "Lingnanhuang No. 1", "Lingnanhuang No. 2", and

"Lingnanhuang No. 3" varieties of "Lingnanhuang" series have been awarded the title of "Guangdong Famous-brand Product". "Yupinfeng" (御品鳳®) huxu chicken won the titles of 2018 Lingnan Top Ten Quality National Chicken, 2018 Lingnan Top Ten Quality National Chicken – first place in the Network Popularity Award and 2019 Lingnan Quality National Chicken.

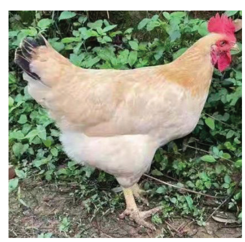
The major breeds are set out below:

Huxu chicken (胡須雞)
(such as "Yupinfeng (御品鳳®)")

Xiangyuema (香粵麻)

Tuhuang 2 (土皇2)

Dekanghong (德康紅)

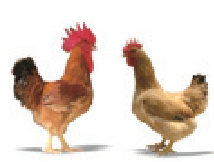
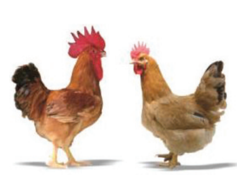


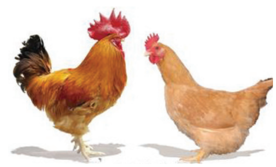
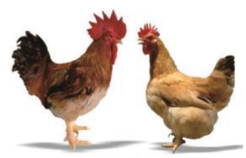
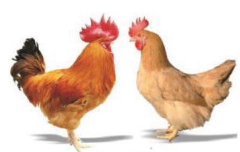
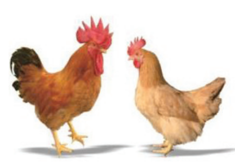
Tu 1.5 (土1.5)

Yunshanhong (雲山紅)

Yellow-feathered chicks

We sell Parent Stock DOCs and commodity DOCs. We have a wide range of varieties that allow us to satisfy the diversifying market demand. The following table sets out the main categories of our Parent Stock breeders and their respective features:

	Breed	Sample pictures	Characteristics
1.	Kuaiyu Kuaizhang (快羽快長)		• Parent Stock breeders are of normal sizes, fast-feathering growth, pure yellow, neat and consistent feather
2.	Jieliang Kuaizhang (節糧快長)		• Parent Stock cocks are of normal sizes and fast-feathering growth • Hens are of short sizes, slow-feathering growth, low feed consumption and high egg production

	Breed	Sample pictures	Characteristics
3.	New Tu 3 (新土三)		• Parent Stock breeders are of normal sizes and fast-feathering growth • Parent Stock cocks are of crimson feather colour and red cockscomb
4.	Tu 4 (土四)		• Parent Stock cocks are of normal sizes and fast-feathering growth • Hens are of short sizes, slow-feathering growth, low feed consumption and high egg production
5.	Mahuang (麻黄)		• Parent Stock cocks are of normal sizes and slow-feathering growth • Hens are of short sizes, slow-feathering growth • Low feed consumption and high egg production
6.	Tu 2 (土2)		• Parent Stock cocks are of normal sizes, crimson feather colour and red cockscomb • Hens are of short sizes, slow-feathering growth, low feed consumption and high egg production
7.	Tu 1.5 (土1.5)		• Parent Stock cocks are of normal sizes, golden yellow feather colour and red cockscomb • Hens are of short sizes, fast-feathering growth, low feed consumption and high egg production
8.	Zhusi chicken (竹絲雞)		• Parent Stocks are of typical features such as silk feathers, cherry-sized heads, rose crowns, green ears, five or six toes, hairy feet, black bones, black skin and black meat • Hens are of strong disease resistance and fast-feathering growth

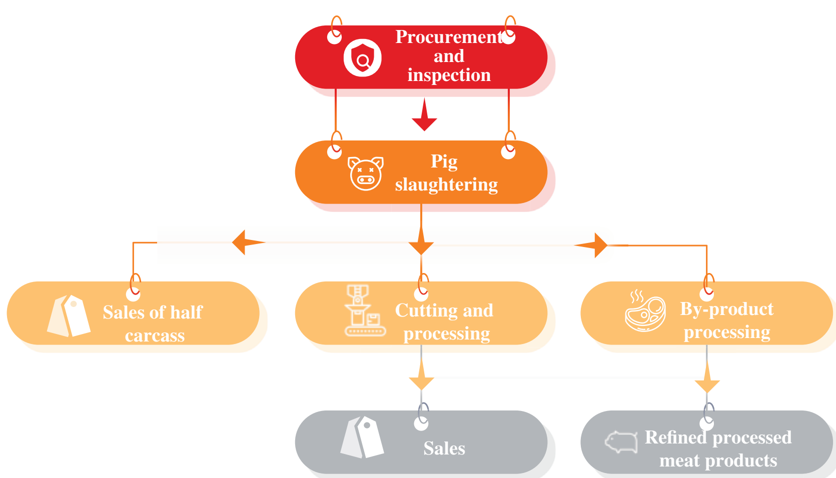
Ancillary Products

We also sell ancillary products that are generated in the course of our production, which mainly include feed ingredients.

Expansion into Food Processing Business

By leveraging our strengths in the breeding and farming of pigs and poultry, we plan to extend our business to downstream sectors, including the slaughtering and processing of pigs and poultry, the production and sales of fresh pork and chicken meat and processed meat products. Our vertically integrated business model would allow us a high degree of control over quality and safety across the entire value chain, spanning from sourcing feed ingredients to production and sale of final food products. We believe the traceability of the final food products will instil consumers' confidence in our food safety and quality and allow us to build a high-end food brand. To roll out our food processing business, we will initially focus on the markets where we have sufficient market hog output volume for our slaughtering business, and with strong demand for fresh pork and processed meat products. Please refer to the section headed "– Our Business Strategies" for details.

The diagram below illustrates the intended workflow of our future food processing business:



As at the Latest Practicable Date, we had the following projects in progress, which were located in Yibin City, Sichuan Province and Meishan City, Sichuan Province. The table below sets forth the details of the projects:

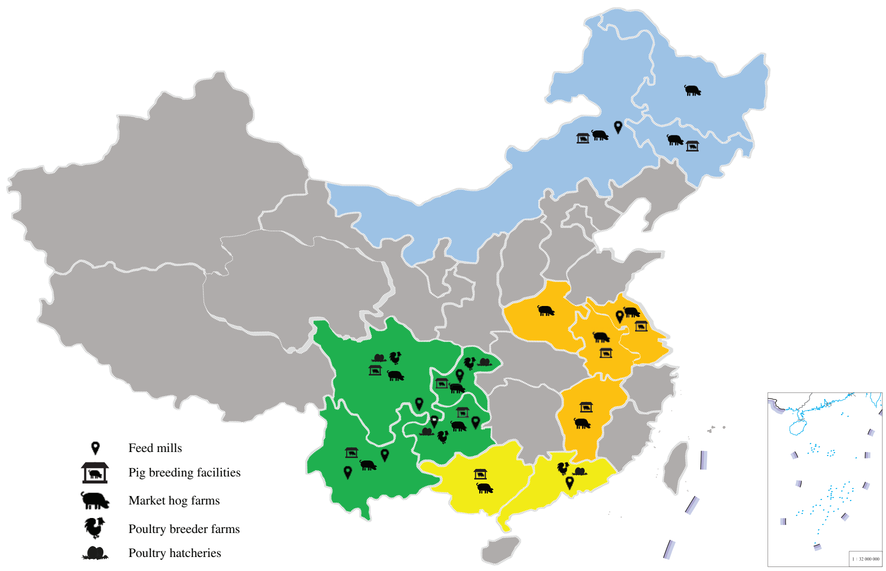
Project	Facility and designed annual production capacity	Time/Expected time of commencing production	Total expected investment cost
			(RMB million)
Yibin Project	Slaughterhouse (3 million heads) Food processing production line (60,000 tonnes)	October 2023 The fourth quarter of 2023	800.0
Meishan Project	Slaughterhouse (2 million heads)	The fourth quarter of 2023	630.0
Total			1,430.0

Cooperation with Tönnies

In October 2020, we commenced cooperation with Tönnies, one of the largest integrated meat product enterprise in Germany. Tönnies has deep know-how regarding the operation of pig slaughterhouses, food quality and product safety, food preservation, product development and brand operation. Pursuant to our agreement with Tönnies, in March 2021, we jointly established DT Food in Meishan City, Sichuan Province with an initial term of 99 years. We and Tönnies will combine our respective operational expertise and know-how to provide quality pork products to meet consumer demand in China. DT Food is constructing a slaughterhouse with a target initial annual slaughter capacity of two million heads of pigs, which is expected to commence production in December 2023. Pursuant to the agreement, we and Tönnies have each contributed EUR 2.3 million (approximately RMB17.9 million) in cash to the capital of DT Food. We will provide livestocks, and Tönnie will provide know-hows and technologies to DT Food. Each of the Company and Tönnies has the right to nominate directors and senior management of DT Food. Each party may terminate the agreement upon, among others, a material breach of the terms by the other party, upon which the non-terminating party shall be entitled to acquire the other party's interest in DT Food.

PRODUCTION

We have strategically built our production facilities across regions with the highest consumption demand for pigs and poultry, including Southwest China, East and South China, which we believe will allow us to further expand our scale of pig and poultry breeding and farming. The map and tables below illustrate the geographical distribution of our main production facilities and family farms as at 31 May 2023:



Pig farms

Nucleus breeding farms, boar studs and multiplying farms

Regions	Nucleus breeding farms	Boar studs	Multiplying farms	Total
	As at 31 May 2023			
	Number	*Number*	*Number*	*Number*
Southwest China	7	6	75	**88**
East China	1	1	10	**12**
South China	1	–	3	**4**
Others[(1)]	1	1	7	**9**
Total	**10**	**8**	**95**	**113**

Market hog farms

Regions	Our self-operated Pig farms	Family farms
	As at 31 May 2023	
	Number	*Number*
Southwest China	27	2,196
East China	9	205
South China	2	160
Others[(1)]	5	47
Total	43	2,608

Feed mills

Regions	Number
	As at 31 May 2023
Southwest China	8
South China	2
East China	1
Others[(2)]	1
Total	12

Poultry farms

Our self-operated breeder farms

Regions	Number
	As at 31 May 2023
Southwest China	8
South China	6
Total	14

Our self-operated hatcheries

Regions	Number
	As at 31 May 2023
Southwest China	6
South China	4
Total	10

Family farms and farming bases

Regions	Family farms	Farming bases	Total
	As at 31 May 2023		
	Number	*Number*	*Number*
Southwest China	1,801	72	1,873
South China	1,625	–	1,625
Total	**3,426**	**72**	**3,498**

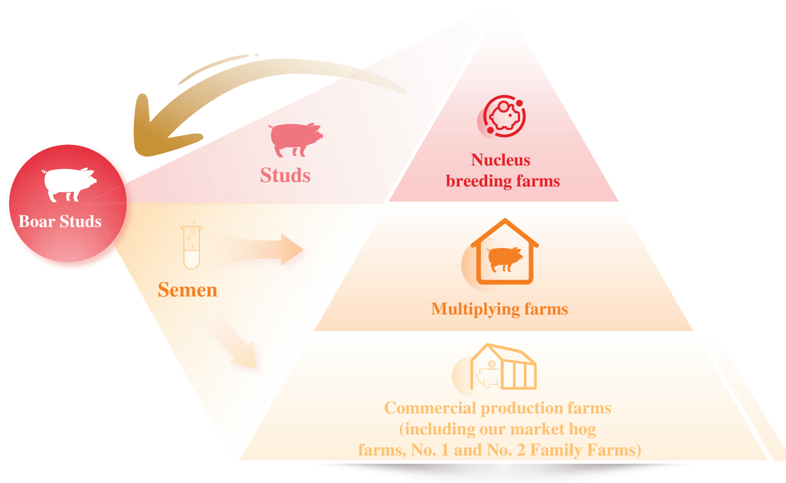
Notes:

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

(2) Others include Inner Mongolia.

Pig Production

Based on the widely adopted DLY crossbred model, a crossbreeding production model that produces market hogs with good growth performance, slaughtering performance and meat quality, we have established a pig breeding and multiplying system that mainly includes the nucleus breeding farms, boar studs, multiplying farms, and commercial production farms. We have also formulated systematic standards and guidelines, including breeding practise manual. The structure of our breeding system is illustrated in the diagram below:



Pig Breeding and Farming System

Our pig breeding and farming system consists of the following production facilities:

Nucleus breeding farms. They include nucleus breeding pig farms and nucleus terminal sire farms, and serve as the base for preserving and cultivating quality breeding pigs and new lines of pigs. We sell quality Grand Parent breeding pigs to our customers from time to time.

Boar studs. They provide quality semen using boars from nucleus breeding farms.

Multiplying farms. They use breeding pigs and semen from boar studs from nucleus breeding farms for production. Pure breeding is conducted in first-level multiplying herds to provide quality purebred breeding pigs for multiplying herds. Crossbreeding is conducted for second-level multiplying herds to provide quality crossbred sows for our own market hog farms and No. 2 Family Farms, as well as for external sales. Some of our multiplying farms are sow farms, which use terminal boars or their semen provided by boar studs and crossbred sows for production of DLY crossbred piglets. The sow farms generally transfer weaned piglets to No. 1 Family Farms and our own market hog farms for fattening.

Market hog farms. They are mainly responsible for fattening weaned piglets for sale.

No. 2 Family Farms. These farms are owned by farm owners. They use terminal boars or their semen provided by boar studs and the crossbred sows from multiplying farms for production of DLY market hogs, and ultimately produce (i) market hogs and market piglets for sale and (ii) weaned piglets for fattening at nearby No. 1 Family Farms.

No. 1 Family Farms. These farms are owned by farm owners. They receive weaned piglets from our market hog farms and nearby No. 2 Family Farms (or weaned non-breeding pigs from breeding farms) for fattening before sale.

The table below sets out certain information of our production facilities during the Track Record Period:

	As at 31 December			As at 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
Designed stock volume of sows(1) *(heads)*	242,020	405,410	464,080	429,590(2)	483,230(2)
Actual stock volume of sows(3) *(heads)*	211,299	266,645	303,491	271,228	333,236
Utilisation rate(4)	87.3%	65.8%	65.4%	63.1%	69.0%

Notes:

1. Represents the theoretical maximum number of sows that could be raised on our pig farms and family farms based on the estimated number of sow stalls available in our own pig farms and family farms. The maximum number of sows increased during the Track Record Period primarily due to the commencement of operation or expansion of our new pig farms and family farms. The total output volume is determined by the number of sows.

2. The pro-rata designed stock volume for the actual number of months in a year during which the facilities were in operation.

3. Represents the actual number of sows raised on in our own pig farms and family farms, which does not take in account the number of gilts.

4. Utilisation rate is calculated by dividing the actual number of sows by the designed capacity of sows. It decreased in 2021 primarily due to the increase in the designed stock volume of sow and our adjustment to our production plan in light of the market conditions in the same year, and remained relatively stable in 2022. Utilisation rate increased from 63.1% for the five months ended 31 May 2022 to 69.0% for the five months ended 31 May 2023 primarily due to the increase in the actual stock volume of sows to support the growing output volume of pigs.

Pig Breeding

We focus on developing and applying pig breeding technologies and have established a self-sustainable breeding herd, which are the core to our competitiveness, to the pig production and breeding process. We use the widely used DLY crossbred model for pig production and breeding, which refers to a crossbreeding production model (i) using Landrace boars and Yorkshire sows to produce LY sows with high level of breeding performance and stress resistance, while retaining maternal characteristics inherited from Yorkshire, and then (ii) crossbreeding the LY sows with terminal sire to produce market hogs with excellent growth performance, slaughtering performance and meat quality.

The table below sets forth the movement in the number of our self-operated pig breeding farms for the periods indicated.

	For the year ended 31 December			For the five months ended 31 May
	2020	2021	2022	2023
Nucleus breeding farms				
At the beginning of the year/period	8	9	10	10
Addition	1	1	–	–
Termination	–	–	–	–
At the end of the year/period	9	10	10	10
Boar studs				
At the beginning of the year/period	–	2	8	8
Addition	2	6	–	1[1]
Termination	–	–	–	(1)[1]
At the end of the year/period	2	8	8	8
Multiplying farms				
At the beginning of the year/period	32	56	85	93
Addition	24	29	8	2
Termination	–	–	–	–
At the end of the year/period	56	85	93	95

Note:

(1) We terminated one boar stud due to wear and tear of facilities and equipment, and established a new boar stud as replacement.

For 2020, 2021, 2022 and the five months ended 31 May 2023, the number of our nucleus breeding farms and boar studs remained relatively stable. During the same periods, the number of our multiplying farms gradually increased due to the increase in our production volume.

Our breeding pig resources

Breeding pig resources, also referred to as the "chip" of the pig breeding industry, is key to ensuring our core competitiveness. By leveraging on our gene pool and core proprietary breeding technology, we independently breed our own lines of breeding pigs. In order to secure quality genetic materials, we introduce new pig resources to enrich the genetic pool of our breeding pigs from time to time. We experiment on different combinations of these resources to continuously enhance the competitiveness of our products. Over years of selection and breeding, the genetic performance of our nucleus breeding herd has continued to improve and the size has continued to expand. We have also developed a self-sustainable herd of Dekon breeding stock with outstanding breeding, growth and slaughtering performance. Among others:

- in March 2013, we entered into an one-off purchase contract with a Canadian pig genetics company specialising in pig breeding to import 868 pure breeding pigs, pursuant to which we obtained non-exclusive rights to use its breeding pig genetic resources. Using this batch of imported breeding pigs, we formed our first nucleus breeding herd. In order to ensure the smooth transition of breeding after the introduction of breeding pig, we have also entered into a cooperation agreement with a leading Canadian swine genetics improvement company on joint breeding. Under the cooperation, we sent employees for training and also invited breeding experts from the Canadian swine genetics improvement company to visit our breeding pig farms for on-site training and guidance;

- in July 2019, we entered into an one-off purchase contract with a renowned provider of advanced genetic solutions, to import 500 breeding pigs to form our terminal sire herd, providing excellent terminal sire boars for subsequent large-scale commercial production; and

- as at 31 May 2023, we had imported five foreign breeding pig varieties (lines) from reputable breeding enterprises, as well as two domestic pig variety lines. These foreign breeding pig varieties included the Landrace, Duroc and Yorkshire breeding pigs as well as Large White Z-line and Large White E-line breeding pigs.

Nucleus breeding herd

Nucleus breeding herd is the bedrock of our pig production. We established nucleus breeding farms in different regions. Our nucleus breeding farms primarily serve to establish a nucleus breeding herd for purebred breeding. Through continuous genetic evaluation, mating, pig selection and elimination of substandard breeding pigs, we have cultivated quality breeding pigs tailored for the Chinese market, thereby providing excellent purebred boars and sows to our multiplying farms and excellent terminal sire breeding pig for commercial production farms.

As at 31 May 2023, we had established 10 nucleus breeding farms in Sichuan, Chongqing, Guizhou, Guangxi, Jiangxi, and Inner Mongolia. Our nucleus breeding farms are strategically located in regions with favourable environmental conditions and in close proximity to our pig farms. As at 31 May 2023, we had a nucleus breeding herd of over 14,800 heads, which affords us the biological resources to establish a downstream herd of over 1,170,000 heads of sows and gilts in our multiplying farms.

Our breeding technologies

We strive to breed breeding pigs with high reproduction and high growth performance. We set our breeding goals based on the characteristics of the breeding pig production herd and the market demand. The scale of our operation affords us sizable data of various dimensions, including data in relation to pig performance, fattening technology and feed nutrition technology.

We continuously apply new breeding technologies to accelerate our breeding progress. For example, in 2019, we started applying genome-wide association technology to the breeding of our nucleus breeding herd. In 2020, we achieved coverage of genome-wide association on all of our pig varieties (lines). In addition, we have actively cooperated with experts in the field of breeding from universities and research institutions at home and abroad, in particular:

- we cooperated with well-known universities and biotech companies, which helped us in applying molecular and genomic breeding technology to our breeding pig farms, analysing and monitoring data of our breeding pigs, providing feedback and on-site guidance to our breeding process in a timely manner, and cultivating new variety lines of breeding pigs;

- we cooperated with domestic breeding and research institutions which helped us breed new variety lines of breeding pigs;

- we engaged the team led by Professor Li Zhu (朱礪) from Sichuan Agricultural University, Professor Hu Xiaoxiang (胡曉湘) from China Agricultural University, Professor Su Guosheng (蘇國生) from Aarhus University Denmark (丹麥奧斯胡大學), and other well-known breeding experts at home and abroad to directly guide our breeding process; and

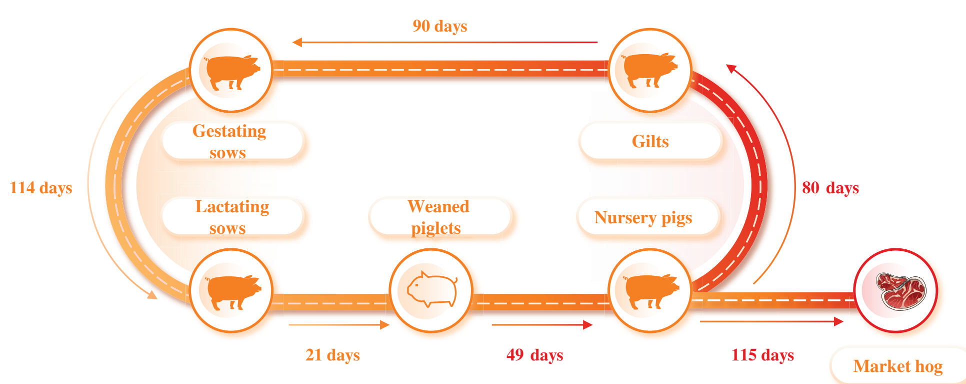
- since the establishment of our nucleus breeding herd in 2013, we have cooperated with a leading canadian swine genetics improvement company in standardising the breeding process of our breeding pigs through using their software database, operation training on breeding pig production and monitoring feedback from time to time.

We also leverage advanced information system to optimise the breeding process. For example, our "Pig Farming Platform", among others, is able to analyse historical production information of sows and boars to develop a semen usage model to designate breeding semen. Please refer to the section headed "– Information System – Pig Farming Platform" for details.

Through the aforesaid efforts, we have made significant progress in breeding. The genetic performance of our nucleus breeding herd has continuously improved over the years.

Pig farming

The following diagram illustrates the process of our pig farming business:



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

(a) No. 2 Family Farm model

The No. 2 Family Farm model is a model under which we cooperate with farm owners to raise sows and to produce weaned piglets that are fattened either in the No. 2 Family Farm or nearby No. 1 Family Farms. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sales of pigs raised under the No. 2 Family Farm model amounted to RMB1,596.6 million, RMB1,478.7 million, RMB1,763.1 million, RMB500.9 million and RMB760.1 million, which accounted for 27.8%, 20.6%, 15.0%, 14.5% and 15.2% of our total revenue from the sales of pigs, respectively.

We operate two sub-models under the No. 2 Family Farm model. Under the first sub-model, we cooperate with farm owners to raise sows and produce piglets, which are then nursed until weaned, and fattened. Under the second sub-model, we cooperate with farm owners to raise sows and produce piglets, which are then nursed until weaned, and such weaned piglets are then transferred to our No. 1 Family Farms for fattening.

(b) No. 1 Family Farm model

The No. 1 Family Farm model is a model under which farm owners fatten our weaned piglets. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sales of pigs raised under the No.1 Family Farm model amounted to RMB3,626.1 million, RMB3,935.0 million, RMB8,064.7 million, RMB2,281.2 million and RMB3,464.3 million which accounted for 63.1%, 54.9%, 68.7%, 66.3% and 69.0% of our total revenue from the sales of pigs, respectively.

(c) Self-operated Farm model

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

Our pig farms adopt a batch production model. Through optimising the pig farming process, we set the production of the pig farm to a regular schedule of mating, farrowing, weaning and immunisation within a fixed period of time with more regular production, so that we can manage the production of pigs more efficiently. Furthermore, we use data management software to manage production data online and achieve more efficient production.

Key advantages of the No. 2 Family Farm model

In particular, we adopted the No. 2 Family Farm model which is an unique model in the domestic pig breeding and farming industry. We plan to continue our efforts in developing the No. 2 Family Farm model, which is expected to be increasingly prevalent and has the following advantages:

- *Biosecurity and animal diseases prevention and control*: Under the No. 2 Family Farm model, as we only have to transport sows, rather than a large number of weaned piglets, to the family farm, the production cycle of "crossbred sows-piglets-market hogs" is all completed at the family farm. By keeping the sows in separate locations and reducing the flow and transportation of pigs, the model facilitates the prevention of animal diseases and control of biosecurity.

- *Rapid expansion of asset-light production*: Under the No. 2 Family Farm model, the crossbred sows are maintained at family farms. In addition, we do not need to bear the cost of land, labour, water and electricity in connection with the breeding and reproduction of sows which enable us to save breeding costs and carry out production expansion in relatively short amount of time. The production scale under the No. 2 Family Farm model increased significantly during the Track Record Period.

- *Promotion and upgrading of local industrial industry*: Under the No. 2 Family Farm model, we teach farm owners professional techniques, including sow reproduction techniques, to enable them to operate family farms with a long-term vision, hence promoting the upgrading of local industries.

- *High entry barriers and long-term stable cooperation*: The breeding process of our No. 2 Family Farms involves breeding of sows as well as the fattening of weaned piglets, which requires farm owners to grasp more sophisticated breeding technologies. We typically conduct rigorous training for the farm owners of No. 2 Family Farms, and establish long-term cooperative relationships with them through the farming contracts. Therefore, our cooperative relationship with No. 2 Family Farms imposes technical and management barriers on our competitors, which will help us form long-term stable cooperative relationship with No. 2 Family Farms. As at 31 May 2023, we had three years or more of relationship with approximately 77.1% of our No. 2 Family Farm owners.

No. 2 Family Farms and No. 1 Family Farms

Family farms we contracted with were mainly located in Sichuan, Chongqing, Yunnan, Guizhou, Jiangsu and Guangxi Zhuang Autonomous Region. During the Track Record Period and up to the Latest Practicable Date, all of our family farms were operated by Independent Third Parties. The table below sets forth the movement in the number of our family farms for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
No. 2 Family Farms				
At the beginning of the year/period	879	1,011	889	814
Addition	262	38	18	17
Termination	(130)	(160)	(93)	(13)
At the end of the year/period	1,011	889	814	818

	For the year ended 31 December			For the five months ended 31 May
	2020	2021	2022	2023
No. 1 Family Farms				
At the beginning of the year/period	726	1,000	1,569	1,775
Addition	579	876	798	197
Termination	(305)	(307)	(592)	(182)
At the end of the year/period	1,000	1,569	1,775	1,790

The number of our No. 2 Family Farms decreased from 1,011 as at 31 December 2020 to 889 as at 31 December 2021, and further to 814 as at 31 December 2022, primarily because (i) we focused on increasing the production scale of individual No.2 Family Farms to enhance economies of scale; and (ii) we raised our standards for No. 2 Family Farms, such as requiring farm owners to enhance their existing facilities and increasing the training requirements. The number of our No. 2 Family Farms remained stable at 818 as at 31 May 2023 as compared with that as at 31 December 2022.

The number of our No. 1 Family Farms increased from 1,000 as at 31 December 2020 to 1,569 as at 31 December 2021, and further to 1,775 as at 31 December 2022, primarily due to (i) the increase in our production scale, which was partially offset by (ii) No. 1 Family Farms that we terminated for failing to meet our standard. Terminations during the Track Record Period were primarily due to the relevant family farms' failure in meeting (i) our biosecurity standards and rectify the situation in due course; (ii) the production targets and (iii) standards on staff and facilities. The number of our No.1 Family Farms remained stable at 1,790 as at 31 May 2023 as compared with that as at 31 December 2022. Please refer to the section headed " – Our relationship with farm owners" for details.

Our relationship with farm owners

Under both the No. 2 Family Farm and No. 1 Family Farm models, the farm owners are responsible for completing the land registration and procedures, and constructing the pig houses in accordance with our requirements. We provide pigs, feeds, vaccines and medicines to farm owners, who shall breed and fatten the pigs in accordance with our standards. In the case of No. 2 Family Farms, before the fattening stage, we provide the farm owners with crossbred sows and boar semen for the production of weaned piglets, which are either fattened at the No. 2 Family Farm or nearby No. 1 Family Farms. For No. 1 Family Farms, we provide weaned piglets that are produced at our own multiplying farms or nearby No. 2 Family Farms for fattening. After the fattening stage, the Family Farms will deliver the market hogs back to us for sale. Throughout the process, we provide farm owners with technical guidance and support, such as advising them on the design and location of pig farms, pig raising techniques, and measures to prevent diseases and treatment for unwell pigs. After the pig houses pass the acceptance inspection, we enter into contract farming agreements with the farm owners.

The key terms of our agreements with farm owners generally include the followings:

Term: The terms of contract farming agreements with No. 2 Family Farms are typically ten years, while those of No. 1 Family Farms are typically five years, both with no express renewal provisions.

Responsibilities: Farm owners are responsible for fattening and/or breeding pigs with their own farms, facilities and staff, for a contract farming fee. We are responsible for providing weaned piglets and/or breeding pigs, technical guidance and support, feeds, medicines and vaccines. Farm owners are required to pay for such feeds, vaccines and medicines, the fees for which are typically determined by reference to our procurement costs, and are deducted from the contract farming fee.

Deposits: Farm owners are generally required to pay an upfront deposit of RMB1,000 per market hog/weaned piglet and RMB10,000 per breeding pig that are raised in the farm.

Ownership: We have the ownership of the pigs raised by the farm owners, as well as the feeds, vaccines and medicines. Farm owners have the ownership of the farms and facilities.

Termination: The agreement is terminable by mutual consent. A farm owner may not unilaterally terminate the contract prior to the expiry date without breaching the agreement and paying a fixed early termination fee of RMB100,000, which is determined by reference to the costs of training and design we incur for a farm. On the basis that the historical revenue generated by the family farms can cover such costs and that the farm owners timely return the pigs, feeds, medicines and other materials to us, we would typically waive the early termination fees, and as a result, we did not receive any early termination fees from farm owners during the Track Record Period. We may unilaterally terminate the agreement without being subject to the payment of an early termination fee under a range of circumstances, including where (i) the farm owner fails to raise and deliver pigs in accordance to our schedule and standards, (ii) the farm owner enters into any other contracts with other parties for breeding of pigs, (iii) the farm owner uses feeds, vaccines or medicine that are not provided by us. Upon termination, the farm owner shall return the pigs, feeds and medicines and compensate losses we may incur as a result of their breach of the agreements. For 2020, 2021, 2022 and the five months ended 31 May 2023, we unilaterally terminated our agreements with 111, 110, 213 and 33 farm owners due to their failure to meet our standards, including environmental protection, raising and delivering pigs and maintenance of the farms. During the same periods, we did not incur any loss as a result of such farm owners' breach of agreements, and accordingly, we did not receive any compensation as a result of termination.

As at 31 May 2023, we had on average 2.7 years of relationship with owners of pig family farms. The table below sets forth the expiry portfolio of our agreements with farm owners as at 31 May 2023:

Expiry profile	No. of family farms	% of total
No. 2 Family Farms		
Within one year	21	2.6%
One year to three years	166	20.3%
Three years or above	631	77.1%
No. 1 Family Farms		
Within one year	463	25.9%
One year to three years	969	54.1%
Three years or above	358	20.0%

After market hogs are sold, we settle the contract farming fee with the farm owner when we receive the market hogs from farm owners. Before we dispatch a patch of pigs to a farm owner for raising, we affix (i) the fee for pigs raised by the farm owner, which are determined mainly by reference to the then market price and estimated production costs of farm owners and (ii) the costs of pigs and materials we provide to farm owners, which is determined with reference to factors including the then market price. The contract farming fee is calculated by multiplying the pre-agreed fee (which is adjusted based on the condition and quality of pigs) with the weight of pigs raised by the farm owner, minus by the costs of the pigs and materials we provide to the farm owner. The following table sets out the contract farming fee we settled with the farm owners during the Track Record Period:

Year/period	Contract farming fee settled with farm owners by us	Total actual output volume pigs raised by farms	Average contract farming fee per head
	(RMB'000)	*(heads)*	*(RMB/head)*
2020			
No. 1 Family Farm	284,991	815,840	349.3
No. 2 Family Farm	177,754	401,012	443.3

Year/period	Contract farming fee settled with farm owners by us	Total actual output volume pigs raised by farms	Average contract farming fee per head
	(RMB'000)	*(heads)*	*(RMB/head)*
2021			
No. 1 Family Farm	418,090	1,813,877	230.5
No. 2 Family Farm	226,809	713,689	317.8
2022			
No. 1 Family Farm	770,059	3,423,802	224.9
No. 2 Family Farm	276,100	790,980	349.1
Five months ended 31 May 2022			
No. 1 Family Farm	237,027	1,394,756	169.9
No. 2 Family Farm	92,357	320,001	288.6
Five months ended 31 May 2023			
No. 1 Family Farm	405,351	1,869,529	216.8
No. 2 Family Farm	148,202	435,466	340.3

The total contract farming fees generally increased during the Track Record Period, primarily as a result of the increase in the output volume of pigs. The average contract farming fee for both No. 2 Family Farms and No. 1 Family Farms decreased in 2021 primarily due to our downward adjustment of the fee for pigs based on prevailing market conditions. The average contract farming fee for No.1 Family Farms remained relatively stable in 2022, while that of No. 2 Family Farms increased mainly as a result of our efforts in increasing the production scale of each No.2 Family Farm. The average contract farming fee for both No. 2 Family Farms and No. 1 Family Farms increased for the five months ended 31 May 2023 as compared to the same period in 2022 primarily due to our upward adjustment of the fee for pigs, taking into account the increase in market price of pigs.

As the costs of pigs have been factored into the calculation of contract farming fees, farm owners bear the losses from death of pigs and are not required to pay us additional compensation.

Selection and supervision of farm owners

We select farm owners with reference to their financial resources, education background, integrity as well as conditions of the family farms (such as geographical locations, epidemic prevention conditions, and surrounding environment). We have a higher standard for No. 2 Family Farm owners, as sow breeding requires more expertise and efforts as compared to piglet fattening.

We work closely with, and supervise, farm owners. We help farm owners with site selection and farm design. Our production management specialists regularly visit family farms to monitor and provide guidance to farm owners. Our production management specialists will (i) check on-site key production processes, such as immunisation, mating, farrowing, weaning, sales and output, (ii) define and confirm the number and conditions of pigs, and (iii) require the farm owners to sign the relevant documents for confirmation. When farm owners report that the pigs are culled or abnormal, the production management specialist will promptly provide feedback on treatment plan, check the pigs on-site, and issue a document for biosafety disposal upon signing and confirmation by the farm owners.

Training and management of farm owners

Before we provide pigs to farm owners, we train farm owners on building and construction of family farms, farming technology (with a cumulative training time of not less than three months) as well as our corporate culture. Only those who meet the requirements can start production. During the transition period, we assign production management specialists to carry out on-site production management training and guidance. In subsequent day-to-day management, we arrange production management specialists to train farm owners at least once a month. The training content generally includes biosecurity, production technology, case analysis and management structure of our Group. We organise seasonal production training and review, and maintain our relationship with farm owners. We also assign dedicated technical personnel at the ratio of approximately one personnel per 10,000 pigs at No. 1 Family Farms and one personnel per 500 sows at No. 2 Family Farms, who make frequent visits to farm owners and advise them on technical issues. In addition, we select model farm owners and encourage other farm owners to learn from them.

In addition, we provide control and technical training and guidance to No. 2 Family Farm owners, so as to improve the sow farrowing rate and increase the number of quality, sellable market hogs.

- We use timed artificial insemination technique, where artificial insemination is achieved by adjusting the oestrus of sows according to the batch mating time, to realise batch production and improve reproductive efficiency.

- We strictly check the equipment and facilities and require farm owners to adopt stringent biosecurity measures. Among others, farm owners are required to adjust stalls regularly, purify drinking water, control the density of pig houses, and provide a suitable growth environment for pigs. Furthermore, we require farm owners to use rubber mats for heat preservation, and feed pigs with porridge feeders during the entire nursing period.

We also leverage our "Pig Farming Platform" to optimise various parts of the farming process, including systematically generating the recommended feeding amount, using equipment to monitor the pigs, and devising work plans and immunisation tasks. Please refer to the section headed "– Information System – Pig Farming Platform" for details.

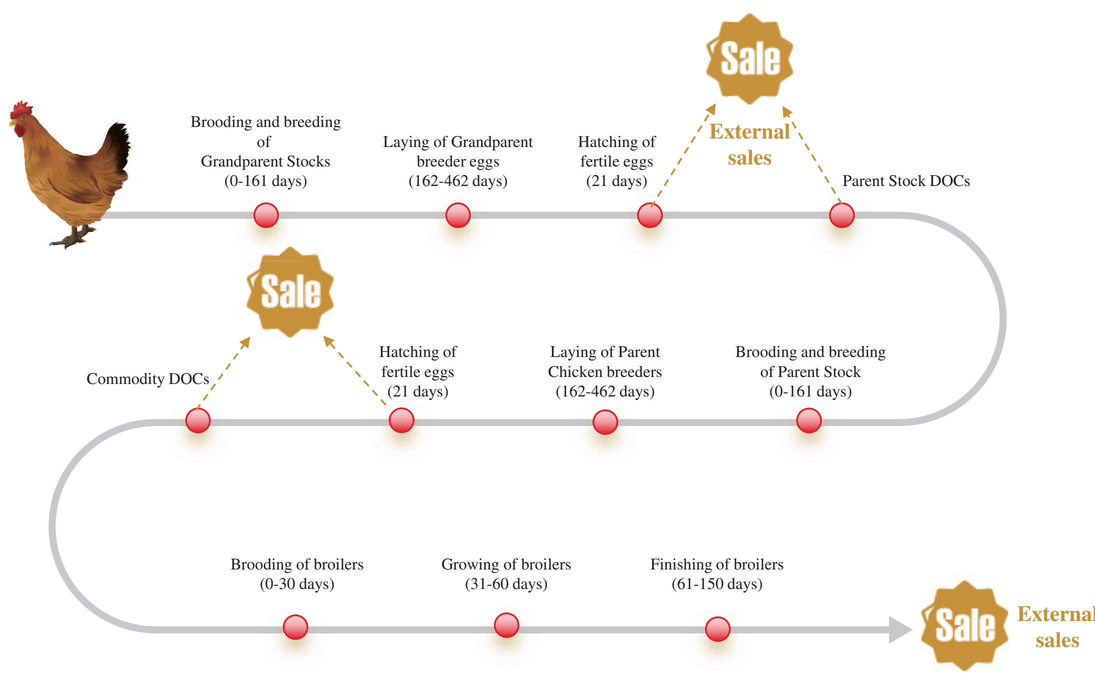
The table below sets forth the movement in the number of our self-operated market hog farms for the periods indicated.

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
Market hog farms				
At the beginning of the year/period	14	22	38	41
Addition	8	16	3	2
Termination	–	–	–	–
At the end of the year/period	22	38	41	43

For 2020 and 2021, the number of our market hog farms increased as a result of our efforts in establishing self-operated farms to complement the operation of our family farms across various regions. For 2022 and the five months ended 31 May 2023, the number of our market hog farms remained relatively stable.

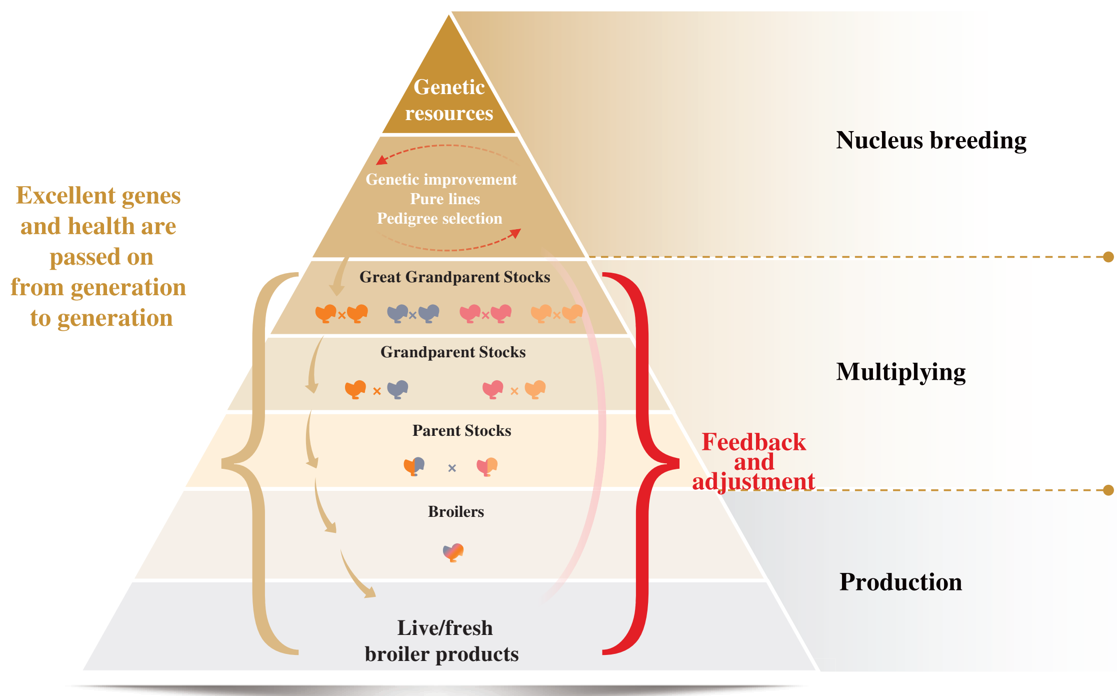
Poultry Production

We mainly engage in the breeding, multiplication, farming and sales of yellow-feathered broilers. The following diagram illustrates our production process from chicken breeders, chicks (including Parent Stock DOCs and Commodity DOCs) to yellow-feathered broilers:



Poultry Breeding

Breeding is the core of our poultry business. We breed and select chicken breeders in our chicken breeder farms. The process is illustrated in the following diagram:



Yellow-feathered Broilers Pyramid
Genetic Transmission/Production System

Nucleus breeding technology

By leveraging our gene pool and proprietary breeding technology, we independently breed our own varieties of yellow-feathered broilers. As at the Latest Practicable Date, we had 14 patents in broiler breeding and farming technology and management, and 45 variety lines of yellow-feathered broilers.

Compared with other types of chickens, yellow-feathered broilers are known for their product diversity. Our nationwide sales network enables us to have an in-depth understanding of the market and a precise forecast of the changes in different customer demands for yellow-feathered broilers and chicks.

In addition, the utilisation of genetic resources, accurate and efficient character determination technology, precise genetic evaluation technology and large-scale genetic selection are the four key elements for successful breeding. We have adopted the following genetic technologies for breeding:

- We have adopted internationally advanced genetic evaluation methods such as genomic selection to enable DNA selection.
- We expand the base population on a large scale and create more types of gene combinations to select the best chicken breeders from the population.
- With modern facilities and equipment, we continue to carry out compatibility and crossbreed combination experiments to assess the production performance and select breeds that can meet the market demand.
- To produce healthy broilers, we strive to eradicate avian leukosis, pullorum, mycoplasma and other provenance pathogens that seriously affect the production of chicken breeders and broilers.

Poultry farms

We select chicken breeders and hatch fertile eggs on our breeder farms. As at 31 May 2023, we had 14 breeder farms and 10 hatcheries, which are located in Sichuan Province, Chongqing municipality, Guizhou Province and Guangdong Province. The table below sets out the details of our self-operated production facilities:

Facilities	**Function description**	**Region**
Breeder farms	Selection of breeders	Sichuan, Chongqing, Guizhou and Guangdong
Hatcheries	Hatching of fertile eggs	Sichuan, Chongqing, Guizhou and Guangdong

The table below sets forth the movement in number of our breeder farms and hatcheries for the periods indicated.

	For the year ended 31 December			For the five months ended 31 May
	2020	2021	2022	2023
Breeder farms				
At the beginning of the year/period	13	14	14	14
Addition	1	–	–	–
Termination	–	–	–	–
At the end of the year/period	14	14	14	14
Hatcheries				
At the beginning of the year/period	10	10	10	10
Addition	–	–	–	–
Termination	–	–	–	–
At the end of the year/period	10	10	10	10

The following table sets out the production capacity and utilisation rates of our self-operated breeder farms during the Track Record Period:

	As at/for the year ended 31 December			As at/for the five months ended 31 May	
Facilities	2020	2021	2022	2022	2023
	'000	*'000*	*'000*	*'000*	*'000*
Breeder farm(1)					
Designed stock volume (sets)(2)	1,507.2	1,507.2	1,507.2	628.0(3)	628.0(3)
Actual stock volume (sets)(4)	1,297.4	1,420.8	1,402.9	619.0	668.0
Utilisation rate (%)(5)	86.1	94.3	93.1	98.6	106.4
Hatchery					
Designed production capacity (birds)(6)	199,135.0	199,135.0	199,135.0	82,972.9(3)	82,972.9(3)
Actual output (birds)(7)	164,872.8	159,579.9	167,292.4	67,949.0	71,573.2
Utilisation rate (%)(8)	82.8	80.1	84.0	81.9	86.3

Notes:

1. Each female-breeder that has been matched with a male breeder for fertilisation constitutes one set of breeders. The mating ratio of female breeders to male breeders is approximately 35:1. Therefore, the number of female breeders is equivalent to the number of sets of breeders.

2. The estimated number of cages of mature chicken breeders in chicken breeder farms as at the date of the respective years/periods.

3. The pro-rata designed stock volume for the actual number of months in a year during which the facilities were in operation.

4. The number of mature chicken breeders produced throughout the year/period in our breeder farms.

5. Utilisation rate is calculated by dividing the actual output by the designed production capacity for the relevant year. The decrease of utilisation rate of breeder farms for 2022 was mainly due to extension to the last breeding cycle according to demand for broilers and parental seed supply. Utilisation rate increased for the five months ended 31 May 2023 alongside the increase in stock volume of breeders to support the rise in our output volume of broilers.

6. The number of fertile eggs hatched in hatchery at full capacity throughout the year/period.

7. The number of fertile eggs actually hatched in hatchery throughout the year/period.

8. Utilisation rate is calculated by dividing the actual output by the designed production capacity for the relevant year/period.

With the growth of the production capacity of our yellow-feathered broilers, the demand for chicken breeders and their Parent Stock DOCs has also increased significantly. Therefore, we plan to gradually expand our chicken breeder farms, so as to increase the production capacity of chicken breeders and Parent Stock DOCs.

Chicken breeders rearing and fertile egg hatching

Our enclosed chicken breeder farms are installed with automatic environmental control, lighting and manure cleaning system, creating the optimal living environment for our chicken breeders. We adopt different feeding methods for chicken breeders at different growth stages to maximise their production performance. Among others, we have mitigated Mycoplasma synoviae with purification technologies such as biosecurity and vaccination, and have reduced (i) the incidence rate of leg diseases caused by Mycoplasma synoviae in our chicken breeders by approximately 42%, (ii) the incidence rate within the flock by approximately 90%, and (iii) the average cost of medicine for a single chicken breeder by approximately RMB0.12. Below are some of the measures we adopt at for chicken breeders at different growth stages:

- During the brooding period, we strictly follow the relevant biosecurity measures and implement a fully enclosed management. The purpose of the brooding phase is to condition the chicks to manage growth and maximise the flock uniformity.

- During the rearing period, we focus on the uniformity of weight and sexual maturity of the chicken breeder, formulate different feeding restrictions according to the characteristics of the different breeds, carry out a full range of weighing and grouping of the chicken breeder multiple times, and adopt the hierarchical feeding method after grouping, so as to eliminate defected individuals whose weight and appearance do not conform to the characteristics of the breed in a timely manner.

- During the laying period, we focus on the management of feed volume and artificial insemination to maximise fertile settable eggs and meet the broiler production demands. Through weekly analysis of the laying conditions of the chicken breeder, we regularly monitor the chicken breeder, comprehensively evaluate them, and formulate reasonable feed to maximise their egg laying performance.

We use advanced equipment to hatch fertile eggs, which maintains a stable hatching environment through an automated environmental control system to ensure a high hatching rate of fertile eggs and stable quality of chicks. To safeguard our production, we also use a centralised control system and video surveillance to monitor the production process.

Broiler farming

For broiler farming, we adopt the Poultry Family Farm model and Poultry Farming Base model:

- *Poultry Family Farm model*, is a model under which family farms provide the land and facilities and raise the yellow-feathered broilers according to our standards, while we provide chicks, feeds, medicines and technical support. We settle the contract farming fee with the family farms after collection and sales of yellow-feathered broilers. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sales of yellow-feathered broilers raised under the Poultry Family Farm model amounted to RMB2,074.0 million, RMB2,419.0 million, RMB3,028.7 million, RMB1,049.8 million and RMB1,176.0 million which accounted for 95.9%, 96.0%, 97.3%, 97.2% and 95.5% of our total revenue from the sales of yellow-feathered broilers, respectively.

- *Poultry Farming Base model*, is a model under which we build the facilities and lease the land and facilities to farm owners to raise the yellow-feathered broilers. This model is the same as the Poultry Family Farm model other than that we own the farming bases. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue generated from the sales of yellow-feathered broilers raised under the Poultry Farming Base model amounted to RMB50.7 million, RMB51.9 million, RMB28.4 million, RMB9.4 million and RMB34.2 million which accounted for 2.0%, 1.8%, 0.9%, 0.9% and 2.8% of the total revenue from the sales of yellow-feathered broilers for the same periods, respectively.

Our yellow-feathered broilers are mainly raised under the Poultry Family Farm model, which enables us to effectively reduce the capital investment in fixed assets, and focus on technological breakthroughs, product development, and nutritional formula research. We mainly use our farming bases for experiments regarding new production process management methods. We test new environmental control and feeding equipment on site and prepare for equipment upgrades in family farms.

Family farm and farming base

During the Track Record Period and up to the Latest Practicable Date, all the family farms and farming bases we contracted with were operated by Independent Third Parties and were mainly located in Sichuan, Chongqing, Yunnan, Guizhou, Guangdong and Guangxi Zhuang Autonomous Region. The table below sets forth the movement in the number of our family farms for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
Poultry Family Farm				
At the beginning of the year/period	2,946	3,395	3,450	3,354
Addition	1,261	863	789	334
Termination	(812)	(808)	(885)	(262)
At the end of the year/period	3,395	3,450	3,354	3,426
Poultry Farming Bases				
At the beginning of the year/period	58	54	61	71
Addition	11	14	16	4
Termination	(15)	(7)	(6)	(3)
At the end of the year/period	54	61	71	72

As at 31 December 2020, 2021 and 2022 and 31 May 2023, the number of our family farms and farming bases remained relatively stable at 3,395, 3,450, 3,354 and 3,426, and 54, 61, 71 and 72, respectively. The mild fluctuation in the number of family farms was due to our effort in continuously optimising the operation of our family farms by phasing out farms that do not meet our standard from time to time.

Our relationship with farm owners

Prior to cooperating with farm owners under either the Poultry Family Farm model or Poultry Farming Base model, we screen for those who meet our standards. Under the Poultry Family Farm model, the farm owner provides the site, equipment and labour for farming, whereas under the Poultry Farming Base model, the farm owner leases our site. We provide chicks, feeds, vaccines and medicines to farm owners, who shall raise the chicks into broilers according to our standards. After the chicks are raised into broilers, farm owners will transfer the broilers back to us for sale. Throughout the process, we provide farm owners with technical guidance and support. All the chicks, feed, medicines, vaccines and other materials we provide to farm owners are our properties. After the sale of each batch of yellow-feathered broilers, we settle the contract farming fee with the farm owners.

Both models use the same form of contract farming agreement. The key terms of our agreements with farm owners generally include the followings:

Term: The terms of contract farming agreements are typically one year or three years, and will automatically be renewed absent objection from either party.

Responsibilities: Farm owners are responsible for raising broilers with their own farms, facilities and staff, for a contract farming fee. Farm owners are required to comply with our standards with respect to the operation of family farms, which include complying with the applicable laws and regulations. We are responsible for providing chicken breeders, technical guidance and support, feeds, medicines and vaccines. Farm owners are required to pay for such feeds, vaccines and medicines, the fees for which are typically determined by reference to our procurement costs and are deducted from the contract farming fee.

Deposits: Farm owners are generally required to pay an upfront deposit that ranged from RMB8 to RMB10 per broiler that are raised in the farm.

Ownership: We have the ownership of the broilers raised by the farm owners, as well as the feeds, vaccines and medicines. Farm owners have the ownership of the farms and facilities.

Termination: The agreement is terminable by mutual consent. Before the completion and sale of the current batch of broilers, farm owners are not allowed to unilaterally terminate the contract. There is no provision for a termination fee in the agreements, but farm owners are liable for losses we may incur as a result of their unilateral termination. We did not incur any such loss during the Track Record Period, as there was not any incident where a farm owner unilaterally terminates the agreement before the completion and sale of the current batch of broilers. We may unilaterally terminate the agreement under a range of circumstances, including where (i) the farm owners breach any terms of the agreements, such as failing to raise and deliver broilers in accordance to our requirements and standards, (ii) the farms and/or facilities do not meet our standards and, (iii) the farm owners dispose the broilers, feeds, vaccines or medicines, such as selling to a third party, without our consent. The farm owner shall return the broilers, feeds, vaccines and medicines and compensate losses we may incur as a result of their breach of the agreements upon termination. For 2020, 2021, 2022 and the five months ended 31 May 2023, we unilaterally terminated our agreements with 260, 223, 229 and 111 farm owners due to their failure to comply with our standards in respect of, among others, environmental protection, raising and delivering broilers and maintenance of the farms. During the same periods, we did not incur any loss as a result of such farm owners' breach of agreements, and accordingly, we did not receive any compensation as a result of termination.

As at 31 May 2023, we had on average 3.5 years of relationship with our poultry farm owners. The table below sets forth the expiry portfolio of our agreements with our farm owners as at 31 May 2023:

Expiry profile	No. of family farms	% of total
Within one year	726	20.8
One year to three years	1,111	31.8
Three years or above	1,661	47.4

For each batch of broilers, we affix the fee for broilers raised by the farm owner, which is determined mainly by reference to the prevalent market price and production costs. The contract farming fee is calculated by multiplying the pre-agreed fee with the weight of broilers raised by the farm owner, minus by the costs of the chicks we provide to the farm owner, and further adjusted by reference to other factors including the quality and condition of the broilers, subsidies and rewards, and penalties and deductions. The following table sets out the contract farming fee we settled with farm owners under the Poultry Family Farm model and Poultry Farming Base model during the Track Record Period:

Year/period	Contract farming fee	Total sales of broilers raised by farm owners	Average contract farming fee per bird
	(RMB'000)	*('000 birds)*	*(RMB/bird)*
2020	260,009	70,848	3.7
2021	232,533	74,115	3.1
2022	276,957	76,931	3.6
For the five months ended 31 May 2022	92,630	28,651	3.2
For the five months ended 31 May 2023	126,356	33,909	3.7

The contract farming fees decreased from RMB260.0 million for 2020 to RMB232.5 million for 2021 primarily because we lowered the average contract farming fee per bird after taking into account a range of factors including market conditions. The contract farming fees increased from RMB232.5 million for 2021 to RMB277.0 million for 2022 primarily due to our initiative to increase the profit of farm owners, taking into account the improvement in overall breeding performance and an increase in farm owners' costs. The contract farming fees increased from RMB92.6 million to RMB126.4 million primarily due to our upward adjustment to the fees for broilers, taking into account the increase in production costs.

As the costs of chicks have been factored into the calculation of contract farming fees, farm owners bear the losses from death of chicks and are not required to pay us additional compensation.

Selection, training and supervision of farm owners

We have established a set of standards and procedures to manage farm owners. We evaluate and select prospective farm owners based on a comprehensive set of criteria, including their personal backgrounds and reputation. We hold at least two large-scale training seminars every year to provide trainings on new production technology and our management standards. We issue feeding management standards and manual to the farm owners and assign regional technical administrators to provide small-scale and individual technical tutorial sessions to the farm owners. The regional administrators will promptly correct the farm owners who deviate from our standards and report any anomalies.

Contract Farming

We cooperate with a wide base of farm owners to produce pigs and poultries under our family farm models. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue from the sale of pigs and yellow-feathered broilers raised under the family farm models amounted to RMB7,347.4 million, RMB7,884.6 million, RMB12,884.9 million, RMB3,841.3 million and RMB5,434.6 million, representing 90.2%, 79.6%, 85.7%, 83.8% and 85.4% of our total revenue during the same periods, respectively. Our farm owners were primarily individual owners of farms. During the Track Record Period and up to the Latest Practicable Date, all our farm owners were Independent Third Parties. For each of the years during the Track Record Period, none of the pig family farms individually contributed to more than 0.8% of our revenue from the sales of pigs, none of the poultry family farms individually contributed to more than 0.2% of our revenue from sales of broilers, and none of the family farms contributed to more than 0.6% of our total revenue, respectively. Please refer to the section headed "Risk Factors – Risks Relating to Our Business and Our Industry – Our operations are subject to the risks associated with our family farms, and we rely on family farms to raise pigs and yellow-feathered broilers" in this document for further details.

The family farm models are mutually beneficial to us and the farm owners. On one hand, the family farm models allow us to defer the manual labour processes of pig and poultry production to farm owners and reduce our capital input. On the other hand, the family farm models allow individual farm owners to tap into our scale for more efficient farming, access to our technologies, training and support system, and secure a stable source of income. As a result, the operations of family farms are deeply integrated with our breeding and farming system. With our scale, resources, and deep integration of family farms' operations into our breeding and farming system, we believe we have been able to maintain a close and stable relationship with farm owners. As at 31 May 2023, we had on average 2.7 years and 3.5 years of relationship with our pig and poultry family farms, respectively. Furthermore, given the relatively insignificant contribution from each individual farm owner, as well as our strong supporting system and attractive compensation structure for farm owners, we believe that alternative candidates for farm owners are readily available and we do not envisage material difficulty in recruiting new farm owners.

Management and Control

Although we allow farm owners to enjoy the products of our technologies, the core technologies remain attached to and safeguarded within our breeding and farming system. For example, while we cooperate with No. 2 Family Farms to raise crossbred sows, these crossbred sows can only be produced by crossing breeding pigs from our nucleus breeding farms and boar from our boar studs. In addition, our core technologies, including breeding technology, nutrition and feeding technology, and disease control technology, are built upon the scale of our operation, and our deep understanding of breeding and farming. Among others, while we provide farm owners with resources and guidance that are developed based on our technologies, such as providing them with feeds that are produced with our precise nutrition technology, and advising them on prevention of animal diseases and appropriate treatment for unwell animals, farm owners do not have access to our core technologies, nor the scale necessary to procure supplies at a low cost on their own. We therefore believe that individual farm owners would not be able to replicate these technologies independently outside of our system.

We maintain close supervision throughout all stages of farm owners' operations to ensure they comply with our standards. In particular, during our regular inspections, we examine if the operations of family farms comply with the requisite standards, and assess and record the status and quantity of biological assets in the family farms. Furthermore, our internal audit department maintains and regularly audits the records of our biological assets, including those held at the family farms. We have established a standard protocol for all our farms for stock take. Each of our family farms is required to perform a full stock take on a monthly basis to ensure the relevant information are accurately reflected in our information management system and submit a stock-take report to the internal audit department at our headquarters. Our staff, including staff that are responsible for supervising farm owners and staff of the internal audit department, conduct the monthly stock-take on-site, and confirm the result in writing. Please refer to the section headed "Financial Information – Biological Assets and Valuation – Stock Take and Internal Control" in this document for details. During the Track Record Period, there had not been any material adverse findings from any audits carried out by our internal audit department in relation to the operations of family farms. During the Track Record Period, some of farm owners did not obtain the requisite licences and/or complete the requisite environmental impact assessment and inspection procedures, and we have accordingly implemented enhanced internal control measures with a view to ensuring their compliance. For details, please refer to the section headed "– Requisite Licences and Permits in respect of Farm Owners".

Requisite Licences and Permits in respect of Farm Owners

As advised by our PRC Legal Adviser, under the applicable PRC laws and regulations, material licenses and permits required for family farms' contract farming business include (i) the Certificate for Production and Operation of Breeding Livestock and Poultry (種畜禽生產經營許可證), where applicable, and (ii) the Certificate for Animal Epidemic Disease Prevention (動物防疫條件合格證) (the "**Required Licenses**"). Potential legal consequences for farm owners as a result of the lack of the Required Licenses include fines, confiscation of the relevant income attributable to such operations and an order to cease operation. As at the Latest Practicable Date, 144, 183, 262 and 220 of the pig farm owners, and 548, 556, 585 and 408 of the broiler farm owners that cooperated with us in 2020, 2021, 2022 and 31 May 2023, respectively, (i) did not possess all of the Required Licenses and (ii) have not received confirmation from the competent PRC authorities that (1) no penalty or order to cease operation would be levied against the farm owner as a result of the lack of the Required Licenses or (2) the relevant farm may continue to operate, representing 8.9%, 8.5%, 9.1% and 9.4% of the numbers of the pig farm owners, and 14.1%, 14.0%, 14.2% and 11.5% of the broiler farm owners that cooperated with us during the same period. For 2020, 2021, 2022 and 31 May 2023, revenue generated in respect of the abovementioned pig farm owners amounted to RMB316.4 million, RMB402.7 million, RMB648.8 million, and RMB171.0 million, respectively, representing 5.5%, 5.6%, 5.5% and 3.4% of our revenue from the sales of pigs during the same period, respectively; revenue generated in respect of the abovementioned broiler farm owners amounted to RMB227.4 million, RMB254.2 million, RMB342.0 million and RMB119.7 million, respectively, representing 9.9%, 9.7%, 10.6% and 9.5% of our revenue from the sales of broilers during the same period, respectively; and together, revenue generated in respect of the above mentioned farm owners amounted to RMB543.8 million, RMB656.9 million, RMB990.8 million and RMB290.7 million, respectively, representing 6.7%, 6.6%, 6.6% and 4.6% of our total revenue during the same period, respectively.

As at the Latest Practicable Date, among our farm owners that neither possess the Required Licences nor have obtained regulatory confirmations (i) 16.5%, 63.1% and 20.4% of our agreements with the pig farm owners will expire in less than two years, two to five years and over five years, respectively, and (ii) 49.6%, 40.3% and 10.1% of our agreements with the broiler farm owners will expire in less than one year, one year to two years and over two years, respectively. As at the Latest Practicable Date, all of the farm owners we are currently cooperating with have signed an acknowledgement letter, confirming that if they are subject to any administrative and regulatory measures, litigation or arbitration related to the Required Licenses ("**Legal Consequences**") for their own reasons or fault, they will be solely responsible for the Legal Consequences, and they will ensure that we do not suffer any losses as a result. As at the Latest Practicable Date, our relevant subsidiaries cooperating with the farm owners have obtained the applicable Required Licenses and we have fully performed our obligations under the signed contract farming agreement. During the Track Record Period and up to the Latest Practicable Date, we had not been held liable or subject to any penalty or fine as a result of the farm owners' lack of Required Licenses. Based on the results of public searches via certain websites on the farm owners who are legal persons, and the acknowledgement letter of the farm owners whom we are cooperating with, none of the farm owners cooperating with us had been penalised as a result of the lack of the Required Licenses during the same period. Given the above, our PRC Legal Adviser is of the view that we are not liable for penalty or fine, if any, imposed on the farm owners because of their lack of the Required Licenses, and the revenue contributed by the abovementioned farm owners to us during the Track Record Period will not be forfeited.

According to the Frost & Sullivan Report, due to (i) the differentiated regulatory requirement and enforcement process of local authorities in different regions in China; (ii) local policies to help alleviate farm owners from poverty by providing a more lenient regulatory environment; and (iii) farm owners not being fully aware of the regulations and laws that are applicable to their operations, particularly in light of the local differences in applicable requirements and enforcement, it is common for farm owners in China's breeding and farming industry not to possess all of the material licenses and permits for their operations. According to the same report, based on public information and expert interviews conducted, while there have been incidents where farm owners cooperated with listed breeding and farming enterprises in China do not fully comply with the applicable laws and requirements, our industry consultant did not identify any breeding and farming enterprise which was held liable for farm owners' lack of material licenses and permits as of 31 May 2023.

Our Directors are of the view that the lack of the Required Licenses will not have any material adverse impact on our operations and financial condition, on the basis that:

(i) as advised by our PRC Legal Adviser, we are not liable for penalty or fine, if any, imposed on the farm owners because of their lack of the Required Licenses. According to the Frost & Sullivan Report, our industry consultant did not identify any breeding and farming enterprise which was held liable for farm owners' lack of material license and permits;

(ii) during the Track Record Period, (i) no results of public searches on the farm owners who are legal persons on an online database of companies and organisation indicates that relevant farm owners were subject to any administrative penalties for failure to obtain the Required Licenses and (ii) based on the acknowledgement letter of the farm owners whom we are cooperating with, none of these farm owners had been penalised as a result of the lack of the Required Licenses; and

(iii) we cooperated with a wide base of family farms and has established a mutually beneficiary cooperative relationship with the family farms. None of the farm owners individually contributed to more than 0.6% of our total revenue for each of the years during the Track Record Period. Therefore, termination of relationship with certain family farms will neither distort business operations of, nor have any material adverse impact on our financial condition. Moreover, according to the Frost & Sullivan Report, as at 31 December 2020, there were approximately 11.7 million farms operating in Southwest China, and as it is unlikely that we would be required to close or relocate a significant number of family farms at the same time given that (a) the farms of the cooperating farm owners are geographically dispersed and under the jurisdiction of different local authorities and (b) none of the farm owners cooperating with us had been penalised, fined or ordered to cease operations during the Track Record Period, we would be able to readily locate alternative cooperative family farms in a short period of time.

Nevertheless, to ensure the compliance of our farm owners, we require our farm owners to comply with applicable laws and regulations (including obtaining the requisite license and permits). In addition, to better promote the compliance culture among our industry value chain, we have implemented systematic internal control measures to ensure the compliance of farm owners, including:

(i) enhancing our contract terms with farm owners, expressly making the possession of all material licenses and permits for farm owners for their operations as prerequisite before commencing the cooperation since April 2023;

(ii) making the possession of all material licenses and permits or regulatory confirmations for their operations as prerequisite before renewing contracts upon their expiration. Such regulatory confirmations shall be issued by the relevant competent local branches of the MARA, and to the effect that (1) no penalty or order to cease operation would be levied against the farm owner as a result of the lack of the Required Licenses or (2) the relevant farm may continue to operate. As advised by our PRC legal adviser, we assess the competency of the relevant branches of the MARA are on the basis of the provisions under applicable laws and regulations, and in accordance to the administrative service guidelines published by the local governments which sets out the responsible MARA branch for each region;

(iii) assigning designated employees to regularly inspect family farms' possession status of material licenses and permits for their operations, as well as maintaining records of such compliance status;

(iv) our local subsidiaries shall keep records of each of their farm owners' compliance status. The designated compliance personnel shall update the records based on findings from their monthly inspections on a timely basis, and the relevant subsidiaries shall compile the updated records for group-level review on a monthly basis; and

(v) organising compliance training for the farm owners that we are currently cooperating as well as our relevant staff on a semi-annual basis since April 2023 to enhance farm owners' compliance awareness.

Legal Proceedings and Compliance

To the best knowledge of our Directors, none of the owners of our family farms was a party to any pending or threatened litigation, arbitration or administrative proceeding that could have an impact on their ability to discharge their obligations under the contract farming agreements as at the Latest Practicable Date. Save as disclosed above in relation to the Required Licenses, to the best knowledge of our Directors, during the Track Record Period and the up to the Latest Practicable Date, there had been no material non-compliance for the owners of our family farms that would have a material adverse impact on our financial position or results of operations.

Furthermore, our agreements with farm owners provide that the farm owners shall be responsible for losses incurred as a result of, among others, failing to operate the family farms in accordance to our standards, which include complying with the applicable laws and regulations. According to applicable PRC laws and regulations, we are entitled to recourse for losses incurred as a result of farm owners' breach of the agreements. Further, as at the Latest Practicable Date, all of the farm owners we are currently cooperating with have confirmed that they will be solely responsible for the Legal Consequences and will ensure that we do not suffer any losses as a result. Given the above, we believe that we have effective mechanisms in place to safeguard our interests.

Feed Management and Control

Feed Technology

We have developed a precision nutrition technology system, which covers precise nutritional needs, raw materials, formula, processing and feeding. By leveraging our system, we are able to monitor the conditions of our pigs and yellow-feathered broilers in real-time, accurately determine their nutritional needs at different growth stages, and design the optimal feed formulas to enhance output efficiency. Please refer to the section headed "– Research and Development" for details.

Our feed control technology system, which comprises raw material valuation assessment and valuation procurement technology, high-efficiency enzyme preparation technology, low-protein diet technology and low corn/low soybean meal diet technology, allows us to adjust feed formula and procurement strategies in a timely manner. We operate our own feed mills to produce feed in accordance to own stringent quality and safety standards. We also procure feed and feed ingredients from selected suppliers. Please refer to the section headed "– Suppliers, Raw Material and Inventory – Raw material procurement – Feed and feed ingredients procurement" for details.

Feed Production and Procurement

We secure feeds by (i) producing at our own feed mills, (ii) procuring from trading companies and feed manufacturers; and (iii) engaging feed manufacturers to produce feeds with our feed ingredients. In deciding whether to produce or procure feeds, we primarily take into account the costs, which are mainly affected by the transportation costs and the prevalent costs of feed ingredients. For instance, since our feed mills are mainly located in Southwest China, it may be more cost efficient to procure feeds from external suppliers, or engage them to produce feeds with our feed ingredients, for farms that are located in other regions.

We sell feed ingredients that are not used in our feeds production as ancillary products to trading companies and manufacturers. During the Track Record Period, we also procured feeds from some of these feed manufacturers to whom we sell feed ingredients. Sales to these feed manufacturers are recorded as revenue, and purchases from them are recorded as raw materials in our inventories as they will be consumed in our production process. During the Track Record Period, feed ingredients sold were not designated for the production of feeds that we procured.

Feed Production

As at 31 May 2023, we had 12 feed mills, including nine pig feed mills and three poultry feed mills occupying a site area of approximately 364,306 square metres, with a gross floor area of approximately 157,507 square metres. Our feed mills are strategically located in regions that close to our nucleus breeding farms. As at 31 May 2023, our pig feed mills were on average 83 km away from our breeding pig farms, and our poultry feed mills were on average 66 km away from our chicken breeder farms. For 2020, 2021, 2022, and the five months ended 31 May 2022 and 2023, our own feed mills produced approximately 34.3%, 51.9%, 53.8%, 54.2% and 55.4% of feed used in our breeding and farming business.

The following table sets out the production capacities and utilisation rates of our feed mills during the Track Record Period:

	As at/for the year ended 31 December			As at/for the five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
Feed mills					
Number	6	12	12	12	12
Designed production capacity (tonnes)(1)	700,000	2,610,000	2,610,000	1,087,500(2)	1,125,000(2)
Actual output (tonnes)	446,877	1,052,619	1,468,949	586,396	700,689
Utilisation rate (%)(3)	63.8	40.3	56.3	53.9	62.3

Notes:

1. The designed annual production capacity of feed mills are calculated as the total designed production capacity of the feed mills in operation at the end of the year/period.

2. The pro-rata designed production capacity for the actual number of months in a year during which the facilities were in operation.

3. Utilisation rate is calculated as the output as a percentage of the designed production capacity for the relevant year/period.

During the Track Record Period, we had a relatively low utilisation rate primarily because (i) six feed mills were only established in 2021 with three of them commencing operations in the second and third quarter of the year, which lowered the utilisation rate in the same year; (ii) the feed mills are designed to meet the demand from nearby farms in the long run, with a buffer in capacity to meet future operational needs in the area; and (iii) we chose to procure feed from external suppliers if, after taking into account factors including production and transportation costs, we consider that it is more cost efficient. For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, the average production costs per tonne of feeds amounted to RMB2,989, RMB3,554, RMB3,471, RMB3,605 and RMB3,677, respectively, and the average procurement costs per tonne of feeds amounted to RMB3,081, RMB3,445, RMB3,673, RMB3,600 and RMB3,619, respectively. During the same periods, the average monthly fixed costs for our feed mills amounted to RMB8.9 million, RMB34.7 million, RMB50.3 million, RMB20.6 million and RMB17.3 million, respectively.

To ensure food safety of the source of feed, we have established stringent quality standards and inspection and control procedures covering the whole feed production process from procurement of feed ingredients, feed production and processing to feed transportation to ensure that the feed we produce meets our quality requirement. This also reduces the cost of our feed, thereby increasing our gross profit margin. The main measures are as follows:

- We conduct on-site inspections of the main production areas of our suppliers and select quality and reliable suppliers. We have also established a comprehensive system of raw material evaluation, acceptance and use. Please refer to the section headed "– Suppliers, Raw Material and Inventory – Raw material procurement – Feed and feed ingredients procurement".

- We have stringent feed quality control standards in place to ensure that the feed quality meets national standards as well as the needs of our pig and broiler farms. We have implemented feed quality and safety management standards and developed a traceable system covering source control, process control and raw material procurement management.

- We regularly maintain and repair feed production equipment to ensure that the equipment is in good operating condition and improve utilisation rate of the equipment.

In addition to quality control measures, we also focus on enhancing the formula design of our feed with precision nutrition technology. For example, for pig feed, we analyse the composition of raw materials for formula design, so as to meet the nutritional needs of pigs at different growth stages and achieve precise nutrition and cost control. For details, please refer to the section headed "– Research and Development".

RESEARCH AND DEVELOPMENT

Our R&D team is committed to the preservation and exploration of livestock and poultry breeding resources, the selection and breeding of new varieties of livestock and poultry, precision nutrition technology, livestock and poultry health management, food safety control, and optimisation of production. As at 31 May 2023, our R&D team had 147 employees of which 82 held master's degree or above, including nine held doctor's degree.

We have established, either through our cooperation with external partners or independently, a number of national and ministerial breeding platforms and key laboratories, including the National Pig Technology Innovation Centre – Breeding R&D Centre (國家生豬技術創新中心–養殖研發中心), the Key Laboratory for Poultry Genetics and Breeding of the MARA (農業部家禽遺傳育種重點實驗室), National Spark Programme Leading Enterprise Technology Innovation Centre (國家星火計劃龍頭企業技術創新中心), two national-level core pig breeding farms, the National Huiyang Huxu Chicken Breeding Farm and the "Guangdong Biological Germplasm Resource Bank – Domestic Livestock & Poultry Germplasm Resource Bank" (廣東省生物種質資源庫 – 畜禽種質資源庫). As at 31 May 2023, we had undertaken more than 50 national, provincial and ministerial R&D projects such as the National 863 Plan and 948 Major Special Projects, and have obtained a number of scientific and technological achievements.

We have obtained numerous awards and recognitions in respect of our R&D achievements, including the Champion of the Guangdong Seed Industry Science and Technology Innovation Competition Gold Star Award (廣東種業科創大比武「金星獎」 冠軍), and First Prize of Shennong China Agricultural Science and Technology Award (神農中華農業科技獎一等獎).

We cooperate with domestic and foreign universities and research institutions for technology development. In addition, we hire reputable experts in the field of breeding as consultants to provide us with relevant technical services.

For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, our R&D expenses were RMB75.0 million, RMB132.8 million, RMB196.6 million, RMB65.6 million and RMB99.4 million, respectively. Our R&D expenses had continued to increase during the Track Record Period primarily because we (i) carried out more R&D activities in connection with our breeding and feed production; and (ii) increased compensation for our R&D personnel. Please refer to the section headed "Financial Information – Period-to-Period Comparison of Results of Operations" in this document.

We focus on the R&D of the following core technologies:

- *Breeding technology*. We possess advanced breeding technology, which mainly focuses on genome selection technology, marker-assisted selection technology (for example, pure line genetic evaluation and breed evaluation), directional selection technology (selective crossbreeding among excellent individuals to produce better offspring after directional crosses) and AI and induction technology based high-throughput phenomics assay technology (i.e., performing selected cultivation according to breeding benchmarks). Through the development and application of these technologies, we have developed new varieties and variety lines of breeding pigs and yellow-feathered broilers with outstanding advantages. For our breeding technology and achievement, please refer to the sections headed "– Production – Pig Production – Pig Breeding" and "Production – Poultry Production – Poultry Breeding – Nucleus Breeding Technology", respectively.

- *Nutrition and feeding technology*. We evaluate and develop the nutritional value of feed ingredients to determine the nutritional needs of pigs and yellow-feathered broilers at different growth stages of production. We accurately determine the nutritional needs of pigs and yellow-feathered broilers at different growth stages according to the breeds and production goals, and design feed nutrition formulas accordingly. The feed formula is designed by animal nutrition experts according to the nutritional needs of pigs and yellow-feathered broilers at different stages. For example, based on the pig breeds and production goals, we use near-infrared and detection results to establish a dynamic feed database that analyses the feed ingredients for formulation design, so as to meet the nutritional needs of pigs at different physiological stages, and achieve precise nutrition and cost control. In addition, the precision feeding technology and control feeding strategy we have developed for sows enable sows to achieve a reasonable conditions for reproduction, ensure high reproductive performance, and reduce feed consumption.

- *Disease control technology*. We focus on the R&D of prevention and control technologies for major diseases, as well as consider factors such as site selection, introduction of new varieties and variety lines, production management, and nutritional feeding to form a comprehensive disease prevention and control plan that meets the requirements of large-scale pig farms and monitors pig herds by using multiple detection methods. Our effective disease prevention and control technology allows us to purify major pig and poultry diseases. We have developed precision immunisation methods and precision medical treatments to enhance the growth performance and safety of our products.

- *Food safety control technology*. We focus on three major research directions, namely breeding production safety technology, meat processing safety technology and traceability monitoring and analysis technology, to reinforce the key common technologies of meat safety production and provide technical support for the meat industry.

- *Optimisation in the R&D of production technology*. The R&D of production technology in the production and feeding process and the implementation of regulated management and standardised tools can help us reduce production costs, improve management efficiency, and improve the overall quality of our products.

- *Technology for forecasting optimal sales time*. We collect basic data such as pig growth curve, fixed cost, production cost, sales price and related functional relationships to establish a visual model that can forecast optimal sales time. By leveraging years of market research and accumulated big data, we can accurately predict the best weight and timing for the sale of market hogs, so as to maximise profits.

- *Data management and analysis technology*. We use data management software to achieve online data management, which can greatly improve per capita efficiency.

SALES

Structure of Sales Team

We have separate sales teams for the pig and poultry segments which are responsible for determining and supervising the implementation of our sales strategies. Our pig sales network covers all major regions of China, and our yellow-feathered broiler sales network covers markets including Sichuan, Chongqing, Yunnan, Guizhou, Guangdong and Guangxi.

We actively monitor the condition of the pig and yellow-feathered broiler markets, making reference to indicators such as current selling price, seasonal patterns and price fluctuation alerts issued by the relevant authorities. Based on these indicators, we project demand for our products in the subsequent period and adjust our production plan accordingly.

Sales of Our Pig Segment

Customers for our market hogs are mainly pig dealers. Customers for our breeding pigs and market piglets are mainly pig breeding and farming companies. According to the Frost & Sullivan Report, it is an industry norm for a PRC livestock and poultry farming enterprise to sell its products to third-party dealers, primarily because (i) dealers represent one of the major players in the downstream livestock and poultry industry with extensive distribution channels and (ii) dealers are able to provide more flexibility as to timing, location and volume of sales as compared to other downstream players, such as slaughterhouses. As at 31 May 2023, our broiler dealers were in general located within 100 km to 200 km from our relevant self-operated and family pig farms. The vast majority of our pig segment customers make payment via online banking transfers, and we generally do not grant credit term to such customers.

The table below sets forth our revenue, gross profit and gross profit margin by type of customers for the periods indicated:

	For the year ended 31 December												For the five months ended 31 May							
	2020				2021				2022				2022				2023			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	*% of total*	*RMB'000*	*%*	*RMB'000*	*% of total*	*RMB'000*	*%*	*RMB'000*	*% of total*	*RMB'000*	*%*	*RMB'000*	*% of total*	*RMB'000*	*%*	*RMB'000*	*% of total*	*RMB'000*	*%*
Dealers	3,985,907	69.3	2,160,745	54.2	5,377,066	75.0	289,793	5.4	9,356,024	79.7	1,346,364	14.4	2,808,913	81.6	(576,226)	(20.5)	3,798,370	75.8	(307,954)	(8.1)
Others	1,761,790	30.7	1,048,138	59.5	1,791,090	25.0	444,482	24.8	2,389,032	20.3	327,541	13.7	634,683	18.4	(95,344)	(15.0)	1,215,945	24.2	24,475	2.0
Total/overall	5,747,697	100.0	3,208,883	55.8	7,168,155	100.0	734,274	10.2	11,745,056	100.0	1,673,905	14.3	3,443,596	100.0	(671,570)	(19.5)	5,014,315	100.0	(283,479)	(5.7)

Market hogs constitute the majority of the products we sell to pig dealers. Our revenue from sales to dealers increased from RMB3,985.9 million for 2020 to RMB5,377.1 million for 2021 and further to RMB9,356 million for 2022. It further increased from RMB2,808.9 million for the five months ended 31 May 2022 to RMB3,798.4 million for the five months ended 31 May 2023. The increase in our revenue from sales to dealers was largely in line with the increase in our sales volume of pigs during the same periods. Accordingly, revenue contribution of sales to dealers increased from 69.3% for 2020 to 75.0% for 2021 and further to 79.7% for 2022 alongside the increase in our sales volume of pigs, which was primarily attributable to the increase in the scale of our market hog production to gain more market share. Revenue contribution of sales to dealers slightly decreased from 81.6% for the five months ended 31 May 2022 to 75.8% for the five months ended 31 May 2023, primarily due to the increase in contribution from large slaughterhouse customers. The gross profit margin from sales to dealers decreased from 54.2% for 2020 to 5.4% for 2021, and increased to 14.4% for 2022. The gross profit margin from sales to dealers increased from -20.5% for the five months ended 31 May 2022 to -8.1% for the five months ended 31 May 2023. The changes in gross profit margin from sales to dealers were also in line with the changes in the gross profit margin of our sales of market hogs during the periods, which were largely results from changes in average selling prices of our market hogs. For details, please refer to the section headed "Financial Information – Principal Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this document.

We sell pigs through the "Dekon Group Pig Selling System (德康集團生豬銷售系統)" by way of bidding. Our customers need to register with the system as users, and pay a deposit before they can order pigs on the system. We update the information of pig sales on the system. Once a customer enters the quantity and bidding prices of market hogs on the system, the system will automatically rank the orders based on the bid price and the time when such orders are placed. The purchase and sale contract with a customer takes effect immediately once the order is confirmed. We have also entered into cooperation agreements with certain core customers, the term of which is generally one year, with a minimum purchase requirement.

Pig dealers

Most of our market hogs and market piglets are sold to pig dealers. Pig dealers are generally self-employed individuals, intermediaries between breeding enterprises and farmers and butchers.

For 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, the revenue from sales of market hogs to our pig dealers was RMB3,916.5 million, RMB5,303.4 million, RMB9,306.6 million, RMB2,790.2 million and RMB3,784.9 million, respectively, representing 71.0%, 84.8%, 80.8%, 82.6% and 77.7% of the total revenue from sales of market hogs; the revenue from sales of breeding pigs to pig dealers was RMB39.9 million, RMB27.4 million, RMB12.8 million, RMB3.2 million and RMB1.3 million, respectively, representing 26.9%, 5.9%, 18.5%, 20.3% and 5.2% of the total revenue from sales of breeding pigs; the revenue from sales of market piglets to pig dealers was RMB29.3 million, RMB46.2 million, RMB36.4 million, RMB15.6 million and RMB12.2 million, respectively, representing 36.3%, 10.3%, 24.1%, 31.2% and 10.8% of the total revenue from sales of market piglets.

The table below illustrates the changes of our dealers during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
Pig dealers				
At the beginning of the year/period	1,602	1,951	1,318	1,090
Addition	1,513	756	606	147
Termination[(1)]	(1,164)	(1,389)	(834)	(715)[(2)]
At the end of the year/period	1,951	1,318	1,090	522

Notes:

(1) Represents dealers that did not make any purchase from us during a financial year/period and dealers that were terminated for other reasons, including mutual agreement.

(2) Only represents the status as at 31 May 2023, and dealers that make any purchase from us during the remaining period of the year ending 31 December 2023 will not be counted as termination for such financial year.

We are dedicated to continuously optimising our base of pig dealers. The number of our pig dealers decreased from 1,951 as at 31 December 2020 to 1,318 as at 31 December 2021, and further to 1,090 as at 31 December 2022. It further decreased to 522 as at 31 May 2023. The decrease in the number of pig dealers during the Track Record Period was primarily as a result of our efforts in streamlining our dealer base by retaining only high-value dealers that make frequent and sizable purchases. Our efforts include recruiting and focusing on retaining only dealers with a higher degree of purchase commitment, as these dealers tend to have more extensive distribution channels and therefore more stable demand for our products. Among others, we started to gradually raise the amount of deposits (保證金) payable by pig dealers from RMB20,000 to RMB50,000 since 2021, with an aim of screening out dealers with a relatively lower degree of purchase commitment. As a result, despite the decrease in the number of dealers during the Track Record Period, our total revenue from the sales of pigs to dealers, as well as average revenue per dealer, had increased. We may also terminate our relationship with pig dealers who failed to observe our standards or meet our requirements, including failure to perform their obligations under the relevant agreements. Given that our agreements with pig dealers typically only have a term of one year, we generally do not unilaterally terminate our relationship with dealers, save for serious misconducts, such as dishonestly overstating the weight of pigs. During the Track Record Period, there was no material breach of the agreements by our pig dealers and accordingly, we had not terminated our relationship with any pig dealer due to such reason. During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between the dealers and us.

The table below sets forth the movement of deposits we received from pig dealers for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	1,165	4,846	11,643	29,958
Inflow	6,075	13,162	42,155	11,795
Outflow	(2,394)	(6,365)	(23,840)	(6,833)
Balance at the end of the year/period	4,846	11,643	29,958	34,920

During the Track Record Period, we required certain pig dealers to pay a deposit of RMB20,000, and have since 2021 started to gradually increase such deposit to RMB50,000 as part of our efforts to streamline our dealer base. The balance of deposits increased from RMB4.8 million for 2020 to RMB11.6 million for 2021, and further to RMB30.0 million for 2022, primarily because we started to raise the amount of deposits payable by pig dealers since 2021. The balance of deposits further increased to RMB34.9 million as at 31 May 2023, primarily due to the increase adoption of the Dekon Group Pig Selling System among our pig dealers, which requires payment of deposits. The deposits may not be used to settle the purchase price, and will be refunded upon completion of the agreements. We may forfeit the deposits upon dealers' breach of our platform rules, such as where the dealers fail to pay in advance or settle payment upon collection of pigs. During the Track Record Period, there had not been occurrence of such incidents and accordingly, we did not forfeit any deposit from dealers.

We only charge our pig dealers deposits under certain circumstances. There were only 8.9%, 26.9%, 41.2% and 72.4% of the pig dealers which paid deposit for 2020, 2021, 2022 and the five months ended 31 May 2023, respectively. The pig dealers usually pay deposit in the following situations: (i) the pig dealer opens an account in our online Dekon Group Pig Selling System, through which the pig dealer can order pigs online by bidding; (ii) the pig dealer signs a core customer agreement with us which specifies purchase volume for the pig dealer; and (iii) the pig dealer participates in our offline pig sales and signs a specific pig sales agreement with us, such as the sales agreement for elimination of breeding pigs. The increase in the average deposit paid by our pig dealer was mainly due to the fact that (i) the proportion of pig dealers which paid deposit increased, which was partly as a result of the increase adoption of the Dekon Group Pig Selling System among our pig dealers; and (ii) we started to gradually increase the deposit amounts for pig dealers from RMB20,000 to RMB50,000 since 2021.

Deposits from dealers only contributed to a relatively small portion of our deposits received during the Track Record Period. For details, please refer to the section headed "Financial Information – Current Assets and Current Liabilities – Accruals and Other Payables" in this document.

We typically entered into dealership agreements with our dealers for sales of our pigs. The key terms of our dealership agreements generally include the following:

- Term: Generally one year.

- Designated distribution regions and/or channels: Dealers are not subject to restrictions on distribution regions and/or channels.

- Sales target and reward plan: Dealers are not subject to mandatory sales targets. To incentivise certain dealers, we generally provide rebates that range from RMB4 to RMB10 per pig to dealers that meet specified sales targets, which is determined on a sliding scale based on the sales volume of pigs of the relevant dealer.

- Minimum purchase volume: Certain dealers for our pigs are required to purchase a minimum purchase volume from us. For 2020, 2021, 2022 and the five months ended 31 May 2023, dealers that were subject to minimum purchase requirement contributed to nil, 23.8%, 36.9% and 21.2% of our revenue from the sales of pigs. We have the right to terminate our relationship with dealers that fail to meet such requirement but do not typically enforce it given the term of only one year in general. For 2020, 2021 and 2022, nil, 17 and 27 dealers failed to meet such requirement and such dealers contributed to nil, 13.3% and 9.5% of our revenue from the sales of pigs, respectively. In line with our general practice, we did not terminate any of these dealers for failing to meet the minimum purchase volume.

- Pricing policy: We set the price at which we sell products to dealers based on market conditions, and dealers shall place order on our Dekon Group Pig Selling System by way of bidding.

- Termination: If the dealer breaches material terms or fails to meet the minimum purchase amount, we may terminate the dealership agreement.

Our relationships with pig dealers are characterised as seller and buyer relationships, which do not grant us control over their operations or inventories, and pig dealers are free to formulate their own pricing policies and compete with one another. As we sell our pigs to dealers outright, we do not have a policy on the geographical distribution of our dealers, and we do not impose restrictions on the appointment of sub-dealers or on the resell price. According to the Frost & Sullivan Report, it is a norm in China's breeding and farming industry that breeding and farming enterprises sell pigs to dealers outright and do not impose restrictions on the onward distribution by dealers. Once our pigs are sold to pig dealers, we recognise the revenue, and the ownership and risks of the pigs are transferred the pig dealers. To our best knowledge, pig dealers generally resell our products to slaughterhouses. If pig dealers fail to sell the products subsequently, they have no right of recourse against us after their acceptance of the relevant products. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and belief of our Directors, all our pig dealers are Independent Third Parties.

Sales of Our Poultry Segment

Customers for our broilers mainly include dealers. According to the Frost & Sullivan Report, it is an industry norm for a PRC livestock and poultry farming enterprise to sell its products to third-party dealers, primarily because (i) dealers represent one of the major players in the downstream livestock and poultry industry, with extensive distribution channels and (ii) dealers are able to provide more flexibility as to timing, location and volume of sales as compared to other downstream players, such as slaughterhouses. As at 31 May 2023, our broiler dealers were in general located within 100 km to 200 km from our relevant self-operated and family broiler farms. Our chick customers mainly include dealers and broiler farmers. Most of our customers for the poultry segment make payments via bank transfer, and we generally do not offer credit term.

The table below sets forth our revenue, gross profit and gross profit margin by type of customers for the periods indicated:

	For the year ended 31 December												For the five months ended 31 May							
	2020				2021				2022				2022				2023			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	*% of total*	*RMB'000*	*%*	*RMB'000*	*% of total*	*RMB'000*	*%*	*RMB'000*	*% of total*	*RMB'000*	*%*	*RMB'000*	*% of total*	*RMB'000*	*%*	*RMB'000*	*% of total*	*RMB'000*	*%*
Dealers	2,202,838	96.3	(48,981)	(2.2)	2,572,978	98.3	18,102	0.7	3,138,120	97.6	379,542	12.1	1,089,897	98.0	70,761	6.5	1,224,016	96.7	(93,945)	(7.7)
Others	84,946	3.7	(319)	(0.4)	45,104	1.7	258	0.6	77,216	2.4	6,018	7.8	21,810	2.0	712	3.3	41,142	3.3	(2,144)	(5.2)
Total/overall	2,287,783	100.0	(49,300)	(2.2)	2,618,082	100.0	18,360	0.7	3,215,336	100.0	385,561	12.0	1,111,707	100.0	71,473	6.4	1,265,158	100.0	(96,089)	(7.6)

Yellow-feathered broilers constitute the majority of the products we sell to broiler dealers. Our revenue from sales to dealers increased from RMB2,202.8 million for 2020 to RMB2,573.0 million for 2021 and further to RMB3,138.1 million for 2022, which was largely in line with the increase in our sales volume of yellow-feathered broilers during the same periods. Our revenue from sales to dealers increased from RMB1,089.9 million for the five months ended 31 May 2022 to RMB1,224.0 million for the five months ended 31 May 2023, which was also in line with the increase in our sales volume of yellow-feathered broilers during the same period. Accordingly, for 2020, 2021, 2022 and the five months ended 31 May 2022 and 2023, revenue contribution of sales to dealers remained relatively stable at 96.3%, 98.3%, 97.6%, 98.0% and 96.7%, respectively. The gross profit margin from sales to dealers increased from -2.2% for 2020 to 0.7% for 2021, and further to 12.1% for 2022. It decreased from 6.5% for the five months ended 31 May 2022 to -7.7% for the five months ended 31 May 2023. The changes in our gross profit margin from sales to dealers were also in line with the gross profit margin of our sales of yellow-feathered broilers during the periods. For details, please refer to the section headed "Financial Information – Principal Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this document.

Broiler and chick dealers

We sell a majority of our yellow-feathered broilers and chicks through dealers. Given that (i) broilers and chicks are fresh and live agricultural products; (ii) dealers shall bear all risks related to the products after the products are delivered to them; and (iii) we require dealers to pay us on delivery, our Directors believe that our sales reflect the market demand for our products and may avoid the risk of dealer inventory accumulation.

We formulate assessment standards for dealers' sales volume and contribution and tiered incentive policies based on sales volume to encourage broiler dealers to develop more sales channels and expand sales scale. Additionally, we implement systematic management of broiler dealers. Through skills training, corporate value building and assistance with expanding distribution channels, we enhance dealers' marketing skills, promote the integration of values between dealers and us and expand distribution channels and customer groups, thereby increasing the market share and profitability of our core products.

For 2020, 2021, 2022, and the five months ended 31 May 2022 and 2023, the revenue of chicks made through dealers was RMB93.6 million, RMB62.0 million, RMB38.7 million, RMB14.2 million and RMB15.9 million, respectively, accounting for 78.9%, 70.8%, 58.6%, 52.9% and 57.2% of the total sales of chicks, respectively. The revenue of yellow-feathered broilers made through dealers was RMB2,142.1 million, RMB2,500.2 million, RMB3,075.3 million, RMB1,070.4 million and RMB1,202.8 million, respectively, accounting for 99.3%, 99.3%, 98.8%, 99.2% and 97.6% of the total sales of yellow-feathered broilers, respectively.

The table below illustrates the changes of our dealers during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
Dealers of chicks and yellow-feathered broilers				
At the beginning of the year/period	3,730	6,126	5,184	4,951
Addition	3,967	2,517	2,303	647
Termination[1]	(1,571)	(3,459)	(2,536)	(2,529)[2]
At the end of the year/period	6,126	5,184	4,951	3,069

Notes:

(1) Represents dealers that did not make any purchase from us during a financial year/period and dealers that were terminated for other reasons, including mutual agreement.

(2) Only represents the status as at 31 May 2023, and dealers that make any purchase from us during the remaining period of the year ending 31 December 2023 will not be counted as termination for such financial year.

As at 31 May 2023, our relationship with our dealers lasts for approximately one year. Our dealers are mainly engaged in sales in designated areas in China. The number of dealers decreased during the Track Record Period primarily as a result of our efforts to continuously streamline our dealer base. Among others, we focused on retaining dealers that make relatively frequent and sizable purchases. As a result of our efforts, the revenue per dealer increased from RMB496,331 in 2021 to RMB633,835 in 2022, and further increased from RMB342,950 for the five months ended 31 May 2022 to RMB398,832 for the five months ended 31 May 2023. During the Track Record Period and up to the Latest Practicable Date, there was no material breach of the agreements by our dealers and accordingly, we had not terminated our relationship with any broiler dealer due to such reason. During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between us and the dealers.

The table below sets forth the movement of deposits we received from broiler dealers for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	1,944	776	2,117	1,531
Inflow	409	1,755	161	152
Outflow	(1,576)	(413)	(747)	(150)
Balance at the end of the year/period	776	2,117	1,531	1,533

During the Track Record Period, a small portion of broiler dealers were required to pay a deposit (保證金) that ranged from RMB1,000 to RMB10,000. As at 31 December 2020, 2021 and 2022 and 31 May 2023, the balance of deposits remained relative stable at RMB0.8 million, RMB2.1 million, RMB1.5 million and RMB1.5 million, respectively. The deposits may not be used to settle the purchase price, and will be refunded to the dealers upon completion of the agreement. We may forfeit the deposits upon dealers' breach of our rules, such as where the dealers fail to settle payment upon collection of broilers. During the Track Record Period, there had not been occurrence of such incidents and accordingly, we did not forfeit any deposit from dealers.

Our broiler dealers only pay deposit if they enter into an exclusive sales agreement with us. There were 2.0%, 2.1%, 2.2% and 2.5% of our broiler dealers paid deposit for 2020, 2021, 2022 and the five months ended 31 May 2023, respectively.

Deposits from dealers only contributed to a relatively small portion of our deposits received during the Track Record Period. For details, please refer to the section headed "Financial Information – Current Assets and Current Liabilities – Accruals and Other Payables" in this document.

We typically entered into dealership agreements with our dealers for the sales of our yellow-feathered broilers and chicks. The key terms of our dealership agreements generally include the following:

- Term: Generally one year.

- Designated distribution regions and/or channels: Dealers are not subject to restrictions on distribution regions and/or channels.

- Sales target and reward plan: Dealers are not subject to mandatory sales targets. To incentivise certain dealers, we generally provide rebates of no more than 1% of the contract fee per broiler to dealers that meet specified sales targets.

- Minimum purchase volume: Certain dealers for our broilers are required to purchase a minimum purchase volume from us. For 2020, 2021, 2022 and the five months ended 31 May 2023, dealers that were subject to minimum purchase requirement contributed to 8.9%, 6.5%, 6.3% and 9.9% of our revenue from the sales of yellow-feathered broilers. We have the right to terminate our relationship with dealers that fail to meet such requirement but do not typically enforce it given the term of only one year in general. For 2020, 2021 and 2022, 41, 25 and 29 dealers failed to meet such requirement, and such dealers contributed to 4.0%, 2.2% and 4.1% of our revenue from the sales of broilers, respectively. In line with our general practice, we did not terminate any of these dealers for failing to meet the minimum purchase volume.

- Pricing policy: We set the price at which we sell products to dealers based on market conditions.

- Termination: If the dealer breaches certain material terms or fails to meet the minimum purchase amount, we may terminate the dealership agreement.

Our relationships with dealers for our chicks and yellow-feathered broilers are characterised as seller and buyer relationships, which do not grant us control over their operations or inventories. As we sell our broilers to dealers outright, we do not have a policy on the geographical distribution of our dealers, and we do not impose restrictions on the appointment of sub-dealers or on the resell price. According to the Frost & Sullivan Report, it is a norm in China's breeding and farming industry that breeding and farming enterprises sell broilers to dealers outright and do not impose restrictions on the onward distribution by dealers. To our best knowledge, the dealers resell our products primarily to wholesale markets, supermarkets or canteens. Once our products are sold to the dealers, we recognise the sales and the ownership and risks related to the products will be transferred to the dealers. In case of their failure to sell the products subsequently, dealers will have no right of recourse against us after their acceptance of the relevant products. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and belief of our Directors, all our broiler dealers are Independent Third Parties.

Customers for Ancillary Products Segment

Our customers for ancillary products are mainly trading companies and feed manufacturers. All payments are made via online bank transfer, and the credit term is generally within seven to 30 days.

Return Policy

We do not have a return policy. Our customers are generally not allowed to return our products after acceptance of the products. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not receive any material complaints and did not make any material refund.

Major Customers

During the Track Record Period, all of our customers were based in the PRC. For 2020, 2021, 2022 and the five months ended 31 May 2023, our sales to the top five customers for each respective year or period accounted for 8.6%, 10.1%, 11.9% and 16.3% of our total revenue, respectively. Our sales to our largest customer for 2020, 2021, 2022 and the five months ended 31 May 2023 accounted for 2.5%, 3.2%, 3.4% and 6.7% of our total revenue during the respective year or period. For each of the years/periods during the Track Record Period, none of the Directors, Supervisors, their respective associates or Shareholders who own 5% or more of the Company's issued share capital had any interest in the top five customers.

The table below provides details of our top five customers during the Track Record Period:

For the year ended 31 December 2020

Rank	Customer(Note)	Background	Location	Products purchased from us	Revenue (RMB'000)	% of our total revenue	Year of commencement of the business relationship	Settlement method	Credit term
1	Customer A	Pig dealer	PRC	Pigs	202,874.0	2.5%	2013	Bank transfer	N/A
2	Customer B	Pig dealer	PRC	Pigs	128,122.7	1.6%	2018	Bank transfer	N/A
3	Customer C	Pig dealer	PRC	Pigs	128,087.8	1.6%	2019	Bank transfer	N/A
4	Customer D	Pig dealer	PRC	Pigs	126,032.9	1.5%	2016	Bank transfer	N/A
5	Customer E	Pig dealer	PRC	Pigs	113,939.8	1.4%	2017	Bank transfer	N/A
	Total				**699,057.2**	**8.6%**			

For the year ended 31 December 2021

Rank	Customer(Note)	Background	Location	Products purchased from us	Revenue (RMB'000)	% of our total revenue	Year of commencement of the business relationship	Settlement method	Credit term
1	Customer F	Farm operator	PRC	Pigs	314,988.8	3.2%	2020	Bank transfer	N/A
2	Customer G	Pig dealer	PRC	Pigs	241,458.0	2.4%	2020	Bank transfer	N/A
3	Customer D	Pig dealer	PRC	Pigs	164,149.3	1.7%	2016	Bank transfer	N/A
4	Customer A	Pig dealer	PRC	Pigs	146,466.0	1.5%	2013	Bank transfer	N/A
5	Customer H	Feed manufacturer and farm operator	PRC	Pigs	128,216.6	1.3%	2017	Bank transfer	N/A
	Total				**995,278.7**	**10.1%**			

For the year ended 31 December 2022

Rank	Customer[Note]	Background	Location	Products purchased from us	Revenue (RMB'000)	% of our total revenue	Year of commencement of the business relationship	Settlement method	Credit term
1	Customer G	Pig dealer	PRC	Pigs	511,568.7	3.4%	2020	Bank transfer	N/A
2	Customer I	Pig dealer	PRC	Pigs	479,405.2	3.2%	2021	Bank transfer	N/A
3	Customer J	Pig dealer	PRC	Pigs	283,230.2	1.9%	2018	Bank transfer	N/A
4	Customer K	Slaughter house	PRC	Pigs	271,477.0	1.8%	2021	Bank transfer	N/A
5	Customer L	Slaughter house	PRC	Pigs	245,958.4	1.6%	2019	Bank transfer	N/A
	Total				**1,791,639.5**	**11.9%**			

For the five months ended 31 May 2023

Rank	Customer[Note]	Background	Location	Products purchased from us	Revenue (RMB'000)	% of our total revenue	Year of commencement of the business relationship	Settlement method	Credit term
1	Customer G	Pig dealer	PRC	Pigs	423,465.3	6.7%	2020	Bank transfer	N/A
2	Customer I	Pig dealer	PRC	Pigs	187,917.6	3.0%	2021	Bank transfer	N/A
3	Customer M	Pig dealer	PRC	Pigs	172,494.5	2.7%	2023	Bank transfer	N/A
4	Customer K	Slaughter house	PRC	Pigs	136,372.0	2.1%	2021	Bank transfer	N/A
5	Customer L	Slaughter house	PRC	Pigs	111,935.1	1.8%	2019	Bank transfer	N/A
	Total				**1,032,184.5**	**16.3%**			

Note:

Member entities of the same group are represented on a consolidated basis as a single customer.

Pricing

During the Track Record Period and up to the Latest Practicable Date, our products were not subject to any price control regulations by the PRC governmental authorities. Our pricing for pig and poultry products varies by product, in particular:

- *Market hogs*. We adopt daily pricing with reference to major factors such as prevailing market conditions, prices set by slaughtering companies and wholesale meat markets, our current inventory and prediction of future market conditions, policy trends and epidemic situation.

- *Breeding pigs and market piglets*. We generally adopt monthly pricing with reference to factors such as the prevailing market conditions, the current purchase prices of our major customers, the quality of our breeding pigs, geographical distribution, quantity, and our breeding pig inventory.

- *Yellow-feathered broilers and chicks*. We adopt daily pricing for yellow-feathered broilers. Commodity DOCs are priced three days before the sale. Parent Stock DOCs are priced uniformly throughout the year. The major factors for pricing include the prevailing market conditions, output volume, internal and external supply in the market, low and peak consumption seasons, consumption habits, epidemics and other factors. Chicks that are sold externally are priced uniformly as stipulated in the contract.

- *Ancillary products*. We adopt monthly pricing for our ancillary products with reference to factors such as the cost per tonne of our products, loss rate, packaging cost, processing cost, biosecurity cost and any adjustments to our cost calculations.

LOGISTICS AND TRANSPORTATION

Generally, our customers are responsible for transportation of the products we sell them. We are sometimes responsible for transporting our products to customers depending on the products and sales contracts. During the Track Record Period, we outsourced most of our product transportation to logistics service providers that are Independent Third Parties. As at 31 May 2023, we had 200 external logistics service providers.

Our transportation arrangements with third party logistics providers allow us to reduce capital investment and save us from having to develop and maintain our own large-scale logistics system. Outsourcing such services also allows us to avoid bearing most of the risks associated with the transportation and delivery of our products. During the Track Record Period and as at the Latest Practicable Date, we did not experience any material delays or improper handling of our products by logistics providers that would have a material adverse impact on business operations, nor suffer from any shortage of logistics services and material rise in transportation costs. The current logistics service market provides us with sufficient options of alternative logistics service providers that can provide similar terms as those provided by our existing logistics service providers.

BRAND AND MARKETING

Our fundamental marketing strategy is to provide safe and quality products to our customers. We also adopt diversified brand promotion strategies to continuously increase the brand influence and popularity of our products, in particular:

- *Pig segment.* Our major marketing channels include participation in large-scale animal fairs and exhibitions, sponsorship of various conferences, online advertising, offline advertising (such as on high-speed road signs and wall advertisements), publication of various promotional materials and promotional items (such as feature articles on our WeChat public account).

- *Poultry segment.* We promote our yellow-feathered broilers and chicken breeders through various advertising channels, including poultry industry magazines (such as Poultry Raising and Poultry Disease Prevention (《養禽與禽病防治》)), offline advertising such as sponsoring community tasting events and influential conferences (such as China Animal Agriculture Association (中國畜牧業協會), National Chicken Culture Promotion Alliance (國雞文化推廣聯盟)).

SUPPLIERS, RAW MATERIAL AND INVENTORY

Raw material procurement

During the Track Record Period, our raw materials mainly included (i) feed, (ii) feed ingredients, such as corn, soybean meal, and other by-products, and (iii) veterinary medicines and vaccines. We adopt a centralised procurement strategy. The majority of our raw materials used by our Group are purchased in bulk by the headquarter to leverage economies of scale and enhance quality control. We have entered into strategic cooperation framework agreements with important partners, with terms ranging from six months to two years. Our supply agreements with general suppliers last for six to 12 months. The credit term typically ranges from ten to 180 days.

Feed and feed ingredients procurement

We adopt strict measures to select quality and stable suppliers of feed and feed ingredients to control food safety in upstream processes. We have established a supplier admission system and maintain a list of qualified suppliers. We conduct preliminary screening, lab-testing on samples and on-site inspection before admitting a supplier into the list. We conduct annual performance evaluation of our suppliers based on their product quality and service standards.

We have developed and maintained supplier management and control measures across our operations. We require feed suppliers to implement the same management and control standards as those at our feed mills. We have a dedicated department that supervises feed suppliers through spot inspections and regular on-site inspections and have implemented rules and procedures covering various aspects of the feed production.

We have established a comprehensive raw material evaluation, raw material acceptance and raw material processing system. The supplier shall provide the required certification documents for each batch of raw materials delivered. Samples of raw materials are sent to our laboratory for inspection upon arrival. The inspector inspects the samples based on certain nutritional and sanitary indicators, and the person in charge of quality control communicates with the purchasing department based on the inspection results and issues an inspection report. When the delivery is completed, the purchasing department provides relevant documents and reports to the finance department for settlement.

The purchasing manager prepares monthly and weekly feed purchasing plans and submits them to the purchasing department. The purchasing department formulates a purchasing strategy according to the weekly purchasing plan and market conditions. Then, through inquiries, price comparisons and negotiation with qualified suppliers, the purchasing department finally forms and submits a purchasing application for approval and signs a procurement contract.

Procurement of veterinary medicines and vaccines

Our animal healthcare products purchasing department reviews the suppliers of veterinary medicines and vaccines annually and determines the qualified suppliers list. We qualified suppliers to submit tenders for products we require, and select the most cost-effective products to be included in our procurement catalogue. We enter into annual framework agreements with product suppliers listed in the procurement catalogue. Our breeding subsidiaries formulate monthly veterinary medicines and vaccine procurement schedules and submit them to the animal healthcare products purchasing department for review.

Major Suppliers

For 2020, 2021, 2022 and the five months ended 31 May 2023, our purchases from the top five suppliers for each respective year or period were RMB1,369.9 million, RMB1,814.4 million, RMB2,752.1 million and RMB1,461.1 million, respectively, accounting for 25.6%, 22.1%, 24.6% and 28.1% of our total purchase of products and services for the respective year or period. Our purchases from the single largest supplier for 2020, 2021, 2022 and the five months ended 31 May 2023 accounted for 6.1%, 6.3%, 6.4% and 7.3% of our total purchase of products and services for the respective period. For each of the years/period during the Track Record Period, except for Tequ Husbandry, all our top five suppliers are Independent Third Parties, and no Directors, Supervisors, their respective associates or Shareholders who own 5% or more of the Company's issued share capital have any interest in the top five suppliers.

For the year ended 31 December 2020

Rank	Supplier[1]	Background	Location	Products supplied to us	Purchase amount (RMB'000)	% of our total purchase of products and services	Year of commencement of the business relationship	Settlement method	Credit term
1	Supplier A	Feed manufacturer	PRC	Feed	324,014.9	6.1%	2018	Bank transfer	30 days
2	Supplier B	Feed manufacturer	PRC	Feed	289,440.8	5.4%	2018	Bank transfer	30 days
3	Supplier C	Feed manufacturer	PRC	Feed	278,790.1	5.2%	2018	Bank transfer	30 days
4	Supplier D	Feed manufacturer	PRC	Feed	267,958.1	5.0%	2018	Bank transfer	30 days
5	Tequ Husbandry[2]	Feed manufacturer	PRC	Feed	209,722.2	3.9%	2016	Bank transfer	30 days
	Total				**1,369,926.1**	**25.6%**			

For the year ended 31 December 2021

Rank	Supplier[1]	Background	Location	Products supplied to us	Purchase amount (RMB'000)	% of our total purchase of products and services	Year of commencement of the business relationship	Settlement method	Credit term
1	Supplier B	Feed manufacturer	PRC	Feed	517,580.3	6.3%	2018	Bank transfer	30 days
2	Tequ Husbandry[2]	Feed manufacturer	PRC	Feed	376,738.4	4.6%	2016	Bank transfer	30 days
3	Supplier D	Feed manufacturer	PRC	Feed, raw materials	346,489.9	4.2%	2018	Bank transfer	7-30 days
4	Supplier C	Feed manufacturer	PRC	Feed	297,203.9	3.6%	2018	Bank transfer	30 days
5	Supplier E	Feed manufacturer	PRC	Feed	276,346.0	3.4%	2019	Bank transfer	7-30 days
	Total				**1,814,358.5**	**22.1%**			

For the year ended 31 December 2022

Rank	Supplier[1]	Background	Location	Products supplied to us	Purchase amount (RMB'000)	% of our total purchase of products and services	Year of commencement of the business relationship	Settlement method	Credit term
1	Tequ Husbandry[2]	Feed manufacturer	PRC	Feed	717,649.0	6.4%	2016	Bank transfer	30 days
2	Customer H	Feed manufacturer, farm operators	PRC	Feed	663,094.0	5.9%	2016	Bank transfer	30 days
3	Supplier B	Feed manufacturer	PRC	Feed	589,652.5	5.3%	2018	Bank transfer	30 days
4	Supplier D	Feed manufacturer	PRC	Feed, raw materials	430,557.2	3.9%	2018	Bank transfer	7-30 days
5	Supplier A	Feed manufacturer	PRC	Feed	351,146.8	3.1%	2018	Bank transfer	30 days
	Total				**2,752,099.5**	**24.6%**			

For the five months ended 31 May 2023

Rank	Supplier[1]	Background	Location	Products supplied to us	Purchase amount (RMB'000)	% of our total purchase of products and services	Year of commencement of the business relationship	Settlement method	Credit term
1	Supplier D	Feed manufacturer	PRC	Feed, raw material	380,403.4	7.3%	2018	Bank transfer	7-30 days
2	Customer H	Feed manufacturer, farm operators	PRC	Feed	359,741.1	6.9%	2016	Bank transfer	30 days
3	Supplier B	Feed manufacturer	PRC	Feed	290,477.4	5.6%	2018	Bank transfer	30 days
4	Tequ Husbandry	Feed manufacturer	PRC	Feed, raw material	253,464.6	4.9%	2016	Bank transfer	30 days
5	Supplier F	Feed manufacturer	PRC	Feed, veterinary drug	177,043.0	3.4%	2018	Bank transfer	30-180 days
	Total				**1,461,129.5**	**28.1%**			

Notes:

1. Member entities of the same group are represented on a consolidated basis as a single supplier.

2. Tequ Husbandry is a PRC company, which was owned as to 94.6% by Sichuan Tequ, a connected person of our Company, as at the Latest Practicable Date.

Overlapping of Customers and Suppliers

During the Track Record Period, to the best knowledge and belief of our Directors, (i) certain member entities of our top five suppliers, being Suppliers A, B, D and F, Customer H, and Tequ Husbandry, were also our customers; and (ii) save for Customer H, none of the member entities of our top five customers was our supplier. We procured feed from these supplier-customers and sold (i) feed ingredients to Suppliers A, B and D for their feed production, (ii) breeding pigs and piglets to Customer H for their farm operation and (iii) market hogs to Tequ Husbandry for their internal consumption.

For 2020, 2021, 2022 and the five months ended 31 May 2023, purchases from the member entities of our top five suppliers and customers, with which we had both sales and purchases, accounted for 19.6%, 14.5%, 18.0% and 17.0% of our total cost of sales, and our sales to them accounted for 0.6%, 0.4%, 0.2% and 0.2% of our total revenue, respectively. During the same periods, the gross profit margin for our sales to these member entities of our top five suppliers and customers were 4.2%, 7.0%, 9.5% and 21.3%, respectively. The table below sets forth the gross profit margin for our sales to these member entities of our top five suppliers and customers for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
	%	%	%	%
Supplier A	2.7	4.6	18.7	22.7
Supplier B	13.7	7.2	13.3	16.1
Supplier D	5.0	8.4	4.5	35.7
Supplier F	–	–	–	34.9
Customer H	–	–	30.5	24.5
Tequ Husbandry	16.0	2.3	11.7	18.3

According to the Frost & Sullivan Report, it is common that leading enterprises in the breeding and farming industry operate across multiple segments across the entire value chain, and it is a norm in the breeding and farming industry that upstream and downstream enterprises along the value chain, such as feed manufacturers and breeding and farming enterprises, transact with each other as suppliers and customers.

Negotiations of the terms of our sales to and purchases from these companies were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that all of our sales to and purchases from these companies were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

Hedging

Since February 2021, in order to hedge the risks of price fluctuations of raw materials including soybean meal, soybean oil, corn and wheat, we started to purchase financial derivative instruments. Since pig futures were launched in China in January 2021, we have also started to utilise financial derivative instruments to hedge risks of fluctuations in the selling prices of pigs. According to the Frost & Sullivan Report, we are among one of the first batch of Chinese pig breeding companies to utilise pig futures to hedge risks of fluctuations in the selling prices of pigs, and we have established one of the first Chinese delivery houses for pig futures. As the pig future trading market in China matures gradually, we may hedge pig prices to mitigate risks in fluctuations in selling prices of pigs when we determine market conditions are appropriate. We usually enter into transactions using derivative financial instruments when (a) we forecast that the selling prices of pigs will decrease; or (b) the current selling prices of pigs are at a relatively high level which we consider it a good opportunity for us to lock-in the profits.

We use a combination of futures and options to hedge our production and operation activities. Our hedging activities are mainly conducted through our futures contracts. We use hog, corn futures and options, soybean meal futures to hedge price risks such as decreasing hog prices and rising raw material prices. To mitigate our risk exposure, we mostly purchase futures and options products which enable us to sell our market hogs products at a fixed price in future to hedge against the price dropping of our pig products. During the Track Record Period, we used futures and options to hedge against the price dropping of only a small portion of our pig products.

Futures contracts

We recorded derivative assets of nil, RMB38.7 million, nil and RMB16.1 million and derivative liabilities of nil, RMB0.3 million, RMB0.4 million and RMB3.5 million in respect of our futures contracts as at 31 December 2020, 2021 and 2022 and 31 May 2023, respectively.

The futures contracts are standardised contracts, which typically contain the following material terms. The minimum units of change for hog futures, soybean meal futures and corn futures are RMB5 per tonne, RMB1 per tonne and RMB1 per tonne respectively. The price limit, which is the maximum price range permitted for the futures contract per trading session, for hog futures is 8% of the settlement price of the previous trading day and the minimum trading margin, which is the minimum deposit we are required to deposit with the futures commission merchant in connection our trading of futures contracts, is in general 8% of the value of the relevant futures contract, which is the product of the holding position and the daily settlement price of the futures contract. In respect of the closing and settlement of futures contracts, ways of settlement include buying at opening position, selling at opening position, selling at closing position, early settlement, and settlement at maturity.

Options contracts

We recorded derivative liabilities of nil, nil, RMB2.0 million and RMB22.2 million in respect of our option contracts as at 31 December 2020, 2021 and 2022 and 31 May 2023, respectively. The decrease in the market value of our options contracts as at 31 May 2023 was primarily caused by the decrease in pig prices. A summary of the salient terms of our outstanding options contracts as at 31 May 2023 pursuant to which we sold options in hog futures, is as follows:

Salient terms	**Description**
Effective Date	March to May 2023
Settlement Date	May to June 2023
Total Market Value as at 31 May 2023	RMB(19.33) million

A summary of the salient terms of our outstanding options contracts as at 31 May 2023 pursuant to which we held options in feed ingredients futures, is as follows:

Salient terms	**Description**
Effective Date	April to May 2023
Settlement Date	August to October 2023
Total Market Value as at 31 May 2023	RMB(2.92) million

Price Fluctuation Management

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

Pig

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

- Bidding platform sales: we sell pigs through the Dekon Group Pig Selling System (德康集團生豬銷售系統) by way of bidding. Our customers can bid and order our pigs on the platform according to their needs. We set a minimum purchase price for our pigs on our Dekon Group Pig Selling System every day. The bidder with the highest bidding price wins the bid. We can get a sense of whether the minimum price we set on the selling system is too high or too low by comparing the volume of pigs we intend to sell on the system with the actual sales volume on the system for that day. If we fail to sell all of the pigs we intend to sell on the system, then we will lower the minimum price on the system the next day. Through the sales on our bidding platform, we can get feedback on market demand and prices in a timely manner to ensure that the group can obtain higher sales revenue;

- Contract with key customers: in order to ensure the smooth sales, our sales department will enter into contract with our key customers and agree with our key customers on key sales terms such as the quantity of pigs to be sold and sales rewards. The contract usually specifies annual minimum purchase quantity. We have the right to terminate our relationship with such customers that fail to meet such requirement but we do not typically enforce it given the term of only one year in general. We did not terminate any of these customers for failing to meet the minimum purchase volume during the Track Record Period. The sales price is usually the weighted average unit price on our Dekon Group Pig Selling System for the day when orders are placed. When the market price falls and the customers demand on our bidding platform is low, the contracted sales with our key customers can ensure we will continue to sell our pigs to key customers; and

- We use a combination of futures and options to hedge the pig price fluctuations. We usually enter into transactions using derivative financial instruments when (a) we forecast that the selling prices of pigs will decrease; or (b) the current selling prices of pigs are at a relatively high level which we consider it a good opportunity for us to lock-in the profits. To mitigate our risk exposure, we mostly purchase futures and options products which enable us to sell our market hogs products at a fixed price in future to hedge against the price dropping of a small portion of our pig products. Please refer to the section headed "– Hedging" for details.

Broiler

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

Feed

We have adopted diverse means to mitigate the impact of fluctuations in feed prices, including flexibly adjusting feed formula while adhering to nutritional standards, diversifying our feed ingredients so that the price fluctuation of one ingredient would not exert material impact on our feed price, maintaining diversified supply channels and conducting raw material procurement with commodity futures. In addition, during the Track Record Period, we had developed a comprehensive feed cost control technology system, which allows us to (i) accurately determine the nutritional needs of pigs and yellow-feathered broilers at different growth stages according to the breeds of pigs and yellow-feathered broilers, and (ii) design feed nutrition formulas that are conducive to the digestion of pigs and yellow-feathered broilers so that we could mitigate the impact of feed price fluctuation by reducing the amount of corn and soy bean meal required. We use a combination of futures and options to hedge the feed price fluctuations. Please refer to the section headed "– Hedging" for details.

Inventory

Our inventory mainly includes feed and feed ingredients, veterinary medicines and vaccines and inventory commodities. In view of the perishable nature of most inventories, we seek to strike a balance between maintaining flexibility of our operations at an appropriate inventory level and avoiding unnecessary waste of excess inventory. We maintain strict inventory control and regularly review inventory to identify slow-moving, obsolete, or depreciated inventories. We have implemented detailed warehousing procedures, such as first-in first-out inventory management practices, batch accounting for consumable assets, timely records, proper labelling and regular inventory taking. We manage our inventory based on expected demand, production estimates for the next period, seasonality, existing inventory levels, and prevailing market rates of raw materials. For more information, please refer to the section headed "Financial Information – Discussion of Certain Key Statement of Financial Position Items – Inventories".

QUALITY CONTROL AND FOOD SAFETY

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

Quality Control of Raw Material Procurement

For quality control of our raw material procurement, please refer to the section headed "– Suppliers, Raw Material and Inventory – Raw material procurement".

Quality Control of Feed Production

For quality control of our feed production, please refer to the section headed "– Production – Feed Production".

Quality Control of Pig Production

In the process of pig breeding and farming, we have adopted the following strict quality control and biosecurity measures to reduce the risk of disease introduction and spread and to ensure the health and quality of pigs:

Biosecurity measures

In order to continue the prevention and control of African Swine Fever, we strictly implement the following biosecurity measures:

- *Site selection of pig farms*. We develop and implement strict biosecurity specifications for pig farm site selection, including terrain, separation of roads for entry and exit, and straight-line distance from dangerous areas (other farms, slaughter plants, biosafety disposal areas, garbage dumps, public roads).

- *Equipment and personnel protection*. We adopt a four-level decontamination circle outside the pig farm, including (i) first-level decontamination at the initial cleaning point/food material disinfection point, (ii) second-level decontamination at the standard decontamination centre/pre-storehouse/off-site personnel isolation point, (iii) third-level decontamination at the pre-disinfection point of the pig farm, and (iv) fourth-level decontamination at the gate of the pig farm. We also adopt the five-level protection circle inside the farm with decontamination points at isolation area, living area, production area, pig house, and environmental protection and biosafety disposal area to ensure strict disinfection and isolation management and the one-way biosecurity flow of people, vehicles, logistics, pigs, etc. Both our own farms and family farms are equipped with multiple peripheral and internal biosecurity equipment.

- *Infection stress testing*. We monitor the infection stress testing in the areas surrounding the pig farms in order to detect early warning of infection risk in the surrounding environment. Through real-time tracking and investigation of the disease of pig farms and farm owners in areas surrounding our pig farms, virus detection and monitoring of personnel, vehicles, and materials on the pig farms, we comprehensively assess the risk of infections and make adjustments to the biological safety level according to the assessment results and prepare an early warning plan for epidemic prevention and control.

- *Disease control measures.* We closely monitor animal disease outbreak on our farms and family farms and have developed various disease cleansing programmes in response to reports of disease outbreaks. We implement strict biosecurity measures and promptly eliminate diseased animals once identified. We also divide our pigs and broilers into smaller groups during farming process to prevent the spread of the disease.

Disease cleansing

The key to pig herd management lies in isolation and purification of breeding pigs. We formulate corresponding purification plans for our pig farms based on local investigations of different diseases, adopt strict biological safety measures, immune preventive measures, pathogenic testing, immune antibody monitoring, and achieve disease purification by weeding out infected animals and through separate breeding of separate herds. During the Track Record Period and up to the Latest Practicable Date, there had been no material animal disease outbreak in our self-operated and family farms for pigs.

Pig herd monitoring

We have designed and deployed a laboratory system based on the regional distribution of our pig farms. Laboratories are assigned different levels based on their functions, and there are standards for the construction and operation of laboratories at each level. Laboratories are equipped with pathology, serology and other detection technologies. We formulate a pig herd health monitoring plan for different pig herds to monitor the overall antibody level and pathogen prevalence of the pig herd.

Quality Control of Poultry Production

In the poultry production process, we have adopted the following strict biosecurity and quality control measures to reduce the risk of disease introduction and spread, and to ensure the health and quality of the chicken flock:

Biosecurity measures

- *Breeding farm site selection and planning*. We start with site selection to perform a comprehensive assessment of the chicken flocks, including water quality assessment, air assessment, and pathogen infection risk assessment. In terms of chicken house construction, we strictly follow: (i) bio-safety requirements, which include measures that impede the spread of pathogenic microorganisms, (ii) allocation of chicken houses based on the feeding requirements of small, medium, and large chickens or chicken flocks of different breeds, and (iii) orientation of chicken houses to ensure good ventilation and other aspects in planning and construction.

- *Environmental control*. We comprehensively upgrade the environmental control equipment of the chicken house to stabilise air quality and temperature in the chicken house and reduce the risk of disease. In particular, we carried out a comprehensive environmental control transformation of the hatchery, and the slight adjustment of various parameters allows us to create a stable incubation environment, which plays a very important role in the stability of the quality of the chicks. We monitor the microorganisms in the hatchery environment every month to prevent pathogenic bacteria from being brought into the broiler farms and reduce the incidence of diseases. We also strengthen water quality management and purification by sampling the amount of microorganisms in water against benchmarks every month to prevent pathogenic bacteria from passing through orally to chickens. We perform cleaning of the weeds around the chicken house regularly and strictly prohibit littering of vaccine bottles, dead chickens, and garbage.

- *Immunisation management*. We formulate immunisation procedures according to different seasons and regions and strictly manage immunisation operations to ensure that vaccine immunisation is in place. Meanwhile, we established a laboratory for each subsidiary to monitor antibodies and evaluate the effectiveness of immunity.

- *Management systems for personnel and disinfection*. Pursuant to our Management Measures on Poultry Farm Epidemic Prevention, we implement strict disinfection management measures, personnel and vehicle management, medication management, isolation, broiler sales management, and biosafety management. Specialised personnel are designated to conduct inspections on each subsidiary every month to ensure strict compliance with the standards. In terms of disinfection, we have specialists who evaluate various disinfection procedures and optimise the disinfection procedures to ensure effective disinfection.

- *Other control measures*. We strictly prohibit bringing any non-local poultry products into the chicken breeder farm. It is strictly forbidden to visit the chicken houses at will, especially the management personnel responsible for the diseased chicken flock. In principle, the arrangement of all personnel should be carried out in the order from small chicken, medium chicken, to big chicken. If there are arrangements to check sick chicken, healthy chickens shall be checked before the sick chickens.

Disease cleansing

To raise healthy chickens, we start with healthy chicks. We have reduced the level of germ-derived disease pathogens in our chicks, such as leukaemia, salmonella, mycoplasma, etc. The positive rate of leukaemia pathogens and salmonella in our chicks has reached a very low level. During the Track Record Period and up to the Latest Practicable Date, there had been no material animal disease outbreak in our self-operated and family farms for poultries.

Medicine residue monitoring

We strictly implement the medicine withdrawal period management system. All chickens must reach the medicine withdrawal period before sampling for medicine residue testing. We have established a special medicine residue testing system that regularly trains and evaluates the execution of testing personnel to ensure the accuracy of execution and stability of testing. In addition, we pay close attention to the updates of residue detection methods and projects from relevant government departments and the industry, and update our medicine residue detection methods in a timely manner. The staff of our production department must provide the medicine residue test report, the status of the medicine withdrawal period of the chickens, the status of the feed withdrawal period, and the sales staff may market the chickens only after all the criteria are met.

Traceability System

We have established a complete quality traceability system for our pigs and poultry products to help us track the flow of products. We can trace the use and the suppliers of procured chicks, feed, vaccine and medicines via the information system.

INFORMATION SYSTEM

Pig Farming Platform

Our "Pig Farming Platform" employs a range of advanced technologies, including image, video, and acoustic feature recognition technology, intelligent sensor, Internet of Things, cloud computing and big data technology, to automate and facilitate various workflows across our production process, which include:

- *Feeding*. The platform uses big data and AI technology to record status, including ages, growth stage and oestrus rate of individual pigs, and generate feeding instructions to the staff accordingly.

- *Induction and Mating*. The platform leverages image, video and acoustic feature recognition technology and thermal imaging to monitor the oestrus cycles of pigs and tracks and analyses historical production information to generate recommendations on mating and insemination.

- *Disease monitoring*. The platform monitors health conditions of pigs by tracking metrics including their heart rate, breathing rate and body temperature to identify pigs with symptoms of diseases and alerts the relevant staff of any abnormalities in a timely manner.

EMPLOYEES

As at 31 May 2023, we had 8,670 employees, all of which are located in the PRC. The table below sets out the breakdown of our employees by function as at the same date:

Functions	**Number of employees**
Production	6,773
Finance, human resources and administration	706
Sales and marketing	312
Research and development	147
Others	732
Total	8,670

We value educational background when it comes to the recruitment of employees. Our employees have higher than average educational achievement than the industry norm. As at 31 May 2023, 30.7% of our employees held associate degrees, 17.7% held bachelor's degrees and 1.8% held master's degrees.

Our success depends on our ability to attract, retain and motivate qualified employees. To this end, as part of our human resource strategy, we are committed to building a competitive talent team. We offer our employees competitive remuneration package. Employee remuneration package includes salary, bonus and allowance. In accordance with PRC laws and regulations, we participate in social insurance schemes operated by relevant local government authorities and maintain mandatory pension contribution schemes, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for employees. We also pay housing provident fund contributions for our employees. During the Track Record Period, we did not make full contributions to the social insurance and housing provident fund for our employees. For details, please refer to the section headed "– Legal Proceedings and Compliance – Compliance – Non-compliance Incidents". In addition, we provide continuous education and training courses to our employees to improve their skills and develop their potential. We have also adopted evaluation programmes based on which employees can receive feedback. We promote strong employee relationships by providing various employee benefits and personal development support. We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels. We are devoted to fostering our internal teams to continuously improve their knowledge and skills levels on farming industry and keep up with the industry trends. Our diverse recruitment channels and our continuous internal training efforts enable us to effectively recruit and retain our employees to meet our business needs. As a result, we did not experience any labour shortage during the Track Record Period. Furthermore, we employ various advanced technologies, including image, video, and acoustic feature recognition technology, intelligent sensor, Internet of Things, cloud computing and big data technology, to automate and facilitate various workflows across our production process. We believe the use of such technologies in our production process helps us to better control our labour costs.

We have established a labour union in accordance with applicable PRC laws. We do not need to comply with any collective bargaining agreement. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material labour disputes or claims.

INTELLECTUAL PROPERTY

As at 31 May 2023, we held a variety of intellectual properties including 352 trademarks, 194 patents, 8 computer software copyrights and 4 domains in the PRC. For details, please refer to the section headed "Appendix VI – Statutory and General Information – Further Information About Our Business" in this document.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any intellectual property rights infringement that had a material impact on us. We may be subject to claims from third parties alleging that we are infringing on their intellectual property rights.

ENVIRONMENT AND SOCIAL MATTERS

We are committed to adhering to "the path of green and sustainable development" and becoming a highly competitive green enterprise. We will embrace our environmental, social and governance responsibilities and build a "sustainable and efficient ecological model for agriculture and animal husbandry development". Among others, we have been working on the following ESG areas:

- establishing a clear ESG governance structure and ESG functions, formulating ESG policies and promoting the implementation of ESG management;

- engaging the Board and our management in the management of risks and opportunities in relation to ESG and climate-related matters, and the formulation and adoption of risk mitigation measures;

- improving the food safety management system along the entire value chain, regulating and controlling the use of veterinary medicine, and strictly carrying out food safety inspection;

- expanding the "planting and farming cycle model" (種養循環模式), and helping farmer owners with planting by utilising the waste from livestock and poultry to simultaneously achieve economic, ecological and social benefits;

- improving the environmental management system, optimising the environmental protection treatment practices, and making every effort to reduce the environmental impact of breeding and farming;

- emphasising occupational health and safety, and continuously improving safety production performance with the goal of ensuring safety production with "zero accidents".

We have adopted ESG measures that are in line with the industry. This is achieved mainly through the following practices: (i) we comply with the regulatory policies and guidance for our industry. Under the same regulatory framework, our measures in managing food safety, environmental protection and comprehensive utilisation of resources are largely in line with that of the industry; and (ii) in the course of formulating our ESG-related management measures, we have benchmarked ESG governance structure, ESG strategy, ESG issues and key ESG indicators against those of our major peers, and established ESG governance structure, formulated a list of material ESG issues, which primarily include pollutant management, energy efficiency enhancement, climate change, occupational health and safety, ethics and integrity management, and a statistical mechanism for ESG indicators with reference to the common industry practice. From time to time, we revisit the effectiveness and results of the above mentioned practices and make adjustments accordingly.

ESG Governance

We understand that risks associated with ESG and climate change may affect our business. With reference to ESG-related listing requirements and advanced industry practice, we have established an ESG governance system which requires the Board to participate in the formulation of ESG strategies and goals and coordinate with the management to jointly identify and manage ESG-related risks and opportunities. In order to continuously enhance our ESG performance, we have engaged a professional ESG consultant to assist us in making necessary improvements and preparing independent ESG reports with reference to the international ESG-related standards to comprehensively report on our ESG practices in 2022.

ESG Governance Structure

Our Board is responsible for supervising and engaging in ESG matters, identifying and assessing our ESG risks and opportunities, studying and formulating our ESG strategies, policies and goals, monitoring and evaluating our ESG practice, reviewing ESG reports and assessing the effectiveness of our ESG efforts. The Group has established an ESG Working Group under our management, which is responsible for maintaining close communications with the Board. Mr. Yao Hailong, the leader of the ESG Group, and Mr. Zeng Min, the deputy leader, are also our directors, who will keep the Board promptly informed of and participate in discussions on ESG matters. The ESG Group shall be responsible for various related duties including organising the preparation of the working plan on ESG issues, identifying and controlling ESG-related risks, and leading the preparation of ESG reports, and shall submit the related issues as proposals to the Board for consideration and discussion. The Board shall make decisions with feedbacks and guidance. The ESG Working Group shall report their work to the Board with a working report at least once a year.

ESG Policy and System

We are dedicated to building a comprehensive set of ESG policy and system. We have formulated an ESG policy ("ESG Policy") in accordance with the "Environmental, Social and Governance Reporting Guidelines" set out in Appendix 27 to the Listing Rules, which sets out our ESG governance structure, ESG strategy and target formulation procedures, ESG risk management mechanism, ESG key performance indicators and target management and control mechanism, and ESG information disclosure mechanism. We have formulated key policies and prepared system documents for various aspects, including risk management, business ethics, safety, environmental protection, biological safety, and human resources, to ensure that we effectively implement ESG practises in all fronts.

ESG Issues

We have identified ESG issues that are closely linked to our daily operations and formulated a list of ESG issues, from which we assessed and prioritised key ESG areas that have a significant impact on our operations.

Environmental

- Integrated resources utilisation*
- Climate change*
- Pollutant management
- Energy efficiency enhancement
- Water resources management
- Animal welfare and biodiversity
- Land resources management

Social

- Food safety and quality*
- Occupational health and safety*
- Protection of labour rights and interests
- Staff development and training
- Supply chain management
- Responsible sourcing
- Product traceability system
- Biosafety prevention and control
- Customer service and communications
- Marketing and product labelling
- Rural revitalisation support

Governance

- Corporate governance
- Risk Management
- ESG governance
- Digital transformation
- Ethics and integrity management
- Feed production, processing and consumption

* Identified as key ESG areas

The process through which the Group identifies ESG issues includes: (i) identifying stakeholders that will be directly affected by the operation of the Company, including Shareholders, regulators, employees, customers, suppliers, and local communities and other industry participants; (ii) engaging an ESG consultant to provide analysis on backdrops, ESG standards and guidelines and special issues regarding animal husbandry that are applicable to sustainable development of the Group, and suggesting preliminary ESG issues to the Group; (iii) the ESG Working Group reviewing and confirming the ESG issues based on factors such as business strategies of the Group and concerns of stakeholders. Meanwhile, the ESG Working Group has also participated in materiality analysis of the issues, and has made disclosures as highlights in this document based on results of the analysis. The Group will also consider the list of ESG issues in developing its ESG working plans, so as to make achievements in key areas among the ESG issues as soon as possible.

ESG Strategy and Targets

We focused on the four key ESG areas identified as a high priority in formulating our ESG strategy and targets. We will enhance our ESG practices by implementing specific targets and action items.

Focus areas	**Key action items**
Food safety and quality	Strictly complying with laws and regulations related to food safety; establishing a multi-level food safety management system to ensure food safety.
Occupational health and safety	Abiding by the principle of "people-oriented, safe development" through continuous improvement in the occupational health and safety assurance system and prevention and avoidance of potential accidents.
Integrated resources utilisation	Enhancing the cycling of planting and farming of "breeding-biogas fertiliser-ecological agriculture"; recycling animal manure resources.
Climate change	Actively monitoring carbon emission; enhancing efficiency of energy utilisation; supporting the national "dual carbon goals" while exploring low-carbon farming.

The Group has set the following targets:

(i) In 2023, we will continue to maintain food safety with "zero accidents" and "zero recalls".

This target aims at improving the Group's food safety management, so as to ensure that no significant safety hazard will be posed to the consumers. For 2020, 2021, 2022 and the five months ended 31 May 2023, the Group did not experience any food safety related incident. To achieve the target, the Group will make full use of laboratory resources to conduct food safety testing, actively cooperate with external organisations to conduct product sampling and testing, and strengthen its efforts in training and of our employees on biosafety and food safety. In the foreseeable future, it will not cause material impact on the operation of the Group.

(ii) In 2023, we will strive to achieve the safety management target of zero fatality and zero injury.

This target aims to strengthen the Group's occupational health and safety management to protect the health of employees. For 2020, 2021, 2022 and the five months ended 31 May 2023, the Group's fatality rate was 0.040%, 0.025%, 0.022% and 0%. To achieve the above targets, the Group will strengthen the safety-related regime, enhance the identification and prevention of potential hazards, and conduct employee safety education and training to strive to achieve the target of the project. In the foreseeable future, it will not cause material impact on the operation of the Group.

(iii) In 2023, we will achieve innocuous treatment rate of 100%. This target aims at strengthening the Group's environmental protection management, so as to ensure that solid wastes will be properly disposed of and no material impact will be caused to the environment. For 2020, 2021, 2022 and the five months ended 31 May 2023, the Group has achieved an innocuous treatment rate of 100% (i.e., sick and dead pigs and poultries being processed harmlessly by using professional methods for disposal to eliminate potential health hazards). To achieve the target, the Group will strictly implement waste-related standards and management procedures. In the foreseeable future, it will not cause material impact on the operation of the Group.

(iv) We plan to achieve a decrease in energy consumption intensity by 2.8% from 2022 to 2025, and a decrease in greenhouse gas emissions intensity by 2.8% from 2022 to 2025.

This target aims at improving our Group's performance in energy and carbon emission, so as to support the national strategy of "dual carbon" and enhance its ability to adapt to climate changes. The Group has not set targets for reducing energy consumption and GHG emissions by volume, because total volume will increase as the Group expands its operations, and intensity objectives allow the Group to set emissions reduction targets while accounting for economic growth. Given the existing statistics of the Group, our indicators and targets related to GHG emissions only cover Scope 1 and Scope 2. During the period from 2020 to 2022, the Group's energy consumption intensity (energy consumption per unit of products produced) and GHG emission intensity (GHG emission per unit of products produced) have shown a decreasing trend. The target is expected to be achieved as the Group has further improved its energy mix and increased the proportion of clean energy. To achieve the target, the Group will moderately increase the investment in energy equipment such as biogas utilisation and photovoltaic power generation, but the relevant initiatives will not cause material impact on the operation of the Group.

ESG-Related Risk Factors

The Group recognises complexity and diversity of ESG risks, and has established the process of ESG risks identification and management that require its departments and subsidiaries to highlight environmental and social risks during the course of their operations, identify events that may cause effects and the corresponding risk factors, and adopt appropriate risk mitigation measures. For key areas such as safety production and environmental protection, the Group clearly specifies levels, classification standards, flows of reporting and criteria of punishment for these events/incidents. The Group has also exercised effective control on the causes of ESG risks through various measures such as specific trainings and hazard screening.

In assessing the materiality of ESG risk factors, the Group has taken aspects and extents of impacts of the issues on the daily operation of the Group as a major consideration. These impacts include but are not limited to impairment and depreciation of assets, increase/decrease in operating costs, increase/decrease in sales revenue and enhancement/impairment of reputation. These impacts may have further effects on realisation of our strategies and financial performance.

Risk factors	Potential impact	Actions taken
Climate change	Physical risks (such as rainstorms, floods and other extreme weathers) may lead to loss of breeding facilities and biological assets and trigger secondary disasters such as environmental pollution, occupational safety and other incidents. Transition risks including "limiting electricity and limiting production" measures and rising energy prices may also lead to higher energy expenses or business interruptions.	Strengthen monitoring and early warning of extreme weathers, and prepare updated emergency response plans for disasters; improve our energy mix, and promote synchronisation to the grid with methane-fired generation; explore possibilities of developing photovoltaic power generation projects in breeding farms.
Use of Water Resources	Strengthened control by the government over the total amount and intensity of water use may result in the increase in water consumption quota or higher water use costs.	Strengthen monitoring and analysis of water use, strengthen efforts in assessing the fulfilment of water-saving targets; increase the use of wastewater by reusing purified wastewater for various techniques such as spraying deodorants.

Risk factors	Potential impact	Actions taken
Waste & pollution	Improper or delayed treatment or leakage of odour, biogas and wastes biogas slurry may cause adverse impacts on surrounding environment, resulting in complaints and environmental penalties.	All breeding farms are equipped with diversion system that segregates rainwater from wastewater, which segregates pollutants from wastewater for resource utilisation; by adopting various measures such as "source control, process control and end treatment", we have reduced the extent of environmental impact of odors; ensure innocuous treatment of sick and dead livestock and poultry is fully implemented and resource utilisation of livestock dung.
Antibiotics misuse	Incompliant use of antibiotics and veterinary drugs may have an impact on public health and subject us to regulatory penalties and consumer resistance.	Strictly follow management on ear tags for epidemic prevention and the medicine withdrawal period management system; complete testing of drug residues; improve the pig health test plan together with testing of drug residues.
Work conditions	Our production process involves risks such as poisoning and suffocation in confined spaces, biogas safety, fire, and mechanical injury that may cause occupational hazards. Failure to improve work conditions or a low awareness among employees of protection that led to a lack of protective gears may cause occupational hazards.	We conduct testing and routine monitoring of factors of occupational diseases and hazards on a regular basis, provide adequate protective gears for workers and employees, and conduct annual health check of employees; we enhance occupational safety and protection through various means such as hierarchical management, hazard screening and trainings for occupational hazards.

Risk factors	Potential impact	Actions taken
Business ethics and compliance	Violation of business ethics by our employees or suppliers may damage our business interests and image.	We improved the anti-corruption and compliance systems, by which our employees are not allowed to obtain or receive unjust enrichment from suppliers and offering bribes to the related personnel; we provided corruption and anti-bribery trainings to enhance the awareness of ethics among employees and suppliers.
Feed production, processing and consumption	Any incidents of untimely feed supply or quality problems or wastage will result in a significant increase in our raw material costs, depreciation of our biological assets and even lead to production interruption.	We have optimised raw material costs, quality and stability of feed supply by building our own feed mills, designing our own nutritional formulas for feed and entering into feed supply framework agreements with our suppliers.

Environmental Protection

We are dedicated to complying with the applicable laws and regulations in relation to environmental protection. For details, please refer to the section headed "Regulatory Overview – Environmental Protection".

We actively take preventive measures and strengthen environmental protection management to minimise pollution and damage to the environment. We have established the relevant policies, guidelines and manuals to standardise the environmental protection management systems and the treatment process and procedures of pollutants and emissions. For 2020, 2021, 2022 and the five months ended 31 May 2023, we incurred costs related to environmental protection of RMB148.6 million, RMB184.3 million, RMB97.8 million and RMB50.3 million, respectively.

Environmental Management Measures

Our breeding and farming activities involve impacts on the atmosphere and environment, surface water and groundwater, impacts of solid wastes on the environment, and impacts on the environment in terms of soil and noise. We have established an environmental management system. By leveraging on an advanced environmental management and organisational structure, we have implemented a grid-based management system for headquarter personnel and a three-level management system for environmental protection for regional companies. We have also established a professional and experienced environmental protection team.

We strictly follow relevant laws and regulations such as Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), Measures for Public Participation in Environmental Impact Assessment (《環境影響評價公眾參與辦法》) and Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (《建設項目環境影響評價分類管理名錄》), pursuant to which third-party institutions are engaged for all the construction projects to prepare the environmental impact reports that identify key environmental issues and environmental impacts, contain comprehensive preventive measures and emergency proposals for environmental risks, and have been approved and granted administrative licensing by the local environmental authorities. For 2020, 2021, 2022 and the five months ended 31 May 2023, we completed and announced our environmental impact assessment reports for all of our construction projects. The details of environmental impact assessment include: types and sources of pollution sources; impacts of changes in wastewater, waste gas, noises and solid wastes on the surrounding environment; feasibility and reliability of adopted pollution prevention and control measures; plans of reusing solid wastes and disposing of hazardous waste; plans of controlling total pollutant emissions and preventive measures and emergency responses for environmental risks.

An example is No.1 Lede-Lechang fattening farm of Rongxian Dekon Food Co., Ltd. (榮縣德康食品有限公司榮縣樂德樂昌一場育肥場). With a total investment of RMB300 million, the designed output volume of pigs of the project is 150,000 pigs (or an annual stock volume of 75,000 pigs). We have fully assessed the environment impacts of the project at the planning stage and have made an investment of RMB10.8 million for environmental protection for relevant expenses including the establishment of treatment facilities for waste gas pollution and water pollution, as well as prevention and control of underground water pollution and soil pollution. According to the environmental impact reports issued by third-party institutions as approved by local environmental authorities, we have adopted various environmental measures for the project, by which the discharge of pollutants meets the standards and the environment risks are put under control. The details are as follows:

Key impacts on the environment	Monitoring and treatment	Conclusion of Environmental Impact Assessments
Impact on environment in terms of atmosphere	Ammonia (NH_3) and hydrogen sulphide (H_2S) generated from pig houses are approximately 5.475 tonnes/year and 0.465 tones/year, respectively. Through scientific design of diets, EM preparation and dry manure cleaning process, spraying deodorants and greening around factory areas, the emissions reduced to 1.4235 tonnes/year and 0.0093 tonne/year, respectively. During the Monitoring Period, the existing concentration of NH_3 and H_2S did not exceed the reference limits under Technical guidelines for environmental impact assessment – Atmospheric environment (《環境影響評價技術導則大氣環境》). The total biogas generated from the project was 14.4546 tonnes/year and was used solely as fuel for daily life and heating for barns.	The impacts of the pollutants discharged to the atmosphere are insignificant, and will not exceed the atmosphere environment limit in regions and sensitive areas when they are discharged on normal conditions. The development of the project will not result in changes in atmospheric environment in the regions. Accordingly, the effects of the project on the atmospheric environment is acceptable.

Key impacts on the environment	Monitoring and treatment	Conclusion of Environmental Impact Assessments
Impacts on environment in terms of surfacewater	The total wastewater generated from the project is approximately 93,747.5 tonnes/year (mainly waste water for farming). Following Solid-liquid separation and treatment by sewage treatment system, the sewage will be used solely for greening of the project site and irrigation of the surrounding lands. No sewage will be discharged. A land of 17,500 mu will be provided around the site for the consumption of fecal waste, meeting the minimum requirement of 15,000 mu under Technical guidelines for assessment of land elimination capacity to livestock and poultry wastes (《畜禽糞污土地承載力測算技術指南》).	The treated wastewater that meets the standards stipulated by the "Discharge Standards of Pollutants for Livestock and Poultry Breeding Industry" (《畜禽養殖業污染物排放標準》) and Farmland Irrigation Water Quality Standards (《農田灌溉水質標準》) relating to dry farming will be used for greening of the project site and irrigation of surrounding areas, and the impacts on surface water would be minimal.
Impacts on environment in terms of solid wastes	The total amount of pig manure generated from the project is approximately 49,275 tonnes/year, and the total number of death as a result of diseases is about 75 pigs/year. Following dry-wet separation and manual cleaning, pig manure will be transported to the third parties for use as raw materials of organic fertilisers; dead pigs will be treated through innocuous treatment with high-temperature biological fermentation and will be used as agricultural fertilisers.	The treatment of solid wastes is traceable. Measures for storage and treatment of solid waste treatment will be fully implemented to prevent further pollution to the environment, so as to minimise the impacts on the environment.

Key impacts on the environment	Monitoring and treatment	Conclusion of Environmental Impact Assessments
Impacts on the environment in terms of ground water	The monitoring and testing results of the quality of ground water by professional institutions have demonstrated that all the indicators meet Class III limit of groundwater in the Standard for groundwater quality (GB/T14848-2017).	We adopted source control, measures to prevent seepage in various areas, monitoring and test of underground water, and emergency response measures, to minimise the impacts on underground water.
Impacts on environment in terms of soil	The monitoring and testing results of the quality of soil by professional institutions have demonstrated that all the indicators meet the Class II standard for land under Table 1 in the Soil environmental quality Risk control standard for soil contamination of agricultural land (《土壤環境質量農用地土壤污染風險管控標準》) (GB15618-2018) and that the soil where the project locates at is in good condition.	Measures of preventing seepage under environment assessment requirements for the project. With reasonable deployment and various measures such as those applied for preventing seepage, the impacts on the soil in the region would be insignificant.
Impacts on environment in terms of noise	Monitoring points set up by professional institutions at the boundary have demonstrated that the noise has met class II standard of the Environmental quality standard for noise(GB3096-2008)(day time≤60; night time≤50).	Noises will be blocked or reduced by adopting low-noise facilities, conducting regular maintenance, establishing sound-deadening at pig houses and building walls, so as to ensure the noise at the boundary will meet the Emission standard for industrial enterprises noise at boundary. (《工業企業廠界環境噪聲排放標準》) and minimise the impacts on the environment.

Environmental protection requirements for family farms

We include family farms in our scope of environmental protection management and have implemented environmental protection guidance system for family farms. The system comprehensively manages the environmental impact of family farms in various aspects, including project site selection and layout, management of environmental protection equipment and facilities, daily environmental protection supervision, and environmental protection training and publicity. We designate safety and environmental protection specialists to inspect and guide family farms in relation to safety and environmental protection. If we identify any issues, we may undertake a range of actions including issuing notices of criticism, and ordering the relevant family farms to limit production and rectify the issues within a prescribed period.

Energy Consumption

In 2020, 2021, 2022, the Group's energy consumption has shown a rising trend, which was mainly due to a rapid expansion in our production scale in terms of output volume of market hogs. In which: the Group's total energy consumption increased by 53.2% and 18.4% in 2021 and 2022 respectively compared to the previous year. The increase in the Group's energy consumption mainly came from the use of electricity and natural gas, while the use of fossil energy such as diesel, gasoline and coal remained stable or showed a decreasing trend.

	For the year ended 31 December			For the five months ended 31 May
	2020	**2021**	**2022**	**2023**
Intensive farming – Energy Consumption (thousand MWh)	249.8	467.7	437.1	255.4
Liquefied petroleum gas (tonnes)	25.6	36.9	36.5	12.3
Natural gas (ten thousand cubic metres)	672.2	1,577.7	1,251.9	737.8
diesel (tonnes)	568.9	513.4	502.5	314.6
Gasoline (tonnes)	3.7	5.8	3.7	15.1
Coal-fired (tonnes)	403.3	467.2	388.3	361.3
Power acquired from external parties (thousand MWh)	167.6	287.6	292.9	169.3
Family farms – Energy Consumption (thousand MWh)	1,000.3	1,447.9	1,830.9	866.4
Liquefied petroleum gas (tonnes)	331.6	319.7	248.5	85.5
Natural gas (ten thousand cubic metres)	36.0	55.6	148.0	1,299.2
diesel (tonnes)	9,010.0	13,206.1	16,951.1	4,983.8
Gasoline (tonnes)	655.9	875.8	869.8	427.4
Coal-fired (thousand tonnes)	14.8	22.7	27.4	7.2

	For the year ended 31 December			For the five months ended 31 May
	2020	2021	2022	2023
Power acquired from external parties (thousand MWh)	790.6	1,138.0	1,440.2	618.2
Total Energy Consumption (thousand MWh)	1,250.1	1,915.6	2,268.0	1,121.8
Energy consumption per unit of products produced (MWh/tons of product)	3.8	3.5	2.8	2.7

Note: Given the large number of our family farms, we have not gathered energy consumption statistics for all of them. Instead, we gathered pilot energy consumption statistics in some family farms to measure the energy consumption of our family farms. The data may deviate from actual levels.

The Group plans to achieve a decrease in energy consumption intensity (energy consumption per unit of products produced) by 2.8% from 2022 to 2025. To achieve this target, the Group will continue to improve its energy mix, promote synchronisation to the grid with methane-fired generation and accelerate the development of photovoltaic power generation projects in breeding farms.

GHG Emission

With reference to GHG Protocol, the Group classified its greenhouse gas emissions into the following scopes: Scope 1: direct greenhouse gas emissions; Scope 2: Indirect greenhouse gas emissions; and Scope 3: other indirective greenhouse gas emissions.

For direct greenhouse gas emissions (Scope 1), the emissions are mainly generated from burning and emissions of fossil fuels such as gasoline, diesel and natural gas for the consumption by the Group. The Group has been striving to fully utilise the biogas generated from anaerobic reaction during wastewater treatment of livestock manures and wastewater, so as to reduce the use of fossil fuels.

For indirect greenhouse gas emissions (Scope 2), the emissions are mainly generated from the consumption of power acquired from external parties. The Group attaches great importance to energy use efficiency, and has fully identified movements in energy consumption and abnormal fluctuations through statistics and monitoring of energy consumption, thereby managing power consumption and the corresponding indirect greenhouse gas emissions in a reasonable manner.

For other indirect greenhouse gas emissions (Scope 3), the emissions are mainly generated from employee travel, upstream transportation and delivery and downstream transportation and delivery. It is difficult to audit such emissions as they are mainly generated from upstream and downstream value chain. The Group did not make statistics and auditing for these emissions. In the future, the Group expects to conduct emissions and measurements on GHG emissions (Scope 3) that are accountable in the Group's business operations to help the Group better manage its GHG emissions.

In 2020, 2021, 2022, our total GHG emissions (Scope 1 and Scope 2) showed an upward trend, mainly because the Group further expanded our scale of pig and poultry breeding and farming, and it was generally in line with our business development.

As at 31 May 2023, the Group did not aware of any standard or industry benchmark related to greenhouse emissions in the animal husbandry. The emissions as mentioned above were measured by the Group based on its energy consumption and had not been audited by the consultancy.

	For the year ended 31 December			**For the five months ended 31 May**
	2020	**2021**	**2022**	**2023**
Total Greenhouse Gas Emissions (thousand tons of CO_2 equivalent)	636.2	957.8	1,152.2	535.9
Greenhouse Gas Emissions (Scope 1) (thousand tons of CO_2 equivalent)	79.6	129.5	145.3	78.3
Greenhouse Gas Emissions (Scope 2) (thousand tons of CO_2 equivalent)	556.7	828.3	1,006.9	457.5
Intensive farming – Greenhouse Gas Emissions (thousand tons of CO_2 equivalent)	114.8	204.3	200.1	116.4
Family farms – Greenhouse Gas Emissions (thousand tons of CO_2 equivalent)	521.4	753.4	952.1	419.5
GHG emission per unit of products produced (kg of CO_2 equivalent/tons of product)	1,921	1,746	1,422	1,278

Water Resources Management

Our water resources are mainly consumed as drinking water for animals, water for feed processing, water for washing livestock and poultry pens as well as water consumed by employees in factory areas. The major sources of our water supply are municipal tap water, surface water and groundwater. In the intensive farming process, over 90% of water consumption is municipal tap water and the remaining is from surface water and groundwater. We have installed individual water meters in each key area to monitor water usage and have taken various water-saving measures starting at the source. All breeding farms are equipped with diversion system that segregates rainwater from wastewater and their sewage treatment system. We use drinking water facilities with water-saving functions to avoid pigs wasting water, adopt high-pressure washing systems at pens to reduce wastewater generation, and enable the recycling of water resources by reusing purified wastewater for wastewater and waste gas treatment process.

Waste Water Management

We have established a water quality testing and reporting system to effectively monitor the real-time status of sewage treatment at each site. To ensure normal and stable operation of the sewage treatment system, we regularly test water samples from faecal sewage and the effluent from the sewage system, collect and analyse the data, monitor the real-time status of sewage treatment and make timely adjustments and rectifications. We have full monitoring coverage of all environmental protection zones under the Group and carry out video surveillance of on-site environmental protection treatment to enable real-time monitoring.

Waste Gas Management

Our waste gas emissions, mainly being compound containing sulphur, nitrogen and oxygen and hydrocarbons, primarily come from the malodorous gases generated from pig houses, composting sites and sludge tanks. The Group strictly implements the Regulations on the Prevention and Control of Pollution from Large-scale Farming of Livestock and Poultry (《畜禽規模養殖污染防治條例》), the Discharge Standards of Pollutants for Livestock and Poultry Breeding Industry" (《畜禽養殖業污染物排放標準》), Odour Pollutant Discharge Standard" (《惡臭污染物排放標準》) and other relevant pollutant emission standards and local regulations, and optimise relevant processes and procedures to continuously improve the management of exhaust pollutants and promote the reduction or intensity reduction of exhaust emissions. By controlling the nutritional structure of feed and stocking density, cleaning and ventilating in a timely manner, and spraying deodorants etc., we are able to reduce waste gas emission and the impact of odour on the environment.

Waste Management

Wastes produced in our operation are mainly manure generated in production, as well as the remains of sick and dead livestock and poultry. We strictly follows the "Discharge Standards of Pollutants for Livestock and Poultry Breeding Industry" (《畜禽養殖業污染物排放標準》) and other local regulations in the discharge of waste. We actively implement the "planting and farming cycle model" (種養循環模式) to achieve resources utilisation, reduction and ecological disposal of livestock and poultry manure by introducing the advanced biosafety disposal of waste. The model includes, upon meeting the standard, using the purified tail water from animal waste for farmland irrigation; using the manure residue after composting, fermentation and biosafety disposal as fertiliser or raw material of organic fertiliser; processing sick and dead poultry by biosafety disposal, and thereafter putting them together with manure residue for fermentation for transforming such into organic fertiliser. Please refer the section headed "– Planting and Farming Cycle Model" for details.

Addressing Climate Change

The Group has made an assessment with reference to the recommendations given by the Task Force on Climate-Related Financial Disclosures (TCFD), and has actively identified and assessed the potential impacts of factors associated with climate on current and future periods, which will allow us to take comprehensive actions and measures to enhance our resilience against climate risks.

Types	**Climate Factors**	**Descriptions**	**Duration-extent of the impact**	**Risk mitigation measures**
Physical risk	Extreme weather events	Increase in frequency of disastrous weather such as typhoon, rainstorms, snowstorms and drought may cause a disruption of our operation and secondary disasters that result in various incidents such as personal safety and environment pollution.	Medium-high	We pay close attention to early warning of climate events, and prepare emergency plans and specific operating procedures for extreme climate events. We also conduct routine trainings and emergency drills

Types	Climate Factors	Descriptions	Duration-extent of the impact	Risk mitigation measures
	Medium- and long- term natural disasters	Medium- and long- term natural disasters such as movements in rainfall and higher average temperature may have impacts on our business continuity and business costs or expenses. For example, control on temperature of a farming unit may cause a change in energy costs or expenses.	Long-term-medium	We track the Survey of Agro-Climatic Resources and Agro-climatic zones of the PRC, and assess the local climate conditions and the foundation of agro planting in planning and development of our new projects.
Transition risks	Demand for energy management and control	Any regional power outage or limiting electricity measures may result in a disruption of our operation or higher investment in transformation of energy facilities and maintaining costs.	Short-term-high	We fully utilise biogas resources around the sites and explore opportunities of developing photovoltaic power generation projects in the farming zones
	changes in market demand	As the concept of green consumption become popular, some consumers may have increasing demand for ingredients such as plant- based protein, which may have an effect on the sales of our meat products.	Long-term-low	We have been expanding our high-quality food processing business and enhance the layout of our whole food industry chain

Also, the Company is looking at the potential opportunities that may be brought about by climate changes, including: (i) increase in the proportion of clean energy and enhancement in energy efficiency may help reducing our operating costs such as energy expenses; (ii) climates changes such as an increase in heart resources in northern regions may have positive effects on growing of agricultural products. For example, it may help stabilise and reduce the prices of corns and soybean meal; (iii) emissions reduction and carbon sequestration promoted by government authorities may help better utilisation of the waste from livestock and poultry.

At present, the Group mainly adopts qualitative analysis method to analyse climate risks, and regards energy consumption intensity (energy consumption/products produced) and carbon emission intensity (greenhouse gas emission/products produced) as important management metrics to adapt to climate change. The details on the performance of the relevant metrics and targets are set out in the above.

Environmental Compliance Performance

We attach great importance to complying with laws and regulations in relation to environmental protection, including the "Water Pollution Prevention and Control Law of the PRC" (《中華人民共和國水污染防治法》), the "Atmospheric Pollution Prevention and Control Law of the PRC" (《中華人民共和國大氣污染防治法》), the "Regulation on the Administration of Pollutant Discharge Permits" (《排污許可管理條例》), the "Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Version)" (《固定污染源排污許可分類管理名錄(2019年版)》) and the Regulations on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry (《畜禽規模養殖污染防治條例》). Please refer to the section headed "Regulatory Overview – Environmental Protection" for details.

For 2020, 2021, 2022 and the five months ended 31 May 2023, we were not subject to any environmental protection administrative penalty that exceeded RMB1 million. We have also duly rectified the relevant incidents. Please refer to the section headed "– Legal Proceedings and Compliance – Compliance – Non-compliance Incidents" for details.

Planting and Farming Cycle Model (種養循環模式)

We advocate the harmonic unity of economic, ecological and social benefits. Through collectively leasing the idle lands from villagers in the nearby villages and towns, we provide such lands to the villagers in the area to conduct centralised planting. We also provide biogas slurry to villagers to jointly explore and build an ecological circular agricultural technology model combining planting and farming. This allows us to achieve a virtuous planting and farming ecological cycle of breeding pigs, planting rice with manure, and returning manure to the field, in order to reduce the impact on the environment while developing responsible and sustainable industry practices.

Environmental Impact Management of Biogas Slurry Agricultural Irrigation

Before returning biogas slurry to agricultural fields for irrigation, we analyse the local environmental conditions, assess the types of local crops and the area of land consumption, and ensure the biogas slurry meets the strict requirements under in the "Discharge Standards of Pollutants for Livestock and Poultry Breeding Industry" (《畜禽養殖業污染物排放標準》), "Farmland Irrigation Water Quality Standards" (《農田灌溉水質標準》) and will not affect the groundwater in irrigation areas. We have also set up monitoring points for groundwater, surface water, and soil around the project and regularly observe the environmental quality around the sites in order to ensure that the operation of biogas slurry returning to the field will not pollute the surrounding environment. We also assess the effectiveness of biogas slurry fertiliser on soil fertility and agricultural planting by analysing the soil nutrient changes.

Active Promotion of Planting and Farming Cycle Model

We are dedicated to continuously create an environmentally friendly and sustainable planting and farming model, which is in line with the national agricultural and animal husbandry policy. As at 31 May 2023, we have established planting and breeding bases in many regions, including Jiangsu Regional Planting Base, Eastern Sichuan Regional Planting Base, northern regional base etc. We observe the national policy of accelerating the reduction of chemical fertilisers and pesticides to increase efficiency and improve the mechanism of chemical fertilisers and pesticides reduction, and realise resource utilisation by selling fermented dung to organic fertilizer factories. We are also preparing to build our own organic fertiliser factory to further promote the new development of the planting and farming cycle model.

We plan to select districts and counties that are suitable for the combination of planting and farming to implement the "Hundred Villages and Million Pigs (百村百萬)" project, which serves to break down the barriers between planting and farming, and promote the planting of green vegetables and fruits in areas where family farms are concentrated. Please refer to the section headed "– Our Business Strategy" for details.

Supporting Rural Revitalisation

In response to the "Opinions on Comprehensively Promoting Rural Revitalisation and Accelerating the Modernisation of Agriculture and Rural Areas"(《關於全面推進鄉村振興加快農業農村現代化的意見》), we have actively integrated our development into the national rural revitalisation strategy and observe the guiding principle of "accelerating the construction of a modern farming system, protecting the basic production capacity of pigs, and improving the long-term mechanism for the stable and orderly development of the pig industry" to explore advanced development models for the livestock and poultry farming and planting industries.

By leveraging our industrial advantages and rich resource, and by increasing our support for family farms, we have developed our core business into a pillar for rural revitalisation, helping local areas to effectively connect poverty alleviation with rural revitalisation strategy and promote region development. Meanwhile, we are committed to taking root in communities through community-based initiatives. By leveraging on the synergistic advantages of the industrial chain, we aim to stimulate the local economy and continue to contribute to rural revitalisation. In 2020, we were awarded the Advanced Private Enterprise of "Enterprise-Helping-Village" (「萬企幫萬村」) project targeted at poverty alleviation jointly issued by the All-China Federation of Industry and Commerce and the Office of the Leading Group for Poverty Alleviation and Development of the State Council. For details, please refer to the section headed "– Our Competitive Strengths – Mutually beneficial farming models with strong penetration and expansion capabilities, improving farming efficiency".

Food Safety and Quality

Food safety and quality are our top priorities. Our food safety and quality assurance system covers the entire process of production, including farming and breeding, manufacturing, storage and sales. For 2020, 2021, 2022 and the five months ended 31 May 2023, we did not encounter any material food safety incidents.

Food Safety Inspection and Quarantine

To optimise and implement our system of food safety inspection and quarantine system, we abide by the laws and regulations in relation to food safety inspection and quarantine of animals. Please refer to the section headed "– Quality Control and Food Safety" for details.

Management of Use of Antibiotics

We comply with the relevant laws and regulations in relation to use of antibiotics and comprehensively standardise and control the use of antibiotics in the farming and breeding and production process. For details, please refer to the section headed "Regulatory Overview – Establishment and Operation of Livestock and Poultry Farms". We have set clear requirements: before bringing the breeding pigs to the market, all applicable national regulations shall be strictly followed with all required testing of drug residues completed and test reports properly filled. The medicine withdrawal period for antibiotics used in pigs shall be strictly implemented and pigs are not allowed to be sold in the market during the medicine withdrawal period. Banned drugs are prohibited throughout the production process. We conduct residue testing on pig urine to ensure the pigs are free from banned drugs and medicine residue before being released to the market. Only those passed the testing can be sold in the market. For example, according to our policy, there must not be any detectable level of antibiotics in the pigs.

As at 31 May 2023, we had 36 laboratories at different levels equipped with advanced instruments and equipment such as fluorescent quantitative PCR instruments and automatic nucleic acid extraction instruments with the capabilities to screen more than 200 parameters. We have designed a pig health test plan based on factors such as region, season and herd structure to facilitate the general research on antigens and antibodies in herd, analysing the pattern of growth and decline of antigens and antibodies and the health of pigs as references for disease prevention and control, and immunisation and health care procedures.

Protection of Labour Rights and Interests

The gender and age composition of the Group's employees are shown in the table below. For details of our employees, including their functions and academic qualifications, please refer to the section headed "– Employees".

Indicators	**For the five months ended 31 May**
	2023
Number of employees (person)	8,670
Male employees (person)	6,081
Female employees (person)	2,589
Employees aged 18-29 (%)	42.0
Employees aged 30-49 (%)	48.1
Employees aged 50 and above (%)	9.9

The Group strictly complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Labour Union Law of the People's Republic of China (《中華人民共和國工會法》) and other laws and regulations. The Recruitment Management Regulations (《招聘管理辦法》) of the Group expressly stipulates that it is prohibited to hire personnel under the age of 18. The true age of employees shall be verified through information verification during the on-boarding process; forced labour and any form of discrimination (including but not limited to gender, ethnicity and religion factors) are prohibited. In the recruitment process, the Group adheres to the principle of gender equality, prohibits discrimination against women, focuses on the work ability of candidates, rather than factors such as gender, age, education background, and widely accepts school recruitment and social recruitment to recruit employees from different schools and with different educational backgrounds, to enhance the diversity of talents.

The Group attaches great importance to the career development of employees, has set up a dual-channel development path of management and professionalism, and strengthened the construction of talent echelon to promote the succession plan of cadres at all levels. The Group has established an employee incentive system covering the short, medium and long term, providing annual profit sharing plans, stock incentive plans, etc., to maximise the initiative, enthusiasm and creativity of all employees.

The Group has established a comprehensive complaint and whistle-blowing channel, for anyone who finds any violations of employment practice of the Group to report the same through various methods such as telephone and email. The Group will also assess the compliance of employment policies through daily supervision by labour unions, regular audit inspections and human resources inspections. Since 2016, the Group has conducted an anonymous survey on organisational climate every July through the system, to understand and analyse the various needs of employees by asking 38 questions in eight major aspects, and urges the relevant group companies to rectify the confirmed problems.

Occupational Health and Safety

We abide by the regulatory requirements of the Chinese government on workplace safety and adhere to the principle of "prioritising safety, emphasising prevention and managing comprehensively", and are committed to achieving safe production with "zero accidents". We have established standards and procedures on safe production management and a comprehensive occupational health and safety production management system. We continuously improve our safety production performance to prevent and reduce the occurrence of accidents to safeguard the safety and health of our personnel along with the orderly production and operation. For 2020, 2021, 2022 and the five months ended 31 May 2023, we invested RMB12.2 million, RMB29.6 million, RMB35.0 million and RMB5.4 million in production safety.

We have identified the safety risks in the production and operation process, including fire, poisoning and suffocation, electric shock, vehicle injury, pig bites, falls, slips, and other injuries. In response to the above-mentioned risks, we have established a mechanism for safety hazard screening, which involves monthly safety inspections on breeding farms, safety hazard checks at each farm and monitoring of rectification progress on safety hazards. In order to standardise the management of safety incidents, reporting and assessment, we have established a set of standards to classify safety accidents into four severity levels. The disciplinary actions, such as penalties and year-end bonus deductions, against the directly responsible person, responsible management, and responsible leader are determined based on the severity of the accidents.

For family farms, the Group requires family farms to develop reasonable production plans and safety production systems under the premise of ensuring safety, to stop acts that violate safety production systems, regulations, and safety technical procedures. The Group has assigned a specific person in charge of supervising and inspecting unsafe factors in the farming process of the family farms and urging the family farms to rectify the problems found in a timely manner. At the same time, the person in charge provides daily safety production education and training, conducts safety inspection, hidden danger rectification and other management work.

We require new recruits to pass a three-level safety training and learning assessment before they commence work. For existing employees, we provide production safety training and learning opportunities to ensure that they are equipped with the knowledge and skills required for safe operation, emergency rescue and contingency response. For 2020, 2021, 2022 and the five months ended 31 May 2023, our coverage of safety production training and practical emergency drills have maintained at 100%.

For 2020, 2021, 2022 and the five months ended 31 May 2023, we had three, two, two and zero employee fatalities, representing 0.040%, 0.025%, 0.022% and 0.0% of the total number of employees of each reporting period, respectively. Three of these incidents were purely accidental, caused by reasons including sudden deaths as a result of latent health conditions of the relevant employees. The remaining four incidents were caused by failure of the relevant employees in following our policies and guidelines, including (i) three counts of deaths from suffocation as a result of the relevant employees' failure to undertake the protective measures as mandated in our guidelines with respect to working in a sealed space; and (ii) one count of death from falling from height as a result of the relevant employee's opening of the elevator door without permission in breach of our prescribed measures. For 2020, 2021, 2022 and the five months ended 31 May 2023, we were not subject to any claim or penalty as a result of the above incidents.

We have conducted investigations on all employee fatalities and the cause of the respective incidents was either accidental or due to the breach of standard operating procedures by the relevant employees. While all matters have been handled with utmost care after the passing of the respective personnel, we have also conducted a thorough reform on the factors of occupational hazards. Along with the enhancement and strengthening of our work safety measures and policies, our work safety record has also been improved. Among others, we have established a production safety leading group and local execution subgroups to enhance the management and implementation of production safety across various levels in relation to the six aspects, namely (i) safety management mechanism; (ii) safety inspection; (iii) workplace safety measures; (iv) hidden danger identification and rectification; (v) safety training and (vi) employee health management. For 2020, 2021, 2022 and the five months ended 31 May 2023, we have seen a decreasing trend in our fatality rate and incidents caused by the above-mentioned failure of the relevant employees in following our policies and guidelines were non-recurring. We have enhanced our standards and guidelines on production safety with respect to safety risks including suffocation, fire and falling from height. We have also enhanced our training programmes to raise the safety awareness among our employees.

Animal Welfare and Biodiversity

We place strong emphasis on animal welfare and are committed to provide a reasonable and humane treatment to animals during our production, from farm design to actual operations. We employ a range of measures to ensure the healthy growth of animals in comfortable environments. These measures include: (i) environmental welfare, scientific design and construction of breeding farms, increased ventilation and temperature control measures, providing high-quality air for animals, preventing animals from being disturbed by mosquitoes and flies, preventing animals from cold and heatstroke to improve the comfort of the animals for example, our policy requires, among others, that (i) the living space per pig should be no less than 0.26 m^2; (ii) the temperature should be maintained at between 18°C to 34°C; and the air ventilation should be maintained at between 0.3 m^2/H/kg to 0.7 m^2/H/kg, respectively; (ii) health welfare, for different strains of pigs and chicken, we reasonably formulate diets that meet their nutritional needs at different growth stages, ensure sufficient and clean drinking water supply and ensure healthy growth of animals; (iii) treatment welfare, our staff and farmers are strictly forbidden from treating the pigs roughly, all employees are required to get along with and care for pigs; (iv) psychological welfare, pig houses are equipped with facilities such as chain balls, tires and soil analogues for pigs to play, and we provide appropriate lighting and light music to make pigs feel comfortable.

At the planning and site selection stage, we follow the principles of not encroaching on forest land, animal habitats and nature reserves, and select sites away from water sources. At the construction stage, we conduct environmental impact assessment according to the law. According to the characteristics of the surrounding environment, we adopt measures such as setting up broad-leaved arbour greening around manure dumps and factory areas and cultivating forage grass around pig houses to reduce the impact on the land and ecological environment.

We are also dedicated to the protection and utilisation of local breeds of pigs and yellow-feathered broilers. Among others, we participated in the protection and commercialisation of genetic resources of the Neijiang black pigs and Hechuan black pigs. While backing up pig embryos, protecting breeds and developing the supporting lines for breeds selection, we also explore new pig hybrids by crossbreeding the Neijiang pigs and our own foreign-breeding pig varieties. Meanwhile, we are dedicated to the independent breeding of yellow-feathered broilers.

Supply Chain Management

The Group has formulated the Management Measures for Material Suppliers (《物資供應商管理辦法》) and the List of Qualified Suppliers (《合格供應商名錄》) to regulate the management of suppliers. As of 31 May 2023, the Group had a total of 1,643 suppliers, with 1,633 located in China and 10 located in overseas.

The Group proactively integrates the concept of sustainable development into the procurement process, and is committed to promoting suppliers to improve the comprehensive performance of quality, safety and environmental protection, so as to reduce the environmental and social risks of the supply chain. In the process of supplier qualification review, the Group divides the supplier selection indicators into three levels: the mandatory indicators (i.e. the suppliers' qualifications and materials supplied must meet the requirements of national laws and regulations, and who fails to meet any requirement at this level will be excluded); the important indicators (including technological advancement, quality stability, safety assurance, safety and environmental protection of production); and the reference indicators (the supplier's financial status, service capability, industry influence, business reputation, etc.).

The raw materials purchased by the Group are mainly feed, feed ingredients (such as corn, soybean meal and other by-products) and a small amount of veterinary drugs and vaccines. To improve the economy and environmental protection of hog production, the Group has precisely formulated the nutritional formula of hogs at different growth stages to reasonably reduce the annual feed consumption of each hog. To ensure the nutrition of hogs, the Group has required feed and raw material suppliers to ensure the quality of raw materials.

LICENSES AND PERMITS

Save as disclosed in the section headed "– Legal Proceedings and Compliance – Compliance – Non-compliance Incidents", our PRC Legal Adviser confirmed that during the Track Record Period and up to the Latest Practicable Date, we had obtained material licenses and permits from relevant PRC authorities for our operation in the PRC, and such licenses and permits were valid as at the Latest Practicable Date. The following table sets forth the material permits and licences related to our business operation:

Business Activities	License/Permit	Issuing Authority	Validity period	Expiry date
Pig and yellow-feathered broiler breeding, and market piglet and yellow-feathered broiler production	Certificate for Production and Operation of Breeding Livestock and Poultry (種畜禽生產經營許可證)	Provincial, municipal or county level branch of the MARA and other local authorities(1)	Validity period unspecified(2)	From August 2023 to July 2026(3)
Pig and yellow-feathered broiler farming	Certificate for Animal Epidemic Disease Prevention (動物防疫條件合格證)	Municipal or county level branch of the MARA and other local authorities(4)	Validity period unspecified(5)	Not applicable
Feed production	Feed Production Licence (飼料生產許可證)	Provincial, municipal or county level branch of the MARA	Five years	From May 2024 to July 2027(6)
Purchase of feed ingredients	Cereals Purchase Licence or Filing (糧食收購許可證或備案)	County level branch of the Development and Reform Commission (發展和改革委員會) and the Food and Strategic Reserves Administration (糧食和物資儲備局)	Validity period unspecified	Not applicable

Business Activities	License/Permit	Issuing Authority	Validity period	Expiry date
Breeding of Parent Stock DOCs	National Certificate for New Breeds (Supporting Lines) of Livestock and Poultry (國家畜禽新品種(配套系)證書)	National Commission for the Livestock and Poultry Genetic Resources (國家畜禽遺傳資源委員會)	Validity period unspecified	Not applicable
Veterinary medicine operation	Veterinary Medicine Licence (獸藥經營許可證)	Provincial or County level branch of the MARA and County level branch of the Administrative Examination and Approval Bureau	Five years	From December 2023 to February 2028[7]

Notes:

1. Other local authorities include the municipal or country level of the Administrative Examination and Approval Bureau (行政審批局), Mountain Eco-Livestock Development Centre (山地生態畜牧業發展中心) and Bureau of Agriculture, Forestry, Water Affairs and Migration (農林水務和移民局).

2. The Animal Husbandry Law of the PRC (《中華人民共和國畜牧法》), last amended on 30 October 2022 and implemented on 1 March 2023, no longer specifies the validity period of the Certificate for Production and Operation of Breeding Livestock and Poultry as three years. The validity period of certificates issued after 1 March 2023 would be subject to the decision of the Issuing Authority.

3. Eight certificates will expire before 31 October 2023. There is no specified timeframe for submitting renewal applications pursuant to the relevant PRC laws and regulations. Based on our experience with local issuing authorities, they generally expect certificate holders to submit the renewal application within two weeks prior to the expiry date. As at the Latest Practicable Date, for the eight certificates which will expire between August 2023 to October 2023, we submitted or will submit the renewal applications two weeks prior to the respective expiry dates accordingly.

4. Other local authorities include the municipal or country level branch of the Administrative Examination and Approval Bureau, Mountain Eco-Livestock Development Centre (山地生態畜牧業發展中心) and Bureau of Agriculture, Forestry, Water Affairs and Migration (農林水務和移民局).

5. We are subject to an annual report obligation despite there is no specified validity period.

6. Pursuant to the relevant laws and regulations, a licence holder shall apply for the renewal six months prior to the expiry date of the licence.

7. Pursuant to the relevant laws and regulations, a licence holder shall apply for the renewal six months prior to the expiry date of the licence. One of the licences held by us will expire before 31 December 2023. Such licence will expire in December 2023, and we do not plan to renew it as the subsidiary holding the licence will not conduct the business requiring the Veterinary Medicine Licence.

COMPETITION

We mainly compete with pig and yellow-feathered broiler breeding and farming companies in the PRC. According to the Frost & Sullivan Report, unlike the low entry barriers for small-scale farmers, large-scale pig and poultry breeding and farming enterprises face high barriers in terms of management, funds, technologies, channels, talents, etc. According to the Frost & Sullivan Report, for 2022, we were one of the top ten breeding pig providers in the PRC in terms of sales volume of breeding pigs; during the same period, we ranked sixth among all pig providers in the PRC in terms of sales volume of pigs and third among all yellow-feathered broiler providers in the PRC in terms of sales volume of yellow-feathered broiler. It is expected that the trend of industry concentration will continue to accelerate due to growing scrutiny over food safety matters. Competition for our products in the PRC is primarily based on large-scale batch production capability, brand recognition, quality, genetic traits, price, marketing strategies as well as distribution network.

For details of our competitive advantages, please refer to the section headed "– Our Competitive Strengths" above. For challenges and threat we encounter during our business operation, please refer to the section headed "Industry Overview".

MAJOR AWARDS AND RECOGNITION

We have received some awards and recognitions in respect of our product quality, brand recognition and social contributions, including the key awards and recognitions set forth in the table below:

Award/recognition	Award Year	Issuing Authority
Chengdu Enterprise Technology Centre (成都市企業技術中心)	2020	Chengdu Municipal Bureau of Economic and Information Technology (成都市經濟和信息化局)
2020 Chengdu Top 100 Tertiary Enterprises (2020成都服務業百強企業), Chengdu Top 100 Private Enterprises (成都民營百強企業), Chengdu Top 100 Enterprises (成都百強企業), and Chengdu Top 20 Private Enterprises for Employment (成都民營企業就業20強)	2020	Chengdu Enterprises Confederation (成都企業聯合會), Chengdu Entrepreneurs Association (成都企業家協會), and Chengdu Enterprise Culture Association (成都企業文化協會)

Award/recognition	Award Year	Issuing Authority
2020 Top 10 Ecology-empowered Platform Enterprises in Animal Husbandry and Feed Industry (2020畜牧飼料行業十大生態型賦能平台企業)	2020	Organising Committee of China Animal Husbandry and Feed Technology and Economy High-level Forum (中國畜牧飼料科技與經濟高層論壇組委會)
Demonstration Forms for Livestock Farming Standardisation (畜禽養殖標準化示範場)	2020	MARA
"Thousands of Enterprises Helping Thousands of Villages" Targeted Poverty Alleviation Action Advanced Private Enterprise ("萬企幫萬村"精準扶貧行動先進民營企業)	2020	All-China Federation of Industry and Commerce and the Office of the Leading Group for Poverty Alleviation and Development of the State Council (國務院扶貧開發領導小組辦公室)
Sichuan Outstanding Enterprise of "Industrial Poverty Alleviation" (四川省"產業扶貧"優秀企業)	2020	Sichuan Animal Husbandry Association (四川省畜牧業協會)
Shennong China Agricultural Science and Technology Award, First Prize (神農中華農業科技獎一等獎)	2020-2021	MARA
Sichuan "Thousands of Enterprises Helping Thousands of Villages" Targeted Poverty Alleviation Action Advanced Collective (四川省"萬企幫萬村"精準扶貧行動先進集體)	2021	Leading group of the Sichuan "Thousands of Enterprises Helping Thousands of Villages" Targeted Poverty Alleviation Action (四川省"萬企幫萬村"精準扶貧行動領導小組)
Guangdong Seed Industry Science and Technology Innovation Competition Gold Star Award, Champion (廣東種業科創大比武「金星獎」冠軍)	2021	Department of Agriculture and Rural Affairs of Guangdong Province (廣東省農業農村廳)

Award/recognition	Award Year	Issuing Authority
African Swine Fever Free Zone (非洲豬瘟無疫小區)	2021, 2022	MARA
National Livestock and Poultry Agriculture Constituent Enterprises (國家畜禽種業陣型企業)	2022	MARA
2022 Sichuan Top 100 Enterprises (2022四川百強企業), Sichuan Top Tertiary Enterprises (四川服務業百強企業)	2022	Sichuan Enterprises Confederation (四川省企業聯合會), Sichuan Entrepreneurs Association (四川省企業家協會)

RISK MANAGEMENT

We are exposed to various risks during our operation. For more details, please refer to the section headed "Risk Factors." We have devoted ourselves to establishing and maintaining risk management systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. Our risk management measures include:

- Our Board is responsible for monitoring our internal control system and for reviewing its effectiveness, and maintaining the Company's risk management at an appropriate and effective level;

- As the responsible departments for risk management, our audit and internal control departments evaluate the risks faced by the Company from time to time, and oversee the risk compliance by our respective departments;

- We require all departments to proactively identify the risks they face and various internal and external factors that affect the occurrence of the risks, and report this to our management which will determine the appropriate risk response plan;

- In addition, we also require the audit and internal control departments to formulate a complete set of monitoring procedures and plans to achieve effective risk monitoring; and

- We will engage external professional advisors, where necessary, and work with our internal audit and legal team to conduct regular review to ensure the effectiveness of all registrations, licenses, permits, filings and approvals and timely renew the same.

Investment Risk Management

Our investment activities primarily involve purchasing futures and options products to hedge against price fluctuations related to our pig and poultry products as well as our feed ingredients. We also purchase wealth management products as an auxiliary means to improve utilisation of our cash-on-hand. We only purchase wealth management products offered by licensed financial institutions. The tradings of our derivative financial instruments such as futures and options may incur losses, which may adversely affect our profitability. Our results may fluctuate due to increases or decreases in the appraised fair value of our derivative financial instruments. To manage the risks associated with our investment activities, 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. For details on our investment risk management policy, please refer to the section headed "Financial Information – Discussion Of Certain Key Statement Of Financial Position Items – Investment Risk Management".

INTERNAL CONTROL

The Board is responsible for ensuring that we maintain sound and effective internal controls to safeguard the Shareholders' investments and our assets. We have adopted, or expect to adopt before the [**REDACTED**], a series of internal control policies, procedures and plans designated to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, including the following:

- *Internal control manual*. We have formulated an internal control manual, which includes the corresponding systems and standards, flow charts, risk control matrix, etc. for key business procedures of our various business segments and elaborates on the risk and control points of the key procedures. Internal control standards for business operations are formed based on the above and executed and promoted via training on the internal control manual.

- *Authority system*. We have developed a manual of rights and responsibilities, which clearly specifies the authorised persons, conditions, scopes and limits, etc. for various posts involved in our internal controls. No organisation or individual is allowed to make any risk decision which exceeds the relevant limits of authority.

- *Internal audit*. Our internal audit department regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The internal audit department is also responsible for monitoring the reporting management. The audit committee under our Board is responsible for supervising our internal audit function.

- *Compliance with the Listing Rules*. Our various policies aim to ensure compliance with the Listing Rules, including but not limited to the aspects related to corporate governance, connected transactions and securities transactions by our Directors.

- *Compliance adviser*. We have engaged Maxa Capital Limited as our compliance adviser to advise on our ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

INSURANCE

We consider our insurance coverage adequate and in line with the commercial practices in the PRC. Our insurance coverage in China primarily consists of property insurance, pig and yellow-feathered broiler farming insurance and employee related insurance. Our property insurance mainly covers our buildings, facilities and equipment. Our pig and yellow-feathered broiler farming insurance mainly covers the prices and deaths of our pigs and yellow-feathered broilers. Our employer related insurance mainly consists of contributions to or provisions of the employee pension insurance, work-related injury insurance, maternity insurance, unemployment insurance, medical insurance and housing provident funds as required by the PRC laws and regulations.

IMPACT OF DISEASE AND EPIDEMIC

Impact of African Swine Fever

African Swine Fever is a fatal disease for pigs. In August 2018, China's first African Swine Fever case was discovered in Northeast China and subsequently spread from north to south. In April 2019, all provinces, municipalities and autonomous regions in the PRC had reported African Swine Fever cases. As African Swine Fever is highly contagious, once an outbreak happens in one pig farm, all pigs on that pig farm would be disposed in extreme cases. By 2020, African Swine Fever had subsided compared with 2019. Since 2021, only sporadic African Swine Fever cases have occurred in certain provinces in China. Currently, there is no vaccine available on the market. We have adopted strict quality control and biosecurity measures to reduce the risk of introduction and spread of African Swine Fever. Please refer to the section headed "– Quality Control and Food Safety – Quality Control of Pig Production".

The impact of African Swine Fever on our operation are set out below.

Demands for pigs and pork products. During the Track Record Period, the lagging effect of restocking pig herds led to a persistent shortage of pigs in the market, as it takes time for part of the restocked pigs to grow up. Furthermore, the government imposed restrictions on the transport of pigs to prevent and control African Swine Fever, resulting in an imbalance of supply and demand of pigs among regions. However, according to the Frost & Sullivan Report, the pork consumption in China increased steadily despite the impact of African Swine Fever during the Track Record Period, mainly as a result of pork being the primary protein source for Chinese consumers and the gradual recovery of the pig breeding and farming industry from African Swine Fever. For details, please refer to the section headed "Industry Overview – Pig Cycle" in this document. As a result of the above, the average selling prices of our breeding pigs, market hogs and market piglets generally decreased in 2021 as compared with those in 2020 due to (i) the relatively high average selling prices in 2020 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 dropped in 2022 as the outbreak of African Swine Fever was under control and more supply of pigs became available. Nonetheless, 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 in the same period in 2022. Our sales volume of market hogs further increased from 2.1 million heads for the five months ended 31 May 2022 to 2.7 million heads for the five months ended 31 May 2023. Please refer to the section headed "Financial Information – Key Factors Affecting Our Results of Operations and Financial Condition" in this document for details.

Demands for yellow-feathered broilers. During the Track Record Period, the demand for yellow-feathered broilers products remained relatively stable and was relatively unaffected by African Swine Fever.

Operation of pig farms. We have taken measures to ensure our compliance with all applicable laws and regulations in relation to African Swine Fever and strengthened our measures to control African Swine Fever. For 2020, 2021, 2022 and the five months ended 31 May 2023, we incurred RMB140.4 million, RMB180.4 million, RMB97.2 million and RMB37.6 million, respectively, of expenses relating to strengthening of the biosecurity measures. This mainly represented the expenses on the procurement of extra disinfectants and the setup of additional sterilisation equipment. We managed to eliminate African Swine Fever's route of transmission with enhanced biosecurity measures, such as implementing quarantine measures on our pig farms and disinfecting feed and materials coming in or out of our pig farms. We did not experience any material disruption of our pig farming operation as a result of African Swine Fever and other swine diseases.

Supply chain. During the Track Record Period, we did not experience any major shortage of feed as a result of the outbreak of African Swine Fever and other swine diseases.

Expansion plan. In general, African Swine Fever and other swine diseases have not caused any material adverse impact on our business strategy and expansion plan. In light of the facts that there were no cases of African Swine Fever recorded for pigs on our pig farms during the Track Record Period and up to the Latest Practicable Date and that the stock of pigs in the PRC is recovering, our Directors believe that (i) our strengthened biosecurity measures are adequate and effective at this stage, and (ii) the outbreak of African Swine Fever had subsided since late 2019 in the PRC and no material adverse impact caused by African Swine Fever is expected on us going forward. For details of the impacts of African Swine Fever on the pig farming industry, please refer to the section headed "Industry Overview – Impact of African Swine Fever on the Pig and Broiler Farming Industries" in this document. For details of the risks relating to African Swine Fever and other swine diseases, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Our Industry – Outbreak of African Swine Fever, avian influenza, and other diseases among the livestock or attributed to livestock or zoonoses and adverse publicity of these diseases can significantly affect our production, supply and demand for our products and our business".

Impact of Avian Influenza

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, there were no avian influenza infection cases recorded for our chickens on our family farms and farming bases.

Impact of the COVID-19 Outbreak

An outbreak of COVID-19 was first reported in December 2019 and continues to expand across the globe. The World Health Organisation is closely monitoring and evaluating the situation, and it declared such outbreak as a public health emergency of international concern and a global pandemic on 30 January 2020 and on 11 March 2020, respectively. To cope with such outbreak, China implemented necessary pandemic prevention measures at the beginning of 2020. Since the beginning of the second quarter of 2020, although many of the measures within China have been relaxed, certain cities re-impose relevant prevention measures in accordance with the situation of the pandemic from time to time. These measures have been further relaxed since December 2022.

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

- *Impact on supply chain*. As affected by the COVID-19 pandemic, local governments adopted relevant pandemic prevention measures, which resulted in delays of resuming feed production in our feed plants and by our feed suppliers. Also, certain family farms experienced a temporary shortage of feed as the suppliers were unable to deliver in time. Government authorities subsequently issued policies requiring that, during the prevention and control of the COVID-19 pandemic, the supply of meat and other necessities shall be ensured, and the transportation of agricultural raw materials including livestock, poultry and feeds shall not be intercepted.

- *Impact on sales*. The impacts of the COVID-19 pandemic on our business include, (i) certain local governments suspending live poultry markets as part of the pandemic prevention measures, (ii) the suspension of transportation of live pigs and closure of certain slaughterhouses, and (iii) social distancing and travel and traffic restrictions. In particular, we recorded a gross loss for our poultry segment in 2020 due to the impact of the COVID-19 pandemic on our yellow-feathered broilers sub-segment. We had a gross loss for our yellow-feathered broilers sub-segment of RMB50.6 million for 2020. The COVID-19 pandemic 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. Other than the above, the consumption of pork and chicken remained relatively stable during the Track Record Period and up to the Latest Practicable Date.

- *Other impacts*. Due to the restrictions on the logistics in certain abovementioned regions, our inventory of frozen chicken increased.

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

PROPERTIES

We occupy certain properties in connection with our business operation. Our properties are mainly used for non-property activities as defined under Rule 5.01(2) of the Listing Rules, which mainly include premises for our pig farms, yellow-feathered broiler hatcheries and breeder farms, feed mills, waste treatment facilities, offices and dormitories.

Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our Group's interests in lands or buildings for the reason that as at 31 May 2023, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. Pursuant to Chapter 5 of the Listing Rules, this document is not required to include the valuations of our properties.

Owned Properties

Land use rights

As at the Latest Practicable Date, we have obtained land use right certificates for 20 parcels of lands with an aggregate site area of approximately 954,909 square metres, which are primarily used for feed mills and related ancillary facilities. None of our owned land use rights has been pledged.

Land use rights pending title certificates

As at the Latest Practicable Date, we had not yet obtained the land use rights title certificate for one parcel of land with an aggregate site area of approximately 8,937 square metres. This parcel of land was used for our dormitories and offices. As we were not using this parcel of land for any production and operation activities, no related income was generated. We purchased this parcel of land from the local People's Government and the issuance of the land use rights title certificate is subject to a pre-condition of granting of land sales quotas by the government which the government authority who sold the land to us is responsible for arranging pursuant to the land purchase agreement. According to the land purchase agreement: (i) we have paid the first payment after signing the agreement. We may pay the remaining fees after we obtain the land use rights title certificate with the assistance of the government and (ii) the government agreed to coordinate with the relevant authorities of housing, planning and land to handle the construction procedures. We have been continuously monitoring the status of land sales quotas with the relevant government authority. As at the Latest Practicable Date, the relevant government authority did not have an expected timeline on granting of land sales quotas. As advised by our PRC Legal Adviser, according to applicable PRC laws and regulations, such non-compliance incident would expose us to administrative measures or penalties, including orders, fines, and/or cease to use such buildings, and we may be required to dismantle the buildings and other facilities on the land, restore the land conditions, or confiscate the buildings and other facilities on the land and order to pay for a fine ranging from RMB100 to RMB1,000 per square metre of the unauthorised land used. We have obtained a confirmation letter from the local People's Government governing the department of natural resources, as the competent government authority (as advised by our PRC Legal Adviser) for this parcel of land, which confirmed that it is aware of the fact that there is no land use rights title certificate for this parcel of land and we will not receive any penalty in this regard before obtaining the land use rights title certificate. Accordingly, we do not expect such incident would result in any material adverse effect on our business.

Defects in land uses

During the Track Record Period, two parcels of the state-owned lands for which we had obtained land use right certificates were used by our subsidiaries not in accordance with the approved land use stated in the title certificates, of which one parcel was used for the construction of office and hatchery plants with a gross floor area of approximately 2,200 square metres, and the other parcel was used for the construction of farms with a gross floor area of approximately 15,575 square metres. These two parcels of lands contributed less than 0.1% of our total revenue for each of 2020, 2021, 2022 and the five months ended 31 May 2023. According to the Land Administration Law of the PRC, failure to use a state-owned land in accordance with the approved land use purposes stated in the title certificates expose us, as the land use right holders, to orders by the relevant natural resources authorities at the county level or above to surrender the land and be fined. We received confirmation letters from the relevant competent government authorities (as advised by our PRC Legal Adviser) confirming that the relevant subsidiaries were not subject to any administrative penalties by such government authorities during the Track Record Period.

Our Directors confirmed that, as at the Latest Practicable Date, we had not received any order to surrender the land or any administrative penalties imposed by the relevant authorities in connection with the use of these parcels of lands. However, should the relevant PRC regulatory authorities take enforcement actions against us, we would cease the operation of these two parcels of lands accordingly. We believe that we can relocate the operations of such hatchery plants and farms to family farms with an addition cost of approximately RMB2.5 million per year, and the impact of relocation on our revenue would be minimal as these two parcels of lands contributed less than 0.2% of our total revenue for each of 2020, 2021, 2022 and the five months ended 31 May 2023. As such, we do not expect such enforcement actions would result in any material adverse effect on our business or operations.

Mr. Wang Degen, our Controlling Shareholder, has undertaken to indemnify our Group against the losses resulting from all fines, penalties or other losses, if any, incurred by our Group as a result of or in connection with the aforementioned defects in land uses. In addition, in consideration of the relatively low percentage of lands with defects in land uses to lands being used by us, we do not expect such incidents would result in any material adverse effect on our business or operations.

Buildings

As at the Latest Practicable Date, we owned property ownership certificates in respect of eight buildings with a total gross floor area of approximately 42,126 square metres.

Buildings pending building ownership certificates

As at the Latest Practicable Date, we had not yet obtained building ownership certificates for buildings on seven parcels of land (inclusive of the parcel of land which we had not yet obtained the land use rights title certificate as detailed in "– Owned Properties – Land use rights – Land use rights pending title certificates" above). Those buildings are mainly used as feed mills and relevant ancillary facilities, dormitories and office buildings which are not revenue-generating in nature. As such, those buildings did not make any material revenue contribution to our Group during the Track Record Period.

The procedure of obtaining building ownerships certificates is to (i) obtain the requisite approvals relating to planning, construction and other procedures, (ii) apply for the acceptance inspection and (iii) issue of building ownership certificates upon satisfactory inspections. As advised by our PRC Legal Adviser, the legal penalties depend on the type(s) of requisite approvals which are outstanding. According to applicable PRC laws and regulations, we estimate that these lands would expose us to administrative measures or penalties, including rectification, orders, a maximum amount of fines which is up to RMB8.2 million, suspension of operation, and/or cease to use such buildings (as applicable), and we may also be required to dismantle the buildings and its ancillary facilities in respect of which we have not yet completed the procedures in relation to construction planning with the relevant government authorities with a total gross floor area of approximately 94,593 square metres, or confiscate the illegal construction and income generated therefrom if such constructions produce an adverse effect on the implementation of urban planning but cannot be rectified or demolished. For legal consequences and status of rectification of the parcel of land which we had not yet obtained the land use rights title certificate, please refer to the section headed "– Owned Properties – Land use rights – Land use rights pending title certificates" above.

For properties on the remaining six parcels of land, we received confirmation letters for three of them from the relevant competent government authorities (as advised by our PRC Legal Adviser), confirming that we are permitted to continue to construct or use the buildings for the current uses and we will not receive any penalty in this regard. As at the Latest Practicable Date, we completed acceptance inspection for properties on two parcels of land, applied for the acceptance inspection for properties on one parcel of land and we were in the course of preparation for obtaining the requisite approvals relating to planning, construction and other procedures for the remaining properties (one of which has obtained confirmation letter from the relevant competent government authorities (as advised by our PRC Legal Adviser), confirming that there is no substantial impediment to complete the relevant procedures). Based on our communication with the relevant government authorities as at the Latest Practicable Date, our Directors expect that we will obtain the pending building ownership certificates for properties on these six parcels of land by the end of 2024. Mr. Wang Degen, our Controlling Shareholder, has undertaken to indemnify our Group against the losses resulting from fines and penalties and other losses, if any, incurred by our Group as a result of or in connection with the aforementioned defects in titles as well as construction procedures of properties on such eight parcels of land. In addition, based on the above and as the properties on eight parcels of lands are mainly used as feed mills and relevant ancillary facilities which do not generate revenue to our Group, we do not expect such defects would result in any material adverse effect on our business or results of our operations.

Buildings on contracted lands

In addition, as at the Latest Practicable Date, we built and commenced production of a total of 114 pig and poultry farms and ancillary facilities on rural collective lands with a total site area of over 3.8 million square metres. As advised by our PRC Legal Adviser, as such farms belong to facility agricultural-use lands and are managed as agricultural-use lands, there is no need to go through approval procedures for construction land nor to obtain building ownership certificates, provided that the facility agricultural-use lands shall be filed with the township government by the rural collective economic organisation or the operator. As at the Latest Practicable Date, five of our self-constructed farms or their ancillary facilities had not yet made the filings for the facility agricultural-use lands, and the relevant subsidiaries have either submitted an application or commenced the preparation of the application for filing. As at the Latest Practicable Date, we had not been informed by the relevant government authority about the expected timeline. We failed to make the filings for these farms mainly because the relevant staff inadvertently overlooked on the requirements of filings for the facility agricultural-use lands at the time of construction or expansion of farms. These farms contributed less than 2.0% of our total revenue for each of 2020, 2021, 2022 and the five months ended 31 May 2023. According to applicable PRC laws and regulations, such non-compliance incident would expose us to administrative measures or penalties, including orders, fines, and/or cease to use such buildings, and we may be required to dismantle the buildings and other facilities on the land, restore the land conditions, or confiscate the buildings and other facilities on the land and order to pay for a fine ranging from RMB100 to RMB1,000 per square metre of the unauthorised land used. All of our relevant subsidiaries obtained confirmation letters from the relevant competent government authorities (as advised by our PRC Legal Adviser), confirming that the relevant subsidiaries were not subject to any administrative penalties during the Track Record Period. Mr. Wang Degen, our Controlling Shareholder, has undertaken to indemnify our Group against the losses resulting from the disruption of business operation, all fines and penalties and other losses, if any, incurred by the Group as a result of or in connection with the aforementioned failure to make the filings for such facility agricultural-use lands. Based on the above and in consideration of the relatively low percentage of farms which had not yet made the filings, we do not expect such failure to make the filings for such facility agricultural-use lands would result in any material adverse effect on our business or results of our operations.

Leased Properties

Leased lands

As at the Latest Practicable Date, we leased rural collective-owned lands with an aggregate site area of over 30.2 million square metres. Such leased lands have been mainly used for farms and ancillary production facilities. Certain leased lands occupied by our farms are forest lands, for which we failed to obtain the requisite approvals or complete the filings under the relevant PRC laws and regulations. For further details, please refer to the section headed "– Legal Proceedings and Compliance – Compliance – Non-compliance – (iv) Failure to obtain the approval or complete the filing for Occupation of forest lands by our farms".

Leased farms

As at the Latest Practicable Date, we leased 51 farms with a total gross floor area of over 1.2 million square metres.

Other leased properties

Other leased properties represent leased properties which are not used for business operations. Such properties are mainly used for warehouses, staff dormitories, laboratories, quarantine facilities, office premises, etc. As at the Latest Practicable Date, among all the other leased properties, we leased 250 other properties with each exceeding 100 square metres.

As at the Latest Practicable Date, for 96 such properties leased by our Company or our subsidiaries, the lessors failed to provide the corresponding property ownership certificates or credentials entitling them to lease such properties. As advised by our PRC Legal Adviser, relevant lease contracts are subject to the risk of being deemed invalid by the relevant government authorities under PRC laws. The leased properties constructed without approval or permit by relevant competent authorities are subject to risk of demolition as ordered by the relevant government authorities.

In addition, as at the Latest Practicable Date, none of properties leased by us or our subsidiaries had registered with the relevant housing authorities. Pursuant to the provisions of the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), for lease agreements that are not registered with the relevant housing authorities, we may be subject to a maximum fine of RMB10,000 per unregistered lease agreement. Our PRC Legal Advisers advised us that our failure to register the lease agreements does not affect the validity of the lease agreements. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice from the relevant housing authorities to rectify or any penalty in relation to our failure to register these leases.

As there are multiple alternatives to such leased properties in the relevant areas and these leased properties are not used for business operations, our Directors believe that such defects in our leased properties described above will not have a material adverse impact on our operation and financial position if we have to terminate the occupation of such leased properties.

To prevent any recurrence of such non-compliance incidents in relation to properties, including both owned and leased properties, we have established an implemented preventive measures to ensure our compliance:

(i) each subsidiary is required to obtain valid documents proving the right to use the land before land use rights are acquired;

(ii) each subsidiary is required to go through acceptance procedures according to the relevant contract and land use right certificate before developing or constructing a project on the land to ensure the compliance with relevant laws and regulations;

(iii) for the commencement of usage of new buildings, building ownership certificates, filings for the facility agricultural-use lands or relevant documents and procedures as required by the relevant laws and regulations are monitored by a designed person and upon all legal requirements are fulfiled, an official approval is required prior to the commencement; and

(iv) we have included our Group's legal and regulatory compliance record into the performance appraisal indicators for our senior management and relevant staff.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We were from time to time involved in legal proceedings arising from the ordinary course of our business during the Track Record Period, but our Directors are of the view that none of them is material to our financial position or business operation. Our Directors confirmed that none of our Company, subsidiaries or Directors was a party to any pending or threatened litigation, arbitration or administrative proceeding that could have a material adverse effect on our financial position or results of operations as at the Latest Practicable Date.

Compliance

Our Directors are of the view that we had complied with all relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business. Our PRC Legal Adviser is of the view that we had complied with all relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date, except for such non-compliance which would not, individually or in the aggregate, have a material impact on our business. We set forth details of certain historical non-compliance incidents during the Track Record Period:

Non-compliance Incidents

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
(i) Failure to obtain or renew requisite licenses in relation to our operation				
During the Track Record Period, we failed to obtain or complete the renewal of (i) the Certificate for Production and Operation of Breeding Livestock and Poultry for 26 of our farms (five farms for purebred pigs, three farms for purebred pigs and piglets, 17 farms for crossbreeding pigs and/or piglets, and one for poultry breeding), and (ii) the Certificate for Animal Epidemic Disease Prevention for four of our farms (two farms for crossbreeding pigs and piglets, one farm for hatching of eggs, and one for poultry breeding). For the above farms, three farms failed to obtain both the Certificate for Production and Operation of Breeding Livestock and Poultry and the Certificate for Animal Epidemic Disease Prevention. For these 27 non-compliant farms, one of them was a hatchery, one of them was a poultry breeding farm, five of them were boar studs which mainly boar semen were produced, while breeding pigs were raised in the remaining 20 farms.	Our Directors confirmed that three farms could not submit the renewal applications or complete the on-site inspection for the renewal applications on time due to the suspension of services of relevant government authorities under the outbreak of COVID-19, which was out of our control. Since we passed the on-site inspections and obtained the renewed certificates without further delay after the services of relevant government authorities resumed, our Directors consider that we would be capable to obtain the licence on time if there was no suspension of services of relevant government authorities due to the outbreak of COVID-19. The remaining incidents were mainly due to oversight and inexperience of the relevant staff.	According to the Animal Husbandry Law of the PRC, an entity engaged in the production and operation of breeding livestock and poultry or in the commercial production of new born livestock and poultry that fails obtain a Certificate for Production and Operation of Breeding Livestock and Poultry may be subject to administrative penalties, including confiscation of the illegal income, fines of no less than RMB3,000 but not more than RMB30,000 if there is no illegal income or the income is below RMB30,000, fines of no less than one time but not more than three times of the illegal income if the income is over RMB30,000, and orders to cease the non-compliant activities.	We continuously communicated with the relevant government authorities to obtain or renew the Certificate for Production and Operation of Breeding Livestock and Poultry and the Certificate for Animal Epidemic Disease Prevention (collectively, the "**Certificates**"). As at the Latest Practicable Date, we obtained (i) the Certificate for Production and Operation of Breeding Livestock and Poultry for 22 farms, and (ii) the Certificate for Animal Epidemic Disease Prevention for three farm.	To prevent any recurrence of such non-compliance incidents in future, we have established and implemented preventive and remedial measures to ensure our compliance with regulations in relation to obtaining requisite licences for our operation. We have provided and plan to continue to provide training on applicable legal and regulatory requirements in relation to material licences to our senior management. We have established and implemented written policy and procedures, including:

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
Subsequent to the Track Record Period, we were required to renew certain licenses due to the expiration or modification of the address stated in the licenses, and we applied for the renewals accordingly. As at the Latest Practicable Date, two of our farms (one farm for purebred pigs and piglets, and one farm for poultry breeding) had not completed the renewal of the Certificate for Production and Operation of Breeding Livestock and Poultry upon their expiration. As such, poultry and breeding pigs were raised in each of these two farms. As at the Latest Practicable Date, taking into account of certificates subsequently obtained by us and the cessation of operation for two farms which the Certificate for Production and Operation of Breeding Livestock and Poultry was outstanding during the Track Record Period and the cessation of operation for a hatchery which the Certificate for Animal Epidemic Disease Prevention was outstanding during the Track Record Period, there were outstanding Certificate for Production and Operation of Breeding Livestock and Poultry for two farms.			As at the Latest Practicable Date, saved for three farms which we ceased the operations, we applied to the relevant government authorities for the two outstanding Certificates. As advised by our PRC Legal Adviser, there is no substantive legal obstacle for us to apply for the Certificates we did not obtain as at the Latest Practicable Date 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. Based on our communication with the relevant government authorities as at the Latest Practicable Date, our Directors expects the outstanding Certificates will be obtained by the third quarter of 2023. Our Directors confirmed that the potential impact on our Group's business operations and financial position if these two farms are required to cease operations would be immaterial given that: (i) these two farms are relatively small farms which in aggregate contributed to less than 0.2% of our Group's total revenue for the five months ended 31 May 2023, and (ii) our Group would be able to relocate to other compliant farms to continue with the production and mainly transportation costs would be incurred, which would not have a material impact on our revenue and profitability. As at the Latest Practicable Date, we obtained confirmation letters issued by the relevant competent government authorities (as advised by our PRC Legal Adviser) confirming that none of them were subject to any administrative penalties due to violation of the laws, regulations or regulatory documents for failure to obtain the Certificates during the Track Record Period.	(i) for each subsidiary, requisite licenses are monitored by a designated person who will make regular report to the Company on the progress of applications and expiry situation for requisition licenses; (ii) our executive office will engage external lawyer and external adviser, as appropriate, to provide regular trainings to managers of subsidiaries;

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
		According to the Animal Epidemic Prevention Law, an entity operating an animal breeding farm, animal isolation place, animal slaughtering and processing establishment, as well as facilities for innocuous treatment of animals and animal products that fails to obtain a certificate for Animal Epidemic Prevention Conditions may be subject to administrative penalties, including orders to correct with fines of no less than RMB3,000 but not more than RMB30,000, orders to cease the relevant operation with fines of no less than RMB30,000 but no more than RMB100,000.	Our Directors confirmed that, as at the Latest Practicable Date, we had not received any administrative penalties imposed by the relevant authorities in connection with our failure to obtain or renew requisite licences. Our Directors are of the view that our Group would be able to achieve a similar level of historical financial results if such non-compliant farms were not engaged in such operations when the Certificates were outstanding during the Track Record Period, based on the following: (i) the revenue generated by the non-compliant farms during the period when the Certificates were outstanding contributed to an immaterial portion of our total revenue during the Track Record Period (approximately 0.9%, 1.2%, 0.7% and 0.3% of our total revenue for each of 2020, 2021, 2022 and the five months ended 31 May 2023, respectively); (ii) our Group would be able to relocate the pigs/poultry/eggs to other farms to continue with the production and mainly transportation costs would be incurred, which would not have a material impact on our revenue and profitability; and	

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
			(iii) the non-compliant farms represent an immaterial portion of the total number of self-operated farms. For each of 2020, 2021, 2022 and the five months ended 31 May 2023, the number of revenue-generating non-compliant farms were 5, 18, 17 and 17, respectively. As at 31 May 2023, we had an aggregate of 181 self-operated farms (including nucleus breeding farms, boar studs and multiplying farms, self-operated pig farms, breeder farms and hatcheries). In addition, Mr. Wang Degen, our Controlling Shareholder, has undertaken to indemnify our Group against all fines, penalties and any other loss, if any, incurred by our Group as a result of or in connection with the aforementioned incidents. Based on the foregoing, our Directors are of the view that the incidents will not have any material adverse effect on our business or results of our operations.	(iii) we coordinate with each of the concerned departments to perform annual review on all existing licences to ensure the completeness, validity and safekeeping of the licenses and they will be responsible to conduct regular review of our business against the updates of relevant national policies, laws and regulations to ensure the continuous legal compliance of our Group ; and (iv) a license tracker template is adopted by each subsidiary which includes information such as the types and quantities of requisite licenses, the number of licenses obtained, and expiration date, to allow sufficient time for our subsidiaries to handle respective renewal before the expiry dates.

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
(ii) Administrative fines relating to environmental protection				
During the Track Record Period and up to the Latest Practicable Date, we were imposed to 16 administrative fines with an aggregate amount of approximately RMB3.0 million (ranging from RMB5,600 to RMB590,000 individually) as a result of our failure to fully comply with relevant PRC environmental protection laws and regulations. Such incidents were mainly caused by discharge of wastewater, exhaust gas and solid waste that did not meet the national or local standards.	Such non-compliance was mainly because: (i) certain of our employees' lack of operational skills or mishandled certain equipment and operation; and (ii) certain subsidiaries' lack of sufficient trainings on environmental protection.	According to the Law of the PRC on the Prevention and Control of Air Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, Regulations on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry, Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, Environmental Impact Assessment Law of the PRC, Regulations on the Administration of Construction Project Environmental Protection and other relevant laws and regulations, certain farms of ours received administrative fines because they did not (i) take relevant measures in accordance with the above regulations; (ii) collect and discharge relevant pollutants in accordance with relevant standards; (iii) obtain environmental protection impact assessment and environmental protection administrative procedures before commencing construction; and (iv) obtain acceptance before commencing production.	We paid administrative fines in relation to such non-compliance relating to environmental protections. According to the confirmations we obtained from the relevant competent government authorities (as advised by our PRC Legal Adviser), such non-compliance incidents are not material. Given that we paid such administrative fines in full and the relevant government authorities have confirmed these incidents are not material, our Directors believe that such non-compliance incidents do not have any material adverse effect on our business or results of our operations.	We have implemented the following measures relating to environmental protection: (i) we will continue to strengthen our employees' awareness of environmental protection and improve their operational skills; (ii) we conduct regular trainings on the latest environmental laws and regulations of the PRC, as well as our internal policies on environmental protection; (iii) the safety and environmental department of the Company conducts spot inspections on regional companies farms, and issues inspection reports and lists of issues for rectification. Monitoring of the rectification progress will be done through phone and video calls, and on-site assistance and guidance will be provided if necessary; (iv) the management of the Company sets up a ledger to record administrative orders and/or administrative penalties received by our farms and track the rectification status; and

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
				(v) the management of the Company reviews the ledger from time to time and requires our subsidiaries to conduct continuous self-inspection and spot checks to ensure compliance with relevant PRC environmental protection laws and regulations. For more information on our environmental protection measures to ensure our compliance with environmental protection laws and regulations as well as to prevent the above-mentioned non-compliance from recurring, please refer to the section headed "– Environmental and Social Matters – Environmental Protection".

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
(iii) Failure to make full contribution to the social insurance and housing provident fund				
During the Track Record Period, we failed to make full contribution to the social insurance and housing provident funds for our employees as required under PRC laws and regulations. The aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB12.0 million, RMB20.0 million, RMB26.8 million and RMB8.0 million in 2020, 2021, 2022 and the five months ended 31 May 2023, respectively.	Our failure to make full contributions was mainly because (i) the inconsistent standards for certain local authorities in enforcing applicable PRC laws and regulations; (ii) the lack of thorough awareness of applicable local laws and regulations of certain of our employees in charge of this matter; (iii) our failure to make timely payments upon arrival of new employees, (iv) certain employees are reluctant to afford their parts of social insurance and housing provident funds as they have contributed to other medical insurance programmes, and (v) certain employee information we have are incomplete or incorrect.	Pursuant to the Social Insurance Law, we may be required by relevant authorities to pay the outstanding social insurance within a prescribed period, and pay an overdue fee equivalent to 0.05% of the outstanding amount for each late payment day. If we fail to pay the outstanding social insurance within the prescribed period, we may be subject to a fine equivalent to one to three times of the outstanding social insurance amount.	We obtained confirmations from the competent local social insurance and housing provident fund management authorities (as advised by our PRC Legal Adviser) where the majority of our members of the Group (which have employees) are located, confirming none of them (representing the Company and 94% and 77% of the total number of its relevant subsidiaries in respect of social insurance and housing provident fund, respectively) was subject to any administrative penalties due to a violation of the laws, regulations or regulatory documents relating to social insurance and housing provident fund during the Track Record Period. We made provisions of RMB4.0 million, RMB15.0 million, RMB20.9 million and RMB6.3 million for the social insurance contribution shortfalls for 2020, 2021, 2022 and the five months ended 31 May 2023 respectively. We also made provisions of RMB8.0 million, RMB5.0 million, RMB5.9 million and RMB1.7 million for the housing provident fund contributions shortfalls for 2020, 2021, 2022 and the five months ended 31 May 2023. We began to adjust the contribution base of social insurance and housing provident funds for our employees in an effort to fully comply with the relevant PRC laws and regulations gradually from December 2022. Despite our efforts, we were unable to make full contributions of social insurance and housing provident fund for all our employees as of the Latest Practicable Date because some employees did not cooperate and chose to not to contribute to such funds. We will continue to actively encourage the cooperation of such employees and make the relevant contributions once they agree to participate in the social insurance and housing provident funds programs. As confirmed by our Directors, as at the Latest Practicable Date, no administrative proceedings have been initiated or penalties imposed by the relevant regulatory authorities regarding our social insurance and housing provident fund contributions, and we have not received any instruction requiring us to pay the shortfalls. Furthermore, as at the Latest Practicable Date, we are not aware of any complaints lodged by our employees regarding social insurance and housing provident fund policies.	To prevent any recurrence of such non-compliance incidents in future, we have established and implemented both preventive and remedial measures, including: • our human resources department inspected the social insurance and provident fund payment of the employees in the Group, and found out the reasons for the failure to pay in time, and made records and follow-up; • our IT department established a systematic inquiry function for social insurance and provident fund contributions. Our Group properly prepares and maintains written records on payments for social insurance and housing provident fund contributions and has the records reviewed by designated personnel on a monthly basis. Such designated personnel include the Company's social insurance personnel, the manager of the finance department and the general manager; and • we will continue to regularly communicate with the relevant local government authorities and, where necessary, consult PRC legal advisers, in respect of the applicable bases for calculation of the social insurance and housing provident fund contributions at the rates approved by relevant government authorities, and will update our relevant contribution policies in accordance with such consultations.

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
		Meanwhile, according to the emergency Notice of the General Office of the Ministry of Human Resources and Social Security on Implementation of the Spirit of the Executive Meeting of the State Council in Stabilising the Collection of Social Insurance Premiums (Ren She Ting Han [2018] No. 246) (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》(人社廳函[2018]246號)), the prevailing base and rate of social insurance contributions and other relevant collection policies in each place shall remain unchanged until the reform of social insurance collection authorities is completed. None of the local social insurance collection authorities is allowed to organise any settlement of the historical outstanding amounts by enterprises on a separate basis.	In addition, Mr. Wang Degen, our Controlling Shareholder, has undertaken to indemnify our Group against all fines, penalties and any other losses, if any, incurred by our Group as a result of or in connection with the aforementioned incidents. Based on the reasons above, our Directors are of the view that such non-compliance relating to social insurance and housing provident fund contributions will have no material adverse impact on our operation and financial position.	

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
		According to the Regulation on Housing Provident Fund, in the event that the employer makes overdue or inadequate contributions as at the due date of the housing provident fund, relevant housing provident administration centre may order such employer to make supplemental contributions within a prescribed period. If such employer fails to make such contributions within the prescribed period, all application may be made to the PRC court for enforcement. As at the Latest Practicable Date, we had not received any notice or request from the said PRC regulatory authorities ordering us to make retrospective payments or any differences of the payments for the social insurance fund and housing provident fund contributions. We were also not aware of any employee's accusation or request for payment of social insurance or housing provident fund contributions.		

Non-compliance Incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum penalty	Rectification measures and potential impact on Group	Preventive measures taken
(iv) Failure to obtain the approval or complete the filing for occupation of forest lands by our farms				
As at the Latest Practicable Date, two of our farms occupied forest lands without obtaining relevant approvals or completion of filings for use of such forest lands. The said occupied forest lands had a total site area of approximately 150 mu (equivalent to approximately 100,000 square metre).	Such non-compliance was mainly due to oversight and inexperience of the relevant staff of our subsidiaries in selecting location of our farms.	As advised by our PRC Legal Adviser, our occupation of forest lands for construction of farms without review and approval by the relevant authorities violated the Forest Law of the PRC, which exposes us to the legal risk of being required to restore forestry production conditions, and a fine not more than three times of the necessary cost needed for restoring forestry production conditions, thereby impacting our continual operation and use of such farms.	We obtained confirmation letters from the competent relevant government authorities (as advised by our PRC Legal Adviser), confirming that for the farm occupying forest lands of a site area of approximately 120 mu, the relevant subsidiary could continue with the use of forest lands before completing the filings and the authorities would not impose any administrative penalties on us in connection with such use. As at the Latest Practicable Date, we had submitted a report relating to the use of forest lands to the relevant government authority for review. As at the Latest Practicable Date, we had not been informed by the relevant government authority about the expected timeline. For the other farm occupying forest lands of a site area of approximately 30 mu, the relevant subsidiary was in a consultation with the relevant government authority on the classification of lands and the filing application can only be commenced after the decision of the relevant government authority. As at the Latest Practicable Date, we had not been informed by the relevant authorities about the expected timeline. These two farms contributed to less than 1.0% of the total revenue for each of 2020, 2021, 2022 and the five months ended 31 May 2023. In addition, Mr. Wang Degen, our Controlling Shareholder, has undertaken to indemnify our Group against all fines, penalties and any other losses, if any, incurred by our Group as a result of or in connection with the aforementioned incidents. Based on the foregoing and the fact that the forest lands occupied represent a small proportion of our farms, we do not expect such defects would result in any material adverse effect on our business or results of our operations.	To prevent any recurrence of such non-compliance incidents in future, we have provided and plan to continue to provide training on applicable legal and regulatory requirements in relation occupation of forest lands to our senior management and relevant staff. Our legal affairs department will supervise the nature of land use before we lease or own a new farm. Meanwhile, we will review the relevant land certificates of the lessor according to our internal procedures before leasing a new farm, and will lease such farm if it is qualified; for our self-owned farms, we will conduct site selection on the principle of no occupation of forest lands. If it is inevitable to occupy a small amount of forest lands to the extent permissible by the laws and regulations and policies, we shall only commence construction upon performing relevant compliance procedures in advance.

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											
	2020				2021				2022			
	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*
Revenue	8,145,349		8,145,349	100.0%	9,901,566		9,901,566	100.0%	15,037,027		15,037,027	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%)
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%
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%
Other net income	77,956	–	77,956	1.0%	102,410	–	102,410	1.0%	110,894	–	110,894	0.7%
Selling expenses	(70,091)	–	(70,091)	(0.9%)	(72,623)	–	(72,623)	(0.7%)	(80,275)	–	(80,275)	(0.5%)
Administrative expenses	(700,290)	–	(700,290)	(8.6%)	(889,626)	–	(889,626)	(9.0%)	(1,058,172)	–	(1,058,172)	(7.0%)
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%)
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%
Finance cost	(155,589)	–	(155,589)	(1.9%)	(312,242)	–	(312,242)	(3.2%)	(405,272)	–	(405,272)	(2.7%)
Share of losses of associates	(347)	–	(347)	(0.0%)	(3,271)	–	(3,271)	(0.0%)	(16,382)	–	(16,382)	(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%
Income tax	(666)	–	(666)	(0.0%)	(1,986)	–	(1,986)	(0.0%)	(680)	–	(680)	(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%

	For the five months ended 31 May							
	2022				2023			
	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	4,581,212	–	4,581,212	100%	6,362,244	–	6,362,244	100%
Cost of sales	(5,211,095)	32,699	(5,178,396)	(113.0%)	(6,785,394)	40,273	(6,745,121)	(106.0%)
Gross profit	(629,883)	32,699	(597,184)	(13.0%)	(423,150)	40,273	(382,877)	(6.0%)
Changes in fair value of biological assets	–	(419,278)	(419,278)	(9.2%)	–	(1,202,422)	(1,202,422)	(18.9%)
Other net income	57,329	–	57,329	1.3%	120,932	–	120,932	1.9%
Selling expenses	(28,876)	–	(28,876)	(0.6%)	(40,916)	–	(40,916)	(0.6%)
Administrative expenses	(387,089)	–	(387,089)	(8.4%)	(489,264)	–	(489,264)	(7.7%)
Provision for expected credit loss of trade and other receivables	(5,801)	–	(5,801)	(0.1%)	(300)	–	(300)	(0.0%)
Profit/(loss) from operations	(994,320)	(386,579)	(1,380,899)	(30.1%)	(832,698)	(1,162,149)	(1,994,847)	(31.4%)
Finance cost	(163,223)	–	(163,223)	(3.6%)	(189,182)	–	(189,182)	(3.0%)
Share of losses of associates	(4,176)	–	(4,176)	(0.1%)	–	–	–	–
Profit/(loss) before taxation	(1,161,719)	(386,579)	(1,548,298)	(33.8%)	(1,021,880)	(1,162,149)	(2,184,029)	(34.3%)
Income tax	(346)	–	(346)	(0.0%)	(435)	–	(435)	(0.0%)
Profit/(loss) and total comprehensive income for the year/period	(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稅暫行條例》) 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.

OVERVIEW

We have entered into a number of agreements with our connected persons, details of which are set out below. Our Directors confirm that the following transactions will continue after the [**REDACTED**] and will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets out certain details about our connected persons who will have transactions with the Group upon [**REDACTED**] and the nature of their relationship with the Group.

Name of our connected person	**Nature of the connected person's relationship with the Group and details of our connected person**
Tequ Husbandry	Tequ Husbandry is owned as to 94.6% by Sichuan Tequ. Sichuan Tequ is owned as to 40.1% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) ("Sichuan Puhua"), 10.9% by Desheng Ronghe, and 49% by Chengdu Huaxi Hope Group. Co., Ltd. (成都華西希望集團有限公司) ("Huaxi Hope"). Sichuan Puhua is owned as to 65.2% in aggregate by Mr. Wang Degen, his spouse, Ms. Zhang Qiang, and Chengdu Desheng Ronghe Enterprise Management Consulting Co., Ltd. (成都德盛榮和企業管理咨詢有限公司), which is in turn controlled by Wang Yizeng (王益增), son of Mr. Wang Degen and Ms. Zhang Qiang. Huaxi Hope is wholly owned by Mr. Chen Yuxin, one of our substantial shareholders, and his spouse. Thus, Tequ Husbandry is an associate of each of Mr. Wang Degen and Mr. Chen Yuxin.
Guang'an Wanqian Group Co., Ltd. (廣安萬千集團有限公司) ("**Guang'an Wanqian**"), Chengdu Jiayuan International Hotel Co., Ltd. (成都家園國際酒店有限公司) ("**Chengdu Jiayuan**") and Guigang Wanqian Feed Co., Ltd. (貴港市萬千飼料有限責任公司) ("**Guigang Wanqian**")	Each of these companies is ultimately owned by Mr. Chen Yuxin, our substantial shareholder, and his spouse, and thus each of these companies is an associate of Mr. Chen Yuxin.
Sichuan Zhenghu Wisdom Technology Co., Ltd. (四川正狐智慧科技有限公司) ("**Sichuan Zhenghu**")	Sichuan Zhenghu is owned as to 40% by Desheng Ronghe and thus Sichuan Zhenghu is an associate of Desheng Ronghe.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following types of transactions with our connected persons during the Track Record Period which will continue after the [**REDACTED**], including:

(1) Purchase of software from Sichuan Zhenghu;

(2) Sale of pigs, chicken and eggs to Tequ Husbandry and/or its subsidiaries;

(3) Sale of boar semen and eggs to Guigang Wanqian and Chengdu Jiayuan, respectively; and

(4) Hotel accommodation and services provided by Chengdu Jiayuan.

As the above transactions will be conducted on normal commercial terms or better, and all the applicable percentage ratios are less than 0.1%, such transactions are fully exempt from the independent Shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1) of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Purchase of Feed

Reasons for entering into the transactions

During the Track Record Period and up to the Latest Practicable Date, we purchased feed from Guang'an Wanqian in Sichuan Province and Guigang Wanqian in Guangxi Zhuang Autonomous Region and expected to continue the transactions with them after the [**REDACTED**] for the following reasons: (i) while our Group has planned to gradually increase our feed production, we have not built our own feed mills in certain regions as we consider it would not be cost-effective to do so and thus we have relied on external suppliers in these regions to meet our production demands; (ii) feed mills operated by Guang'an Wanqian and Guigang Wanqian are close to our farms in the relevant regions, which enable us to reduce transportation costs arising from purchase of feed; and (iii) most of the family farms are located in rural areas where the number of feed suppliers in the same region that can meet the Group's standard of production is limited. The feed purchased from Guang'an Wanqian were used to support the production of the Group's family farm in Yuechi County in Sichuan Province, where the feed mill operated by Guang'an Wangqian is the only feed mill within reasonable distance. The feed purchased from Guigang Wanqian were used to support the production of the self-operated and family farms in Guangxi Province, which are close to feed mill operated by Guigang Wanqian. The purchase of feed has been and will be made by our Group from Guang'an Wanqian and Guigang Wanqian in the usual and ordinary course of our business.

In anticipation of the [**REDACTED**], our Company entered into the feed supply framework agreements (the "**Feed Supply Framework Agreements**") with Guang'an Wanqian and Guigang Wanqian, respectively, on 13 and 3 September 2023. Pursuant to the Feed Supply Framework Agreements, Guang'an Wanqian and Guigang Wanqian will sell feed to our Group and the Group will purchase feed from them. Each of the Feed Supply Framework Agreements has a term commencing from the [**REDACTED**] to 31 December 2025.

Pricing Policy and Annual Cap

The purchase price payable by our Group to Guang'an Wanqian and Guigang Wanqian under the Feed Supply Framework Agreements will be determined based on (i) arm's length negotiations between each of Guang'an Wanqian and Guigang Wanqian and our Group and (ii) with reference to the market price for the same products that the Group purchases from Independent Third Parties in similar quantities in the open market. The aggregate annual cap for the transactions contemplated under the Feed Supply Framework Agreements will be as follows:

	2023		2024		2025	
	Annual Cap	Volume of feed	Annual Cap	Volume of feed	Annual Cap	Volume of feed
	(RMB, million)	*(tonnes, thousand)*	*(RMB, million)*	*(tonnes, thousand)*	*(RMB, million)*	*(tonnes, thousand)*
Guang'an Wanqian	103.6	28	103.6	28	103.6	28
Guigang Wanqian	81.4	22	81.4	22	81.4	22
Total	185.0	50	185.0	50	185.0	50

In setting the annual cap, our Directors have considered factors including the historical transaction amounts, our production plan and estimated demand for feed for production in the coming years. As illustrated below, during the Track Record Period, the Group's feed consumption (including feed produced by the Group's self-operated feed mills and feed purchased from external suppliers) increased along with the increase in the Group's output volume of pigs and broilers.

	Feed consumption volume (tonnes)	Output volume of pigs (heads)	Output volume of broilers (birds)
2020	1.34 million (self-production: 0.64 million; external purchase: 0.70 million)	1.4 million	72.4 million
2021	2.09 million (self-production: 1.32 million; external purchase: 0.77 million)	3.7 million	75.8 million
2022	2.77 million (self-production: 1.74 million; external purchase: 1.03 million)	5.4 million	78.6 million
Five months ended 31 May 2023	1.33 million (self-production: 0.71 million; external purchase: 0.62 million)	2.9 million	34.6 million

The Group expects that the output volume of pigs and broilers will continue to grow, which will lead to an increase in the Group's demand for feed. For the expansion plan of production which will be funded by the [**REDACTED**] raised from the [**REDACTED**], please refer to the first bullet point in the section head "Future Plans and [**REDACTED**] – [**REDACTED**]".

The annual cap is determined based on (i) an annual purchase of 50,000 tonnes of feeds for each of 2023, 2024 and 2025; and (ii) purchase price of RMB3,700 per tonne, which is the Group's estimate of feed price based on prevailing price in early 2023. The volume of feed to be purchased from Guang'an for 2023 to 2025 is expected to be stable. The increase of purchase of feed from Guigang Wanqian for 2023 to 2025 as compared with the annual purchase in 2022 was mainly due to the Group's plan to increase pig production in Guangxi Province, where Guigang Wanqian operates its feed factory. The feed purchase in Guangxi Province for 2023 to 2025 is expected to be approximately 150,000 tonnes, 170,000 tonnes and 220,000 tonnes, respectively.

The Group utilised approximately 2.8 million tonnes of feeds for production for 2022 and expected its needs for feed to be 3.73 million tonnes, 4.75 million tonnes and 5.62 million tonnes of feeds for 2023, 2024 and 2025, representing a year-on-year growth of approximately 35%, 27% and 18%, respectively.

Historical Transaction Amounts

The total price paid or payable by our Group for purchasing feed from Guang'an Wanqian and Guigang Wanqian for 2020, 2021, 2022 and the five months ended 31 May 2023 were as follows:

	2020		2021		2022		for the five months ended 31 May 2023	
	Amount	Volume of feed	Amount	Volume of feed	Amount	Volume of feed	Amount	Volume of feed
	(RMB, million)	*(tonnes, thousand)*	*(RMB, million)*	*(tonnes, thousand)*	*(RMB, million)*	*(tonnes, thousand)*	*(RMB, million)*	*(tonnes, thousand)*
Guang'an Wanqian	0	0	17.6	5.1	61.4	16.3	33.2	9.0
Guigang Wanqian	0	0	0	0	30.6	8.3	19.8	5.9
Total	0	0	17.6	5.1	92.0	24.6	53.0	14.9

The increase in the purchase of feed from Guang'an Wanqian and Guigang Wanqian from 2020 to 2022 was attributable to the following factors: (i) the Group expanded its production and as a consequence utilised a total of approximately 1.3 million tonnes, 2.1 million tonnes and 2.8 million tonnes of feed for 2020, 2021 and 2022 to support its increased production; (ii) the Group expanded its pig production in Guangxi Zhuang Autonomous Region, where the Group relied completely on external suppliers (including Guigang Wanqian) to meet its need for feed as the Group did not build any self-own feed factory in the region; (iii) the price offered by Guang'an Wanqian and Guigang Wanqian was more competitive than other suppliers in the same region (for instance, the average monthly price per tonne of feed offered by Guang'an Wanqian was RMB3,451 and RMB3,755 in 2021 and 2022, respectively, while the average monthly price offered by external suppliers was RMB3,528 and RMB3,814 in the corresponding years); (iv) certain purchase orders were switched to Guang'an Wanqian and Guigang Wanqian from other suppliers in the relevant regions as the feed provided by the other suppliers failed to meet the quality standard of the Group. The transaction amount for the five months ended 31 May 2023 is lower than the pro-rated annual cap for 2023, primarily because there is in general a lower consumer demand in the first half of a year following the Spring Festival, particularly for preserved and cured meat products. The transaction amount is expected to rebound considering the increased demand for pork and chicken during the holiday season in the second half of 2023, which results in the increase in purchase of feed by the Company to fatten piglets and raise chicks. Therefore, it is expected that transactions under the Feed Supply Framework Agreements will ramp up in the second half of 2023.

Listing Rules Implications

Such transactions are conducted on normal commercial terms in the usual and ordinary course of our business. Since the highest of all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregate proposed annual caps of the Feed Supply Framework Agreements will be more than HK$3 million but not exceed 5%, the transactions under the Feed Supply Framework Agreements are exempt from the circular (including independent financial advice) and Shareholders' approval requirements but are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Purchase of Feed

Reasons for entering into the transactions

Tequ Husbandry is a holding company of some feed companies, from which we had purchased feed during the Track Record Period and up to the Latest Practicable Date, and we expected to continue the transactions with Tequ Husbandry and purchase feed from Tequ Husbandry's feed mills in Chongqing, Sichuan Province, Guangdong Province and Yunnan Province after the [**REDACTED**] for the following reasons: (i) while our Group has planned to gradually increase our feed production, we have not built our own feed mills in certain regions as we consider it would not be cost-effective to do so and thus we have relied on external suppliers in these regions to meet our production demands; (ii) feed mills operated by Tequ Husbandry's subsidiaries are close to our farms in the relevant regions, which enable us to reduce transportation costs arising from purchase of feed; and (iii) most of the family farms are located in rural areas where the number of feed suppliers in the same region that can meet the Group's standard of production is limited. The purchase of feed has been and will be made by our Group from Tequ Husbandry's subsidiaries in the usual and ordinary course of our business.

In anticipation of the [**REDACTED**], our Company entered into the feed supply framework agreement (the "**Tequ Feed Supply Framework Agreement**") with Tequ Husbandry on 3 September 2023. Pursuant to the Tequ Feed Supply Framework Agreement, Tequ Husbandry and/or its subsidiaries will sell feed to our Group. The Tequ Feed Supply Framework Agreement has a term commencing from the [**REDACTED**] to 31 December 2025.

Pricing Policy and Annual Cap

The purchase price payable by our Group to Tequ Husbandry and/or its subsidiaries under the Tequ Feed Supply Framework Agreement will be determined (i) based on arm's length negotiations between Tequ Husbandry or its subsidiaries and our Group, and (ii) with reference to the market price for the same products that the Group purchases from Independent Third Parties in similar quantities in the open market. The aggregate annual cap for the transactions contemplated under the Tequ Feed Supply Framework Agreement will be RMB573.5 million, RMB758.5 million and RMB869.5 million for 2023, 2024 and 2025, respectively.

In setting the annual cap, our Directors have considered factors including the historical transaction amounts, our production plan and estimated demand for feed for production in the coming years. As illustrated below, during the Track Record Period, the Group's feed consumption (including feed produced by the Group's self-operated feed mills and feed purchased from external suppliers) increased along with the increase in the Group's output volume of pigs and broilers.

	Feed consumption volume (tonnes)	Output volume of pigs (heads)	Output volume of broilers (birds)
2020	1.34 million (self-production: 0.64 million; external purchase: 0.70 million)	1.4 million	72.4 million
2021	2.09 million (self-production: 1.32 million; external purchase: 0.77 million)	3.7 million	75.8 million
2022	2.77 million (self-production: 1.74 million; external purchase: 1.03 million)	5.4 million	78.6 million
Five months ended 31 May 2023	1.33 million (self-production: 0.71 million; external purchase: 0.62 million)	2.9 million	34.6 million

The Group expects that the output volume of pigs and broilers will continue to grow, which will lead to an increase in the Group's demand for feed. For the expansion plan of production which will be funded by the [**REDACTED**] raised from the [**REDACTED**], please refer to the first bullet point in the section head "Future Plans and [**REDACTED**] – [**REDACTED**]".

The annual cap is determined based on (i) an annual purchase of 155,000 tonnes, 205,000 tonnes and 235,000 tonnes of feeds for 2023, 2024 and 2025, respectively, which is in line with the Group's overall production need of a total of 3.73 million tonnes, 4.75 million tonnes and 5.62 million tonnes of feeds for 2023, 2024 and 2025; and (ii) purchase price of RMB3,700 per tonne, which is the Group's estimate of feed price based on prevailing price in early 2023.

The Group utilised approximately 2.8 million tonnes of feed for production for 2022 and expected its needs for feed to be 3.73 million tonnes, 4.75 million tonnes and 5.62 million tonnes of feeds for 2023, 2024 and 2025, representing a year-on-year growth of approximately 35%, 27% and 18%, respectively. The year-on-year growth of the purchased amount or annual caps of the purchase from Tequ Husbandry for 2022 to 2025 was -8%, 32% and 15%, respectively. The increase in the annual caps is mainly attributable to the Group's expansion plan.

Historical Transaction Amounts

The total price paid or payable by our Group for purchasing feed from Tequ Husbandry for 2020, 2021, 2022 and the five months ended 31 May 2023 were approximately RMB204 million, RMB360 million, RMB626 million and RMB200 million, respectively. The increase in the purchase of feed from Tequ Husbandry from 2020 to 2022 was attributable to the following factors: (i) the Group expanded its production and as a consequence utilised a total of approximately 1.3 million tonnes, 2.1 million tonnes and 2.8 million tonnes of feed for 2020, 2021 and 2022 to support its increased production; (ii) the price offered by Tequ Husbandry was more competitive than other suppliers in the same region (for instance, the average monthly price per tonne of feed offered by Chongqing Shengbo Feed Co., Ltd. (重慶生博飼料有限公司), a subsidiary of Tequ Husbandry was RMB3,613, while the price offered by other feed suppliers in the same region ranged from RMB3,714 to RMB3,853); (iii) certain purchase orders were switched to Tequ Husbandry from other suppliers in the relevant regions as the feed provided by the other suppliers failed to meet the quality standard of the Group. The transaction amount for the five months ended 31 May 2023 is lower than the pro-rated annual cap for 2023, primarily because there is in general a lower consumer demand in the first half of a year following the Spring Festival, particularly for preserved and cured meat products. The transaction amount is expected to rebound considering the increased demand for pork and chicken during the holiday season in the second half of 2023, which results in the increase in purchase of feed by the Company to fatten piglets and raise chicks. Therefore, it is expected that transactions under the Tequ Feed Supply Framework Agreement will ramp up in the second half of 2023.

Listing Rules Implications

Such transactions are conducted on normal commercial terms in the usual and ordinary course of our business. Since the highest of all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed annual caps of the Tequ Feed Supply Framework Agreement will exceed 5%, the transactions under the Tequ Feed Supply Framework Agreement shall be subject to annual review, reporting, announcement, circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver granted by the Stock Exchange

Pursuant to the Listing Rules, the transactions contemplated under (i) the Feed Supply Framework Agreements constitute our continuing connected transactions, which are exempted from independent Shareholders' approval requirements but are subject to the reporting, annual review and announcement requirements under the Listing Rules; and (ii) the Tequ Feed Supply Framework Agreement constitute our continuing connected transactions, which are subject to reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules. In connection with such partially-exempt continuing connected transactions and non-exempt continuing connected transactions, according to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement and/or Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions disclosed in the paragraph "Partially Exempt Continuing Connected Transactions" and "Non-exempt Continuing Connected Transactions" in this section, subject to the conditions that (i) such partially-exempt continuing connected transactions and non-exempt continuing connected transactions will be carried out in compliance with the requirements of the Listing Rules, and we are required to comply with the relevant requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions; and (ii) the aggregate amount of the partially-exempt continuing connected transactions and non-exempt continuing connected transactions for the financial year will not exceed the relevant amount of each annual cap set out above. Apart from the granted waiver of announcement and/or Shareholders' approval requirements, we will comply with all other applicable requirements under Chapter 14A of the Listing Rules. The independent non-executive Directors and auditors of the Company will review whether the above transactions under the continuing connected transactions are entered into in accordance with the major terms and pricing policy of the relevant agreements. The confirmation letters of the independent non-executive Directors and auditors will be disclosed on an annual basis according to the requirements under the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions set out above have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the above partially exempt continuing connected transactions and non-exempt continuing connected transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

THE JOINT SPONSORS' CONFIRMATION

Based on the relevant documents and information provided by the Company and reviewed by the Joint Sponsors, the Joint Sponsors are of the view that the above partially exempt continuing connected transactions and non-exempt continuing connected transactions for which a waiver has been sought have been entered into in the usual and ordinary course of our Group's business, on normal commercial terms or better, are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the proposed annual caps in respect of the above partially exempt continuing connected transactions and non-exempt continuing connected transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

DIRECTORS

Our Board currently consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain key information regarding the directors of our Company.

BOARD MEMBERS

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship amongst other Directors, supervisors and senior management
Executive Directors						
Mr. Wang Dehui (王德輝)	61	7 September 2011	8 March 2019	Chairman of the Board and executive Director	Convene and preside over the general meeting, lead the Board, convene and preside over the meetings of the Board, and report to the general meetings	Brother of Mr. Wang Degen
Mr. Wang Degen (王德根)[(1)]	52	7 September 2011	3 December 2021	Executive Director	Overall business strategy and operations of our Group	Brother of Mr. Wang Dehui
Mr. Yao Hailong (姚海龍)[(2)]	54	7 September 2011	30 November 2019	Executive Director and president	Overall management and operation of our Group	
Mr. Hu Wei (胡偉)	54	7 September 2011	8 March 2019	Executive Director and vice president	Strategy, marketing, investment and development, procurement and pig business of our Group	None
Mr. Zeng Min (曾民)	40	1 October 2017	26 December 2022	Executive Director[(3)] and Secretary to the Board	Management of the Board Office and the Group's administrative work, and execution of key projects of the Group	None
Non-executive Director						
Ms. Liu Shan (劉珊)	40	29 March 2017	8 March 2019	Non-executive Director	Financial supervision and provision of independent advice to the Board	None
Independent Non-executive Directors						
Mr. Pan Ying (潘鷹)	50	26 December 2022	26 December 2022	Independent non-executive Director[(3)]	Supervision and provision of independent advice to the Board	None

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship amongst other Directors, supervisors and senior management
Mr. Zhu Qing (朱慶)	64	26 December 2022	26 December 2022	Independent non-executive Director(3)	Supervising and provision of independent advice to the Board	None
Mr. Fung Che Wai, Anthony (馮志偉)	54	[●] 2023	[●] 2023	Independent non-executive Director(3)	Supervising and provision of independent advice to the Board	None

Notes:

(1) Mr. Wang Degen was appointed as a director on 11 April 2014, and resigned on 30 November 2019 and was re-appointed as our Director on 3 December 2021.

(2) Mr. Yao was appointed as a director on 29 March 2017, and resigned on 8 March 2019 and was re-appointed as our Director on 30 November 2019.

(3) The appointment will take effect on the [**REDACTED**].

Executive Directors

Mr. Wang Dehui (王德輝), aged 61, is the chairman of the Board and our executive Director. He was appointed as our Director and chairman of the Board in March 2019 and November 2019, respectively. He is primarily responsible for convening and presiding over the general meeting, leading the Board, convening and presiding over the meetings of the Board, and reporting to the general meetings.

Mr. Wang Dehui was one of the initial Shareholders of the Company. He held or has held management roles in various companies in which the Company holds interests. From November 2011 to June 2014, he served as the general manager of Chongqing Dekon (formerly known as Chongqing Tequ), a subsidiary of the Company (which became a subsidiary of the Company in 2014). From July 2014 to April 2019, he served as the district general manager of the eastern Sichuan district of the Company.

Before joining the Company in 2011, he was a teacher at Guangxian Primary School (廣賢完全小學) in Hechuan District, Chongqing from September 1980 to July 1983. He was a teacher at Qiantang Middle School (錢塘中學), Hechuan District, Chongqing from September 1995 to July 2003. He served as the general manager of Chongqing Dekon from July 2003 to November 2011.

Since March 2019, Mr. Wang Dehui has also served as an executive director and the general manager of Sichuan Dinghui Ronghe Enterprise Management Co., Ltd. (四川鼎輝榮和企業管理有限公司), which is wholly owned by Mr. Wang Dehui and is the general partner of our Employee Shareholding Platforms.

Mr. Wang Dehui graduated from Yuzhou Education College (渝州教育學院) in June 1991 after completing a two-year mathematics course.

Mr. Wang Dehui was previously a director and legal representative of the company shown in the table below before dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution	Reasons for dissolution
Guangan Dekon Biotechnology Co., Ltd. (廣安德康生物科技有限公司)	PRC	Production and sales of bio-organic fertilizers, micro-fertilizers, compound fertilizers, and professional organic fertilizers	Executive director and legal representative	Dissolved and deregistered	14 February 2019	Discontinuance of business

The above company was a subsidiary of our Company prior to deregistration. Mr. Wang Dehui confirmed that the above company had not committed any non-compliance and/or had been involved in any outstanding litigations prior to their dissolution and that the above company was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Mr. Wang Degen (王德根), aged 52, is our executive Director. From the establishment of the Company to November 2019, he served as a Director of the Company. He resigned as a Director of the Company in November 2019 due to his other duties, including (i) devoting more time to fulfil his duties as a non-executive director of Hope Education Group Co. Ltd., in particularly after its listing on the Stock Exchange since August 2018 (stock code: 01765); (ii) supervising and overseeing the development of Sichuan Tequ, which had been developing well and expanding and currently owns more than 80 companies, generally engaged in the business of feed production; (iii) his personal duties, including parental duties. By 2021, the internal management of Hope Education Group Co., Ltd. had matured and adapted to the corporate governance of a listed company, while the operation and development of Sichuan Tequ was on track and progressing well, and at the same time, the business of the Company was at an important juncture of expansion and strategic transformation. Therefore, he resigned from his directorship in Hope Education Group Co., Ltd. in June 2021 and adjusted his other commitments to devote his time and energy to the development of the Company. He was re-appointed as our Director in December 2021 and is primarily responsible for the overall business strategy and operations of our Group.

Mr. Wang Degen is one of the initial shareholders of the Company. He held or has held management roles in various companies in which the Company holds interest. In addition to his position in our Group, Mr. Wang Degen has also been an executive director of Desheng Ronghe, which is controlled by Mr. Wang Degen and is a Controlling Shareholder. For details, please refer to the section headed "Relationship with Controlling Shareholders" in this document.

Mr. Wang Degen joined Neijiang Wanqian Feed Co., Ltd. in Sichuan, a subsidiary of Chengdu Huaxi Hope Group Co., Ltd. (成都華西希望集團有限公司), as the acting general manager in May 1999 and was promoted to general manager in January 2000. After stepping down as the general manager in March 2006, he served as the chairman of Sichuan Tequ from June 2005 to June 2020, an executive director of Sichuan Guojian Investment Co., Ltd. (四川省國建投資有限公司) from April 2012 to April 2017, the chairman of Hope College of Southwest Jiaotong University (西南交通大學希望學院) from April 2012 to April 2016, the general manager of Chengdu Huaxi Hope Group Co., Ltd. from August 2013 to December

2018, and a non-executive director of Hope Education Group Co., Ltd., a company listed on the Stock Exchange (stock code: 01765), from March 2017 to June 2021. Mr. Wang has served as a director of Sichuan Hope Education Industry Group Co., Ltd. (四川希望教育產業集團有限公司) since October 2007.

Mr. Wang Degen has extensive experience in the breeding and livestock feed industry and has won numerous awards. Mr. Wang has served as the president of National Swine Industry Association of the China Animal Agriculture Association from December 2017 to December 2022, the vice president of the China Meat Association since December 2015, and the executive vice president of the General Association of Sichuan Entrepreneurs (四川省川商總會) since March 2020. He was the vice-chairman of the Thirteenth Committee of the Sichuan Youth Federation from December 2014 to December 2019. Mr. Wang Degen was awarded the Top Ten Persons of the Year 2014 of China Innovation (2014創新中國十大年度人物) in January 2015, the Excellent Entrepreneurial Talent of Sichuan Province by the Sichuan Provincial Committee of the Communist Party of China and the Sichuan Provincial People's Government in August 2003, and the "Top Ten Outstanding CEOs" in husbandry and feed industry in China by the China Feed Economy Professional Committee (中國飼料經濟專業委員會) in December 2012.

Mr. Wang Degen obtained an executive master of business administration from Peking University (北京大學) in July 2006, and graduated from the University of Electronic Science and Technology of China (電子科技大學) with a major in electronic equipment structure in July 1994.

Mr. Wang Degen was previously a director, legal representative, supervisor and/or chairman of the companies shown in the table below before their respective dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution	Reasons for dissolution
Chongqing Tefeng Logistics Co., Ltd. (重慶特豐物流有限公司)	PRC	General freight, freight station management, freight station handling and loading and unloading services	Supervisor	Dissolved and deregistered	22 August 2018	Discontinuance of business
Sichuan Genyuan Deyi Biotechnology Co., Ltd. (四川根源德億生物科技有限公司)	PRC	Biotechnology, environmental protection technology, electronic technology development, technology transfer	Director	Dissolved and deregistered	26 December 2018	Discontinuance of business

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution	Reasons for dissolution
Wusheng Fuyuan Credit Guarantee Co., Ltd. (武勝縣富源信貸擔保有限責任公司)	PRC	Guarantee for small loans below RMB100,000	Chairman and legal representative	Dissolved and deregistered	21 September 2015	Discontinuance of business

Mr. Wang Degen confirmed that none of the above companies had committed any non-compliance and/or had been involved in any outstanding litigations prior to their dissolution and that the above companies were solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Mr. Yao Hailong (姚海龍), aged 54, is our executive Director and president. He was appointed as a Director of the Company in November 2019. Mr. Yao is responsible for the overall management and operation of our Group.

Mr. Yao joined the Group in September 2011. He serves or has served as director, supervisor and senior management in various companies in which the Company holds interests. From March 2013 to December 2019, he successively served as the vice president of the Company and the president of the pig business department. He has served as a supervisor of Xifeng Dekon Poultry Farming Co., Ltd. (息烽德康家禽養殖有限公司), a subsidiary of the Company, since December 2008, a supervisor of Chengdu Dekon Chicken Breeding Co., Ltd. (成都德康雞業有限公司), a subsidiary of the Company, since September 2014, a director of Teweibi Hope (Sichuan) Food Co., Ltd. (特威比希望(四川)食品有限公司), a subsidiary of the Company, since April 2015, a director of Jilin Dekon Investment Co., Ltd. (吉林德康投資有限公司), a subsidiary of the Company, since July 2016, a supervisor of Peng'an Dekon Breeding Stock Production Co., Ltd. (蓬安德康種豬繁育有限公司), a subsidiary of the Company, and a director of Sihong Dekon Farming and Technology Co., Ltd. (泗洪德康農牧科技有限公司), since December 2020, a director of Jiangsu Dekon Animal Husbandry Technology Co., Ltd. (江蘇德康農牧科技有限公司), a subsidiary of the Company, since December 2020, and a director of DT Food, a subsidiary of the Company, since March 2021.

Before joining the Group, Mr. Yao served as the secretary of the Youth League Committee and political counsellor at Pingtou Junior Middle School (平頭初級中學) in Peng'an County from September 1993 to June 1997. From July 1997 to April 2000, he successively served as a regional supervisor of subsidiaries, an assistant to the manager of the market department of Chongqing Tongwei Feed Co., Ltd. (重慶通威飼料有限公司). He worked as a teacher at Pingtou Junior Middle School in Peng'an County from May 2001 to August 2001, the Chongqing cluster manager of Sichuan Neijiang Wanqian Feed Co., Ltd. (四川省內江萬千飼料有限公司) from September 2001 to August 2002, and the manager of sales department of Guang'an Wanqian Group Co., Ltd (廣安萬千集團有限公司) from September 2002 to May

2005. From June 2005 to February 2013, he successively served as the general manager of Chongqing Tequ Feed Co., Ltd. (重慶特驅飼料有限公司), Guanhan Tequ Agriculture and Farming Co., Ltd (廣漢特驅農牧科技有限公司), and Liangping Tequ Food Co., Ltd (梁平特驅食品有限公司).

Mr. Yao graduated from Southwest University of Political Science and Law in April 1993 with a junior college diploma.

Mr. Yao was previously a director and/or general manager of the companies shown in the table below before their respective dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution	Reasons for dissolution
Sichuan Genyuan Deyi Biotechnology Co., Ltd. (四川根源德億生物科技有限公司)	PRC	Biotechnology, environmental protection technology, electronic technology development, technology transfer	Director and general manager	Dissolved and deregistered	26 December 2018	Discontinuance of business
Wusheng Fuyuan Credit Guarantee Co., Ltd. (武勝縣富源信貸擔保有限責任公司)	PRC	Guarantee for small loans below RMB100,000	Director	Dissolved and deregistered	21 September 2015	Discontinuance of business
Chengdu Dekon Duck Industry Co., Ltd. (成都德康鴨業有限公司)	PRC	Duck breeding technology consulting services; greening plants or ornamental plants planting and sales	Director	Dissolved and deregistered	22 June 2018	Discontinuance of business

Mr. Yao confirmed that none of the above companies had committed any non-compliance and/or had been involved in any outstanding litigations prior to their dissolution and that the above companies were solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Mr. Hu Wei (胡偉), aged 54, is our executive Director and vice president. He was also appointed as a Director of the Company in March 2019. Mr. Hu is responsible for strategy, marketing, investment and development, procurement and pig business of our Group.

Mr. Hu was one of the initial Shareholders of the Company. He holds or has served as a director and member of the senior management in various companies in which the Company holds interests. He served as the general manager of Chongqing Dekon, a subsidiary of the Company, from January 2012 to December 2019, and concurrently served as the general manager of Chengdu Dekon Chicken Breeding Co., Ltd. (成都德康雞業有限公司), a subsidiary of the Company, from August 2015 to June 2016. Since February 2016, he has served as a director of Guangdong Wizagricultural Science & Technology Co., Ltd. (廣東智威農業科技股份有限公司), a subsidiary of the Company.

Prior to joining the Group, Mr. Hu was a private business owner mainly engaging in feed distribution related business from April 1994 to June 2004, during which he successively acted as a dealer for the feed brands of Chongqing Tongwei Feed Co., Ltd. (重慶通威飼料有限公司) and Sichuan Neijiang Wanqian Feed Co., Ltd. (四川省內江萬千飼料有限公司). From July 2004 to March 2007, he served as the general manager of Chongqing Zhongya Animal Pharmaceutical Industry Limited (重慶中亞動物藥業有限公司). He served as the general manager of Chongqing Tequ from January 2008 to December 2011, and served as the general manager of Chongqing Dekon during January 2012 to December 2019.

Mr. Hu completed his junior high school studies in June 1985.

Mr. Hu was previously a director, legal representative and/or general manager of the companies shown in the table below before their respective dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution	Reasons for dissolution
Chengdu Zhonglai Agricultural Development Co., Ltd. (成都眾來農業發展有限公司)	PRC	Planting and sales of fruits, crops; agricultural tourism; sales of agricultural and sideline products	Executive director, general manager and legal representative	Dissolved and deregistered	11 January 2019	Discontinuance of business
Chengdu Dekon Duck Industry Co., Ltd. (成都德康鴨業有限公司)	PRC	Duck breeding technology consulting services; greening plants or ornamental plants planting and sales	Director and general manager	Dissolved and deregistered	22 June 2018	Discontinuance of business
Jiangyou Bangde Livestock and Poultry Breeding Co., Ltd. (江油邦得畜禽養殖有限公司)	PRC	Livestock breeding and sales	Executive director, general manager and legal representative	Dissolved and deregistered	N/A[(1)]	Discontinuance of business

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution	Reasons for dissolution
Chongqing Kaizhou District Tequ Poultry Breeding Co., Ltd. (重慶市開州區特驅家禽養殖有限公司)	PRC	Commercial chicken breeding and sales, feed sales	Executive director and legal representative	Dissolved and deregistered	6 August 2019	Discontinuance of business
Chongqing Hejia Agricultural Development Co., Ltd. (重慶合嘉農業發展有限公司)	PRC	Poultry and livestock breeding, sales and related technical services	Executive director and legal representative	Dissolved and deregistered	N/A[(1)]	Discontinuance of business

Note:

(1) Based on public records, the company was dissolved but the date of dissolution is not available.

Mr. Hu confirmed that none of the above companies had committed any non-compliance and/or had been involved in any outstanding litigations prior to their dissolution and that the above companies were solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Mr. Zeng Min (曾民), aged 40, is our executive Director and secretary to the Board. He was appointed as the Director of the Company in December 2022, which is to take effect on the [**REDACTED**].

Mr. Zeng is mainly responsible for the management of the Board Office and the Group's administrative work, and execution of key projects of the Group. Mr. Zeng joined the Group in October 2017. From October 2017 to March 2019, he served as assistant to the Chairman of the Board and head of the president's office of the Group. From March 2019 to July 2019, he served as secretary to the Board and head of the president's office of the Group. From July 2019 to July 2020, he served as secretary to the Board of the Group and the district general manager in western Sichuan Province. Since July 2020, he has been serving as secretary to the Board of Dekon Group. He has been concurrently serving as the general manager of the president's office since January 2022. Mr. Zeng currently holds directorships in two companies in which the Company owns equity interest. From November 2018, he has been serving as a director of Chengdu Dekon Animal Health Technology Service Co., Ltd. (成都德康動物健康技術服務有限公司), a subsidiary of the Company. From March 2021, he has been serving as a director of DT Food, a subsidiary of the Company.

Before joining the Group, Mr Zeng worked at the Department of Commerce of Sichuan Province (四川省商務廳) from September 2011 to February 2016. From February 2016 to October 2017, he served as the deputy head of the management department of Sichuan Tequ.

Mr. Zeng obtained a bachelor' degree of science in Biotechnology from Sichuan Agricultural University (四川農業大學) in June 2005 and obtained a master' degree in biochemistry and molecular biology from Sichuan Agricultural University in July 2009. He obtained the qualification of intermediate economist certified by the Ministry of Human Resources and Social Security of the PRC in November 2014.

Non-executive Director

Ms. Liu Shan (劉珊), aged 40, is our non-executive Director. She was appointed as our Director in March 2017 and was re-appointed in March 2019. Ms. Liu is responsible for financial supervision and providing advice to the Board.

Ms. Liu worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) from July 2004 to October 2006 with last position as a consultant of tax and business consulting department, Ernst & Young Hua Ming LLP Shanghai Branch (安永華明會計師事務所上海分所) from November 2006 to May 2008 as a senior auditor, and Deloitte & Touche Financial Advisory Services Limited (德勤諮詢(上海)有限公司) from May 2008 to January 2011 with last position as a manager of financial consulting department. She joined China Everbright Limited in May 2012 and is currently serving as the managing director of consumption fund department. Ms. Liu has been the director of Sichuan Hope Education Industry Group Co., Ltd. (四川希望教育產業集團有限公司) since September 2016, a director of Horgos Tequ Mayflower Information Technology. Co., Ltd. (霍爾果斯特驅五月花信息科技有限公司) since January 2018, a director of Nanyang Muyuan Maiming Industry Development Co., Ltd. (南陽市牧原麥鳴產業發展有限公司) since January 2020, a director of Xi'an Tequ Mayflower Information Technology Co., Ltd. (西安特驅五月花信息科技有限公司) since June 2021, a director of Bigger (Beijing) Education Technology Co., Ltd. (北格(北京)教育科技有限公司) since May 2021, and a director of Henan Jiuyuquan Food Co., Ltd. (河南九豫全食品有限公司) since October 2021.

Ms. Liu graduated from Fudan University (復旦大學) with a bachelor's degree in science in July 2004. She became a qualified certified public accountant certified by the Chinese Institute of Certified Public Accountants in August 2010.

Independent non-executive Directors

Mr. Pan Ying (潘鷹), aged 50, is our independent non-executive Director. He was appointed as a Director of the Company on December 2022, which will take effect on the [**REDACTED**]. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Pan has worked at Southwestern University of Finance and Economics (西南財經大學) since January 2005 and is currently serving as an associate professor. He has also been acting as an executive director and a general manager of Chengdu Shouwei Enterprise Management & Consultation Co., Ltd. (成都守威企業管理諮詢有限責任公司) since December 2014. Further, he has been an attorney at Tahota Law Firm (泰和泰律師事務所) since January 2008. Mr. Pan was an independent director at Tianqi Lithium Corporation (天齊鋰業股份有限公司) (stock codes: 9696 and 002466.SZ) from February 2017 to April 2023, and has been an independent director at Chengdu Okay Pharmaceutical Co., Ltd. (成都歐康醫藥股份有限公司) (stock code: 833230.BJ) since January 2022, an independent director at Leshan Electric Power Co., Ltd. (樂山電力股份有限公司) (stock code: 600644.SH) since May 2022, and a non-independent director at Sichuan Zigong Conveying Machine Group Co., Ltd. (四川省自貢運輸機械集團股份有限公司) (stock code: 001288.SZ) since October 2022.

Mr. Pan graduated from Southwest Minzu College (西南民族學院) (currently known as Southwest Minzu University (西南民族大學)) in China with a bachelor's degree in law in July 1995. He then obtained a master's degree in law from Hitotsubashi University in Japan in March 2000.

Mr. Pan obtained his legal professional qualification certificate from the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in March 2004.

Mr. Zhu Qing (朱慶), aged 64, is our independent non-executive Director. He was appointed as a Director of the Company in December 2022, which will take effect on the [**REDACTED**]. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Zhu has been engaged in the teaching and scientific research of animal husbandry at Sichuan Agricultural University since January 1985, and he was appointed as a professor of animal genetics and breeding at Sichuan Agricultural University in December 1996. Mr. Zhu served as deputy dean of the College of Animal Science and Technology at Sichuan Agricultural University from April 1996 to July 1999, dean of the College of Animal Science and Technology at Sichuan Agricultural University from July 1999 to September 2004, and vice president of Sichuan Agricultural University from September 2004 to October 2019. He has been a council member of the World Poultry Association since 2010 and president of the Sichuan Animal Husbandry Association since April 2022. Mr. Zhu served as standing director of the Chinese Animal Genetics Breeding Branch, chairman of the Poultry Branch of the Chinese Society of Animal Husbandry and Veterinary Medicine from 2013 to 2017 and vice chairman of the Chinese Society of Animal Husbandry and Veterinary Medicine from 2016 to 2021.

Mr. Zhu graduated from Sichuan College of Agriculture (四川農學院) (currently known as Sichuan Agricultural University (四川農業大學)) with a major in animal husbandry in January 1982 and obtained a master's degree in animal genetic breeding in December 1984 from the same university.

Mr. Fung Che Wai, Anthony (馮志偉), aged 54, is our independent non-executive Director. He was appointed as a Director of the Company on [●] 2023, which will take effect on the [**REDACTED**]. He is primarily responsible for supervising and providing independence advice to the Board.

Since November 2021, Mr. Fung has been serving as an independent non-executive director of Zhong An Group Limited (眾安集團有限公司), a property developer whose shares are listed on the Stock Exchange (stock code: 672), where he is primarily responsible for supervising and providing independent advice to the board. Since October 2020, Mr. Fung has been serving as an independent non-executive director of KWG Living Group Holdings Limited (合景悠活集團控股有限公司), a residential and commercial property management services provider listed on the Stock Exchange (stock code: 3913), where he is primarily responsible for supervising and providing independent advice to the board. From April 2017 to August 2023, Mr. Fung has been serving as an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services provider whose shares are listed on GEM of the Stock Exchange (stock code: 8452), where he is primarily responsible for supervising and providing independent advice to the board. From June 2017 to October 2021, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a Malaysian coconut food manufacturer and seller whose shares are listed on the Stock Exchange (stock code: 1695), where he was primarily responsible for supervising and providing independent advice to the board. From January 2011 to July 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司) (formerly known as Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司)), a developer and operator of large-scale consumer product focused wholesale shopping malls in the PRC whose shares are listed on the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. Mr. Fung served as the chief financial officer and company secretary of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an integrated waste management solution provider whose shares are listed on the Stock Exchange (stock code: 3718), from May 2017 to December 2022 and from March 2019 to December 2022, respectively, where he was primarily responsible for the overall financial supervision and management and company secretarial matters of the group. Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司) from July 2014 to April 2017 and from September 2014 to April 2017, respectively, a solar power plants investor and operator whose shares are listed on the Stock Exchange (stock code: 0295), where he was primarily responsible for the overall financial operations, company secretarial matters and investor relations. From January 2008 to August 2010, Mr. Fung served as a vice president of NagaCorp Limited (金界控股有限公司), a hotel, gaming and leisure operator in Cambodia whose shares are listed on the Stock Exchange (stock code: 3918), where he was primarily responsible for the development of investor relations and liaison with existing and potential investors as well as analysts. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company where he was primarily responsible for advising the client on corporate finance and investor relations. From August 1992 to September 1999, Mr. Fung served as a staff accountant, semi senior accountant, senior accountant and manager at Deloitte Touche Tohmatsu, where he was primarily responsible for audit planning and control.

Mr. Fung received his bachelor's degree in accountancy from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in Hong Kong in October 1992. Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively.

Supervisors

The Board of supervisors consists of three supervisors. The following table sets forth the key information of the supervisors of the Company.

Members of our Board of Supervisors

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position	Roles and responsibilities	Relationship amongst other Directors, supervisors and senior management
Ms. Zhu Hui (朱惠)	44	1 September 2017	8 March 2019	Chairlady of the Board of Supervisors	Leading and chairing the Board of Supervisors	None
Ms. Gong Shuang (龔爽)	40	1 June 2017	8 March 2019	Supervisor	Presiding over the Company's human resources related work, and performing the relevant duties of shareholder representative supervisor	None
Ms. Zhou Zhexu (周哲旭)	46	25 February 2014	8 March 2019	Employee Representative Supervisor	Exercising supervisor's rights and fulfiling obligations on behalf of employees	None

Ms. Zhu Hui (朱惠), aged 44, is the chairlady of our Board of Supervisors. She joined the Group in September 2017, and is currently serving as the head of the branding and publicity department of the Company, and was appointed as the chairlady of the Board of Supervisors in March 2019. Ms. Zhu is responsible for leading and presiding over the Board of Supervisors.

Before joining the Group, Ms. Zhu served as the manager of the publicity department of Huaxi Hope Group (華西希望集團) from June 2003 to May 2012. From May 2012 to September 2017, she served as the head of the publicity department of Sichuan Tequ.

Ms. Zhu completed her studies in Journalism at Sichuan University (四川大學) in June 2002.

Ms. Gong Shuang (龔爽), aged 40, is our Supervisor. She joined the Group in June 2017, has since been serving as the director of human resources of the Company, and was appointed as our Supervisor in March 2019. Ms. Gong is responsible for coordinating human resources and related work of the Company, and performing the relevant duties as a shareholder representative Supervisor.

Before joining the Group, Ms. Gong was the Dean of Sichuan Tequ Training Institute (四川特驅培訓學院) from November 2012 to May 2017.

Ms. Gong graduated from University of Electronic Science and Technology of China (電子科技大學) with a bachelor's degree in computer science and technology in July 2005 and obtained a master's degree in business administration from Sichuan University (四川大學) in December 2013.

Ms. Zhou Zhexu (周哲旭) (formerly known as Zhou Jie (周潔)), aged 46, is our Supervisor. She joined the Group in 2014, and was appointed as our employee representative Supervisor in March 2019. Ms. Zhou is responsible for exercising rights and performing duties as a Supervisor on behalf of employees.

From February 2014 to April 2014, Ms. Zhou served as the head of the capital division and assistant to head of department of Chongqing Dekon, a subsidiary of the Company. She served as the assistant to the head of finance department of the Company from May 2014 to April 2022, and since May 2022, she has been serving as deputy head of the finance department of the Company and concurrently as manager of the capital division of the finance department.

Before joining the Group, Ms. Zhou served successively as the cashier, accountant and deputy manager of accounting and audit of Sichuan South Hope Industrial Co., Ltd. (四川南方希望實業有限公司) from August 1998 to June 2009. From July 2009 to December 2012, she successively served as capital manager and senior capital manager of Sichuan New Hope Liuhe Agriculture and Animal Husbandry Co., Ltd. (四川新希望六和農牧有限公司).

Ms. Zhou graduated from Wuhan University of Hydraulic and Electrical Engineering (武漢水利電力大學) in June 1998 with an associate degree, she finished her studies in civil engineering (specialized in project costs) at Southwest Jiaotong University (西南交通大學) in July 2018, and she obtained a master's degree in asset management and finance at Brest Business School (法國布雷斯特商學院) (teaching centre in China) in November 2021. She obtained the junior accountant professional qualification issued by the Ministry of Finance of the People's Republic of China in May 2001.

Save as disclosed above, each of our Directors and Supervisors did not hold any other directorships in listed public companies during the three years immediately before the date of this document.

Save as disclosed herein, to the best knowledge, information and belief of our Directors after making all reasonable enquiries, as at the Latest Practicable Date, no other matters relating to the appointment of Directors or Supervisors were required to be brought to the attention of the Shareholders and no other information relating to our Directors or Supervisors was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Senior Management

Our senior management is responsible for the daily management of our business. The table below sets out certain information in respect of the senior management of our Group:

Members of our Senior Management

Name	Age	Date of joining the Group	Date of appointment as senior management	Position	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Yao Hailong (姚海龍)	54	7 September 2011	30 November 2019	President	Overall management and operation of our Group	Nil
Mr. Hu Wei (胡偉)	54	7 September 2011	8 March 2019	Vice President	Strategy, marketing, investment and development, procurement and pig business of our Group	Nil
Mr. Wu Chengli (吳成利)	52	1 March 2018	8 March 2019(1)	Vice President	Engineering, equipment maintenance, safety and environmental protection, and logistics related work of our Group	Nil
Mr. Jiang Yongjun (蔣勇君)	45	1 February 2016	8 March 2019	Chief Financial Officer	Financial work of our Group and participation in major decisions on operation and investment	Nil
Mr. Zeng Min (曾民)	40	1 October 2017	8 March 2019	Secretary to the Board of Directors	Management of the Board Office and the Group's administrative work, and execution of key projects of our Group	Nil

Note:

(1) Mr. Wu Chengli was appointed as our vice president on 1 March 2018 and was re-appointed on 8 March 2019.

Mr. Yao Hailong (姚海龍), aged 54, is our president. He joined the Group in September 2011 and is responsible for the overall management and operation of our Group. For further details about Mr. Yao, please also refer to the section headed "– Executive Directors" above.

Mr. Hu Wei (胡偉), aged 54, is our vice president. He co-founded the Group with other Shareholders in September 2011 and is in responsible for the strategy, marketing, investment and development, procurement and pig business of our Group. For further details of Mr. Hu, please also refer to the section headed "– Executive Directors" above.

Mr. Wu Chengli (吳成利), aged 52, is our vice president, mainly responsible for engineering, equipment maintenance, safety and environmental protection, and logistics related work of our Group.

Mr. Wu joined the Group in March 2018. He has been serving as vice president of the Group since March 2018, and has been serving concurrently as an executive director of Sichuan Kangcheng Demu Engineering Management Consulting Co., Ltd. (四川康誠德牧工程管理諮詢有限公司), a subsidiary of the Company, since August 2019.

Before joining the Group, Mr. Wu served as a salesman of the supply and marketing cooperative office in Zhoupo Town, Jingyan County (井研縣周坡供銷社) from January 1992 to February 1995. From February 1995 to October 2007, he worked in East Hope Group Co., Ltd. (東方希望集團公司) and his highest position in the company was district president. From October 2007 to March 2018, he served as assistant president of Sichuan Tequ.

Mr. Wu obtained an associate degree in law from Beihang University (北京航空航天大學) through online distance learning in January 2014.

Mr. Wu was previously a director of the company shown in the table below before dissolution:

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution	Reasons for dissolution
Chengdu Dekon Duck Industry Co., Ltd. (成都德康鴨業有限公司)	PRC	Duck breeding technology consulting services; greening plants or ornamental plants planting and sales	Director	Dissolved and deregistered	22 June 2018	Discontinuance of business

The above company was a subsidiary of our Company prior to deregistration. Mr. Wu confirmed that the above company had not committed any non-compliance and/or had been involved in any outstanding litigations prior to their dissolution and that the above company was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Mr. Jiang Yongjun (蔣勇君), aged 45, is our Chief Financial Officer. He joined the Group in February 2016 and is mainly responsible for the financial work of our Group and participates in major decisions on operation and investments.

Before joining the Group, Mr. Jiang served as the chief accountant and information implementation manager at the headquarters of New Hope Liuhe Co., Ltd. (新希望六和股份有限公司) from October 2000 to June 2004. From June 2004 to August 2008, he served successively as the financial manager of Hainan New Hope Agricultural Company Limited (海南新希望農業有限責任公司) and Guanghan Guoxiong Feed Co., Ltd. (廣漢國雄飼料有限公司). From August 2008 to May 2011, he served successively as assistant to the general manager of the feed business department and general manager of a subsidiary of New Hope Liuhe Co., Ltd. (新希望六和股份有限公司). From May 2011 to January 2016, he served as the deputy general manager of the finance department and chief financial officer of the overseas centre of New Hope Liuhe Co., Ltd.

Mr. Jiang completed his studies of bachelor's degree in financial management at the Southwestern University of Finance and Economics (西南財經大學) in January 2018. He obtained the professional qualification of senior management accountant certified by the Beijing National Accounting Institute (北京國家會計學院) in October 2019.

Mr. Zeng Min (曾民), aged 40, is our Secretary to the Board, mainly responsible for the management of the work of the Board Office and the execution of key projects of our Group. For further details of Mr. Zeng, please also refer to the section headed "– Executive Directors" above.

Each member of our senior management did not hold any directorship in listed public companies during the three years immediately before the date of this document.

Joint Company Secretaries

Mr. Zeng Min was appointed as the joint company secretary of the Company on 26 December 2022. For further details of Mr. Zeng, please refer to the paragraph "– Executive Director" above. Mr. Zeng Min does not possess the formal qualifications required for a company secretary under Rule 3.28 of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Zeng Min may be appointed as a joint company secretary of the Company. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – Waiver in Respect of Joint Company Secretaries" in this document.

Mr. Li Kin Wai (李健威), was appointed as the joint company secretary of the Company on 26 December 2022. Mr. Li serves as a senior manager of corporate services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. He has over 10 years of experience in the field of corporate secretary.

Mr. Li is currently a joint company secretary of Sinco Pharmaceuticals Holdings Limited (興科蓉醫藥控股有限公司), a company listed on the Stock Exchange (stock code: 6833), Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), a company listed on the Stock Exchange (stock code: 0460), A-living Smart City Services Co., Ltd. (雅生活智慧城市服務股份有限公司), a company listed on the Stock Exchange (stock code: 3319), WEILONG Delicious Global Holdings Ltd (衛龍美味全球控股有限公司), a company listed on the Stock Exchange (stock code: 9985) and Shanghai Chicmax Cosmetic Co., Ltd. (上海上美化妝品股份有限公司), a company listed on the Stock Exchange (stock code: 2145), and Huaibei GreenGold Industry Investment Co., Ltd. (淮北綠金產業投資股份有限公司), a company listed on the Stock Exchange (stock code: 2450).

Mr. Li is a chartered secretary and an associate member of The Hong Kong Charted Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. He has a master' degree in corporate governance from the Open University of Hong Kong.

Management Presence in Hong Kong

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, the Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the principal business and operations of the Group are conducted in China, members of our senior management are, and are expected to continue to be, based in China. Further, as our executive Directors have a vital role in the Group's operations, it is crucial for them to maintain close contact with the Group's core management located in China. The Company does not, and, in the foreseeable future, will not have sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – Management Presence in Hong Kong" in this document.

Corporate Governance

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group as to achieve effective accountability.

The Company has adopted the code provisions stated in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules. The Company is committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. The Company is also of the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Committees

We have established the following committees within our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

The Company has established the Audit Committee on 26 December 2022, with written terms of reference, in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 in Part 2 of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Fung Che Wai, Anthony, Mr. Zhu Qing and Ms. Liu Shan. Mr. Fung Che Wai, Anthony has been appointed as the chairman of the Audit Committee and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the Audit Committee are to assist the Board by providing independent views on the effectiveness of the financial reporting system, risk management and internal control system of the Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company has established the Remuneration Committee on 26 December 2022, with written terms of reference, in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 in Part 2 of the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely Mr. Pan Ying, Mr. Wang Degen and Mr. Fung Che Wai, Anthony. Mr. Pan Ying has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration of our Directors and senior management, and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

Nomination Committee

The Company has established the Nomination Committee on 26 December 2022, with written terms of reference, in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 in Part 2 of the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Zhu Qing, Mr. Pan Ying and Mr. Wang Dehui. Mr. Zhu Qing has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Board members.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. The Company recognises and embraces the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge. We will continue to implement measures and steps to promote and enhance gender diversity at all levels of the Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. The Company will also take into consideration our own business model and specific needs from time to time. All appointments of members of the Board shall be based on meritocracy, and the candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

After [**REDACTED**], the Nomination Committee of our Board will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after [**REDACTED**].

Compliance Adviser

We have appointed Maxa Capital Limited as our compliance adviser ("**Compliance Adviser**") pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company, among others, in the following circumstances:

a. before the publication of any regulatory announcement, circular or financial report;

b. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

c. where we propose to use the [**REDACTED**] from the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate or other data in this document; and

d. where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the [**REDACTED**] of its [**REDACTED**] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, our Compliance Adviser will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Adviser of the Company will also inform us of any amendment and supplement to applicable laws and standards.

The term of appointment of the Compliance Adviser shall commence on the [**REDACTED**] and is expected to end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the distribution of our financial results for the first full financial year commencing after the [**REDACTED**].

Remuneration and Compensation of Directors, Supervisors and Senior Management

Our Directors, Supervisors and senior management receive compensation from the Company in the form of remuneration, including salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments.

The aggregate amount of remuneration (including salaries and other emoluments, discretionary bonuses, share-based payments and retirement scheme contributions) for the five highest paid individuals (of whom two, three, three, three and two individuals were Directors) in 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 was RMB5.3 million, RMB3.9 million, RMB3.3 million, RMB1.1 million and RMB1.9 million, respectively. For further details, please refer to Note 9 to the Accountants' Report as set out in Appendix I to this document.

In 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the aggregate amount of remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, share-based payments and retirement scheme contributions) paid to our Directors and Supervisors was RMB7.5 million, RMB9.3 million, RMB7.4 million, RMB2.4 million and RMB2.5 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023. Further, none of our Directors or Supervisors had waived or agreed to waive any remuneration during the same years.

Under the arrangements currently in force, the aggregate amount of remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, share-based payments and retirement scheme contributions) of our Directors and Supervisors for the year ended 31 December 2023 is RMB8.0 million.

Mr. Li Xuewei served as our Director from 8 March 2019 to June 2021. He did not hold any executive or management position in the Group and was designated as an independent non-executive Director upon the [**REDACTED**]. He tendered his resignation as Director of the Company with effect 4 June 2021 as he would like to join another business which may compete with the Group's business. No remuneration was paid to Mr. Li Xuewei during the Track Record Period and up to his resignation.

Mr. Xiang Chuan was appointed as Director of the Company on 4 June 2021 and did not hold any executive or management position in the Group and was designated as an independent non-executive Director upon the [**REDACTED**]. Mr. Xiang Chuan tendered his resignation as a Director of the Company with effect 3 December 2021 due to personal reasons. No remuneration was paid to Mr. Xiang during the Track Record Period and up to his resignation.

Save as disclosed above, no other payments have been paid or are payable by the Company to our Directors or Supervisors or senior management in respect of 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and, following the [**REDACTED**], will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

OVERVIEW

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

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

Other businesses of our Controlling Shareholders

Sichuan Tequ

Mr. Wang Degen and his spouse collectively held the majority equity interest in Sichuan Tequ. During the Track Record Period, Tequ Husbandry, a subsidiary of Sichuan Tequ, and/or the subsidiaries of Tequ Husbandry entered into certain transactions with the Group, which are expected to continue after the [**REDACTED**]. For details, please refer to the section headed "Connected Transactions" in this document.

Sichuan Tequ is a holding company and is principally engaged in the business of feed production and sales and education investment. The Board considers that the Group does not compete with Sichuan Tequ and has no plan to incorporate it in the Group's structure for the following reasons: (i) while the Group has set up feed mills in certain regions, all the feed produced by the Group has been used for internal consumption; (ii) and the Group has not engaged in the business of sale of feed and has no plan to expand its business to sale of feed; (iii) the Group is not the sole customer of Sichuan Tequ; and (iv) the Group has not engaged in education business.

Sichuan Zhenghu

As at the Latest Practicable Date, Mr. Wang Degen held 40% equity interest in Sichuan Zhenghu through Desheng Ronghe. During the Track Record Period, The Group purchased artificial intelligence equipment from Sichuan Zhenghu during the Track Record Period and expects to continue such transactions after the [**REDACTED**]. For details, please refer to the section headed "Connected Transactions" in this document.

Sichuan Zhenghu is a technology company specialising in the research and development of artificial intelligence farming across various fields in agriculture and animal husbandry such as feed processing, pig and poultry farming and slaughtering. The Board considers that the Group does not compete with Sichuan Zhenghu and has no plan to incorporate it in the Group's structure for the following reasons: (i) the business of Sichuan Zhenghu does not overlap with the business of the Group; and (ii) the Group is not the sole customer of Sichuan Zhenghu.

The Group expects that the amount paid to Zhenghu for purchase of artificial intelligence equipment will be less than RMB600,000 for each of 2023, 2024 and 2025. As Sichuan Zhenghu's business is not crucial to the Group's business and the purchase from Sichuan Zhenghu was and is expected to be insignificant, the Group believes that the synergy effect of acquiring Sichuan Zhenghu is minimal. Thus, Sichuan Zhenghu is not injected into the Group.

Other businesses

Apart from the businesses of the Group and those mentioned above, our Controlling Shareholders and their close associates have other interests in the following companies.

Name of company	Nature of interest of the Controlling Shareholders and their close associates	Principal business
Guizhou TequNew Agriculture Group Co. Ltd. (貴州特驅新農業集團有限公司)	Mr. Wang Degen directly holds 15% equity interest	Planting and sales of biofertilizers, landscape architecture, and engineering consulting
Huaxi Hope Investment Holding Co. Ltd. (華西希望投資控股有限公司)	Mr. Wang Degen is one of the directors	Project investments and provision of corporate management services
Chengdu Jinchengxiang Investment Co. Ltd. (成都錦城祥投資有限公司)	Mr. Wang Degen is one of the directors	Project investments and provision of corporate management services

Our Directors are of the view that as the principal activities of the above companies are independent of and separate from our business, they do not compete with the business of our Group.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that we are capable of carrying on our business independently of Mr. Wang Degen and his close associates after the [**REDACTED**].

Management Independence

Our Company's management and operational decisions are managed and implemented by our Board and senior management in a collective manner. Upon [**REDACTED**], our Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. For details, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

We believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from Mr. Wang Degen for the following reasons:

(i) the management and operation of the Group are the responsibility of the Directors and members of the senior management of the Company. Our executive Directors and senior management of the Group have an average of more than ten years of industry experience. Except for Mr. Wang Dehui, none of the executive Directors and members of the senior management of the Company is related to Mr. Wang Degen; and

(ii) each of our Directors is aware of his/her fiduciary duties as a director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and he/she must not allow any conflict between his/her duties as a Director and his/her personal interests.

Operational Independence

The Company is able to make all decisions on, and to carry out, our own business operations independently. We make business decisions independently and hold all the relevant licences, intellectual properties, and qualifications required to carry on our current business. We have sufficient capital, equipment, facilities, technology and employees to operate the business independently from Mr. Wang Degen and his close associates. We consider that the Group is not dependent on Mr. Wang Degen and his close associates and is able to operate independently. Our Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. We have independent access to suppliers, dealers and customers. Our Group has established a set of internal control system to facilitate the effective operation of our business.

The transactions between the Group, Mr. Wang Degen and/or his close associates during the Track Record Period were determined on normal commercial terms after arm's length negotiation. Save for the continuing connected transactions set out in the section headed "Connected Transactions" in this document, our Directors do not expect that there will be any other transactions between our Group and Mr. Wang Degen and/or his close associates upon or shortly after the [**REDACTED**]. In respect of our total revenue after the [**REDACTED**], we expect to be able to maintain the aggregate amount of the continuing connected transactions with Mr. Wang Degen and/or his close associates within the annual limit. Accordingly, such continuing connected transactions are not expected to affect our overall operational independence.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function.

During the Track Record Period, Mr. Wang Degen and Desheng Ronghe provided certain guarantees over loans to the Group (collectively the "**Financial Assistance**"). Please refer to Note 26 to the Accountants' Report as set out in Appendix I to this document for details. As at 31 May 2023, the interest bearing borrowings guaranteed by Mr. Wang Degen and Desheng Ronghe amounted to RMB4,267 million. Such Financial Assistance will be discharged before the [**REDACTED**]. No loans provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as at the [**REDACTED**].

After the [**REDACTED**], we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [**REDACTED**] from the [**REDACTED**].

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance, on our Controlling Shareholders and their respective close associates after the [**REDACTED**].

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

As at the Latest Practicable Date, apart from the Group's business, none of our Controlling Shareholders were engaged or had interest in any business which, directly or indirectly, competes or is likely to compete with the Group's business and which would require disclosure under Rule 8.10 of the Listing Rules. None of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(1) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(2) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters in which such Director or his/her close associates has a material interest;

(3) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and

professional advice to protect the interests of our minority Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this document;

(4) in the event that our independent non-executive Directors are required to review any conflict of interest between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements;

(5) we have appointed Maxa Capital Limited as our Compliance Adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors' duties and corporate governance; and

(6) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 of the Listing Rules. All of the members of our audit committee, including the chairman of the said committee, are non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the [**REDACTED**].

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the Conversion of Domestic Shares into H Shares, assuming that the [**REDACTED**] is not exercised, the following persons will have interests or short positions in our Shares or our underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name of Shareholder	**Nature of Interest**	**Description of Shares held after the [REDACTED]**	**Number of Shares held immediately after the [REDACTED][1]**	**Approximate percentage of shareholding in Domestic Shares/H Shares (as appropriate) immediately after the [REDACTED][2]**	**Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED][3]**
Mr. Wang Degen (王德根)	Beneficial Owner	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	Interest of a controlled corporation[4]	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Ms. Zhang Qiang (張強)	Interest of spouse[5]	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Desheng Ronghe[4]	Beneficial Owner	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Chen Yuxin (陳育新)	Beneficial Owner	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Ms. Zhao Guiqin[6] (趙桂琴)	Interest of spouse	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
CEL Maiming[7][9] (光控麥鳴)	Beneficial Owner	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
CEL Huiling Investment (Shanghai) Limited (光控匯領投資(上海)有限公司) ("**CEL Huiling**")[7]	Interest of controlled corporations	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Description of Shares held after the [REDACTED]	Number of Shares held immediately after the [REDACTED](1)	Approximate percentage of shareholding in Domestic Shares/H Shares (as appropriate) immediately after the [REDACTED](2)	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED](3)
CEL Venture Capital (Shenzhen) Limited ("**CEL Shenzhen**")(7)	Interest of controlled corporations	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
China Everbright Limited ("**CEL**")(7)(8)	Interest of controlled corporations	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Honorich Holdings Limited ("**Honorich**")(8)	Interest of controlled corporations	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
China Everbright Holdings Company Limited (中國光大集團有限公司) ("**CE Hong Kong**")(8)	Interest of controlled corporations	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
China Everbright Group Ltd. ("**China Everbright Group**")(8)	Interest of controlled corporations	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Central Huijin Investment Ltd. ("**Huijin**")(8)	Interest of controlled corporations	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Beijing CEL Anya Investment Centre (Limited Partnership) (北京光控安雅投資中心(有限合夥) ("**CEL Anya**")(9)	Interest of a controlled corporation	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Description of Shares held after the [REDACTED]	Number of Shares held immediately after the [REDACTED](1)	Approximate percentage of shareholding in Domestic Shares/H Shares (as appropriate) immediately after the [REDACTED](2)	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED](3)
Shanghai CEL Jiaxin Equity Investment Management Limited (上海光控嘉鑫股權投資管理有限公司) ("**Shanghai CEL**")(9)	Interest of a controlled corporation	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
CEL Capital Prestige Asset Management Co., Ltd. (首譽光控資產管理有限公司) ("**CEL Capital**")(9)	Investment manager	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Chongqing CEL Equity Investment Management Limited (重慶光控股權投資管理有限公司) ("**Chongqing CEL**")(9)	Interest of a controlled corporation	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Yixing CEL(9)	Beneficial Owner	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest of a controlled corporation	Domestic Shares	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) The calculation is based on the percentage of shareholding in Domestic Shares after the [**REDACTED**].

(3) The calculation is based on the total number of [**REDACTED**] Shares in issue after the [**REDACTED**].

(4) Desheng Ronghe is wholly owned by Mr. Wang Degen. By virtue of the SFO, Mr. Wang Degen is deemed to be interested in the Shares held by Desheng Ronghe.

(5) Ms. Zhang Qiang (張強) is the spouse of Mr. Wang Degen. By virtue of the SFO, Ms. Zhang Qiang (張強) is deemed to be interested in the same number of Shares held by Mr. Wang Degen.

(6) Ms. Zhao Guiqin (趙桂琴) is the spouse of Mr. Chen Yuxin (陳育新). By virtue of the SFO, Ms. Zhao Guiqin (趙桂琴) is deemed to be interested in the same number of Shares held by Mr. Chen Yuxin (陳育新).

(7) CEL Huiling is the general partner of CEL Maiming and the general partner of Changzhou Mailun, which held 2,706,767 shares, representing approximately 0.75% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, CEL Huiling was wholly-owned by CEL Shenzhen, which was in turn wholly-owned by CEL.

Yixing CEL, which held 12,279,343 Shares, representing approximately 3.39% of the issued share capital of the Company as at the Latest Practicable Date, was wholly-owned by CEL Shenzhen, which was in turn wholly-owned by CEL.

Accordingly, CEL Huiling is deemed to be interested in the Shares held by each of CEL Maiming and Changzhou Mailun, whereas each of CEL Shenzhen and CEL is deemed to be interested in the Shares held by each of CEL Maiming, Yixing CEL and Changzhou Mailun under the SFO.

(8) CEL was owned as to approximately 49.38% by Honorich and 0.36% by Everbright Investment & Management Limited, which were in turn wholly-owned by CE Hong Kong. As such, CEL was owned as to approximately 49.74% by CE Hong Kong, which was in turn wholly-owned by China Everbright Group. China Everbright Group was owned as to approximately 63.16% by Huijin, which was indirectly wholly-owned by the State Council of the People's Republic of China. Accordingly, each of CEL, Honorich, CE Hong Kong, China Everbright Group and Huijin is deemed to be interested in the Shares held by each of related controlled corporation under the SFO.

(9) CEL Anya is a limited partnership holding approximately 40.82% of the limited partnership interest in CEL Maiming.

The general partner of CEL Anya is Shanghai CEL, holding approximately 0.02% of the interest. CEL Capital is a special asset management company and a limited partner of CEL Anya, holding approximately 99.98% of its limited partnership interest. As at the Latest Practicable Date, Shanghai CEL was wholly-owned by Chongqing CEL, which was in turn wholly-owned by Yixing CEL.

Accordingly, each of CEL Anya, CEL Capital, Shanghai CEL, Chongqing CEL and Yixing CEL is deemed to be interested in the Shares held by CEL Maiming under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the [**REDACTED**], without taking into account any H Shares that may be allotted and issued pursuant to the exercise of the [**REDACTED**], have an interest or a short position in any Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders under the Listing Rules.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

As at the Latest Practicable Date, the total issued share capital of our Company was RMB361,963,636, divided into 361,963,636 Shares, with a nominal value of RMB1.00 each.

Assuming the [**REDACTED**] is not exercised, the share capital of our Company immediately after the completion of the [**REDACTED**] and the Conversion of Domestic Shares into H Shares will be as follows:

Number of Shares	**Description of Shares**	**Approximate percentage of total share capital**
[**REDACTED**]	Domestic Shares	[**REDACTED**]
[**REDACTED**]	H Shares to be converted from Domestic Shares	[**REDACTED**]
[**REDACTED**]	H Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]		[**REDACTED**]

Assuming the [**REDACTED**] is exercised in full, the share capital of our Company immediately after the completion of the [**REDACTED**] will be as follows:

Number of Shares	**Description of Shares**	**Approximate percentage of total share capital**
[**REDACTED**]	Domestic Shares	[**REDACTED**]
[**REDACTED**]	H Shares to be converted from Domestic Shares	[**REDACTED**]
[**REDACTED**]	H Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]		[**REDACTED**]

The Conversion of Domestic Shares into H Shares will involve an aggregate of [**REDACTED**] Domestic Shares held by eight existing Shareholders, representing approximately [**REDACTED**]% of total issued Shares of the Company upon completion of the Conversion of Domestic Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Domestic Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

	Shareholding of the total issued share capital immediately after [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic Shares into H Shares			
Name of Shareholder	**Number of Converted H Shares**	**Approximate Percentage**	**Domestic Shares**	**Approximate Percentage**
Desheng Ronghe	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Chen Yuxin	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CEL Maiming	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Song Fuxian	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Tang Jianyuan	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yixing CEL	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wang Degen	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Peng Benping	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Peng Bengang	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhongcheng Jinyi	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Hu Wei	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chengdu Jiakun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Suzhou Houqi	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wang Dehui	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Liu Guofeng	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Chen Yuhe	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Shu Dingming	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Yao Hailong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Changzhou Mailun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Xunran	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tongchuang Deheng	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xu Wei	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Tang Xiaoping	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[**REDACTED**]

OUR SHARES

Upon the completion of the [**REDACTED**] and the Conversion of Domestic Shares into H Shares, the Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic Shares held by whom will be converted into H Shares according to the approval of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

We have one class of ordinary shares, consisting of Domestic Shares and H Shares. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our [**REDACTED**] Domestic Shares may be converted into H Shares, and such converted shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange, provided that prior to the conversion and [**REDACTED**] of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, [**REDACTED**] and [**REDACTED**] shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the [**REDACTED**] of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our [**REDACTED**] Shares into H Shares as described in this section, we can apply for the [**REDACTED**] of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any [**REDACTED**] of additional Shares after our [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong.

Any application for [**REDACTED**] of the converted shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform Shareholders and the [**REDACTED**] of any proposed conversion.

MECHANISM AND PROCEDURE FOR CONVERSION

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant [**REDACTED**] Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. Registration on our H Share register will be conditional on (a) the [**REDACTED**] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates and (b) the [**REDACTED**] of the H Shares to [**REDACTED**] on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be [**REDACTED**] as H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED]

The PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares issued prior to the [**REDACTED**] shall not be transferred within a period of one year from the date on which the [**REDACTED**] are [**REDACTED**] on any stock exchange. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to this statutory restriction and not be transferred within a period of one year from the [**REDACTED**].

[REDACTED] PERIODS

Pursuant to Article 141 of the PRC Company Law, shares issued prior to any [**REDACTED**] of shares by a company cannot be transferred within one year from the date on which such shares are [**REDACTED**] and [**REDACTED**] on the relevant stock exchange. As such, the Shares issued by our Company prior to our issue of the H Shares will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

Our Directors, Supervisors and members of the senior management shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are [**REDACTED**] and [**REDACTED**] on a stock exchange, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of the senior management.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with CSDCC within 15 Business Days upon the listing and provide a written report to the CSRC regarding the centralised registration and deposit of its unlisted shares as well as the current offering and listing of shares.

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 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

- 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

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.

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.

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 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).

[**REDACTED**]

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The following is the text of a report set out on pages I-1 to I-78, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 四川德康農牧食品集團股份有限公司 DEKON FOOD AND AGRICULTURE GROUP, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of 四川德康農牧食品集團股份有限公司 (Dekon Food and Agriculture Group) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-78, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 31 May 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-78 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2020, 2021 and 2022 and 31 May 2023, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended 31 May 2022 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 32(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company during the Relevant Periods.

[●]

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[*Date*]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

		Years ended 31 December									Five months ended 31 May					
		2020			2021			2022			2022			2023		
	Note	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000* *(unaudited)*	Biological assets fair value adjustments *RMB'000* *(unaudited)*	Total *RMB'000* *(unaudited)*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*
Revenue	*4*	8,145,349	–	8,145,349	9,901,566	–	9,901,566	15,037,027	–	15,037,027	4,581,212	–	4,581,212	6,362,244	–	6,362,244
Cost of sales		(4,982,717)	1,260	(4,981,457)	(9,187,459)	49,994	(9,137,465)	(13,036,992)	68,144	(12,968,848)	(5,211,095)	32,699	(5,178,396)	(6,785,394)	40,273	(6,745,121)
Gross profit		3,162,632	1,260	3,163,892	714,107	49,994	764,101	2,000,035	68,144	2,068,179	(629,883)	32,699	(597,184)	(423,150)	40,273	(382,877)
Changes in fair value of biological assets	*12*	–	1,295,726	1,295,726	–	(2,753,504)	(2,753,504)	–	304,795	304,795	–	(419,278)	(419,278)	–	(1,202,422)	(1,202,422)
Other net income	*5*	77,956	–	77,956	102,410	–	102,410	110,894	–	110,894	57,329	–	57,329	120,932	–	120,932
Selling expense		(70,091)	–	(70,091)	(72,623)	–	(72,623)	(80,275)	–	(80,275)	(28,876)	–	(28,876)	(40,916)	–	(40,916)
Administrative expenses		(700,290)	–	(700,290)	(889,626)	–	(889,626)	(1,058,172)	–	(1,058,172)	(387,089)	–	(387,089)	(489,264)	–	(489,264)
Provision for expected credit loss of trade and other receivables		(2,240)	–	(2,240)	(5,917)	–	(5,917)	(13,332)	–	(13,332)	(5,801)	–	(5,801)	(300)	–	(300)

		Years ended 31 December									Five months ended 31 May					
		2020			2021			2022			2022			2023		
	Note	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*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
											(unaudited)	*(unaudited)*	*(unaudited)*			
Profit/(loss) from operations		2,467,967	1,296,986	3,764,953	(151,649)	(2,703,510)	(2,855,159)	959,150	372,939	1,332,089	(994,320)	(386,579)	(1,380,899)	(832,698)	(1,162,149)	(1,994,847)
Finance cost	*6(a)*	(155,589)	–	(155,589)	(312,242)	–	(312,242)	(405,272)	–	(405,272)	(163,223)	–	(163,223)	(189,182)	–	(189,182)
Share of losses of associates		(347)	–	(347)	(3,271)	–	(3,271)	(16,382)	–	(16,382)	(4,176)	–	(4,176)	–	–	–
Profit/(loss) before taxation		2,312,031	1,296,986	3,609,017	(467,162)	(2,703,510)	(3,170,672)	537,496	372,939	910,435	(1,161,719)	(386,579)	(1,548,298)	(1,021,880)	(1,162,149)	(2,184,029)
Income tax	*7(a)*	(666)	–	(666)	(1,986)	–	(1,986)	(680)	–	(680)	(346)	–	(346)	(435)	–	(435)
Profit/(loss) and total comprehensive income for the year/period		2,311,365	1,296,986	3,608,351	(469,148)	(2,703,510)	(3,172,658)	536,816	372,939	909,755	(1,162,065)	(386,579)	(1,548,644)	(1,022,315)	(1,162,149)	(2,184,464)

		Years ended 31 December									Five months ended 31 May					
		2020			2021			2022			2022			2023		
	Note	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*	Results before biological assets fair value adjustments *RMB'000* *(unaudited)*	Biological assets fair value adjustments *RMB'000* *(unaudited)*	Total *RMB'000* *(unaudited)*	Results before biological assets fair value adjustments *RMB'000*	Biological assets fair value adjustments *RMB'000*	Total *RMB'000*
Attributable to:																
Equity shareholders of the Company				3,488,173			(2,997,303)			992,866			(1,374,898)			(2,026,138)
Non-controlling interests				120,178			(175,355)			(83,111)			(173,746)			(158,326)
Profit/(loss) and total comprehensive income for the year/period				3,608,351			(3,172,658)			909,755			(1,548,644)			(2,184,464)
Earnings/(loss) per share	*10*															
Basic and diluted (RMB)				9.76			(8.32)			2.74			(3.80)			(5.60)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		At 31 December			At 31 May
	Note	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	6,197,815	8,694,703	9,095,923	9,346,689
Non-current biological assets	*12*	2,436,422	918,054	946,361	1,111,780
Intangible assets	*13*	1,856	2,508	3,166	2,824
Goodwill	*14*	14,730	14,730	14,730	14,730
Interests in associates	*16*	9,653	16,382	–	–
Deferred tax assets	*29(b)*	1	1	2	2
Other non-current assets	*17*	52,517	60,167	25,662	63,822
		8,712,994	9,706,545	10,085,844	10,539,847
Current assets					
Inventories	*18*	444,081	570,128	707,180	529,988
Current biological assets	*12*	3,244,529	3,166,041	4,462,752	3,002,241
Trade receivables	*19*	1,591	5,739	13,434	15,194
Prepayments, deposits and other receivables	*20*	142,095	235,284	413,418	424,752
Financial assets at fair value through profit or loss ("FVPL")	*21*	655,198	51,783	352,721	393,653
Derivative financial instruments	*22*	–	38,746	–	16,139
Restricted deposits		125,958	188,169	421,853	463,251
Cash and cash equivalents	*23*	1,711,874	1,808,973	2,843,255	2,241,763
		6,325,326	6,064,863	9,214,613	7,086,981
Current liabilities					
Trade and bills payables	*24*	628,362	1,201,195	1,488,010	1,706,507
Accruals and other payables	*25*	1,378,031	1,835,826	3,060,906	2,959,550
Interest-bearing borrowings	*26*	2,445,481	3,214,308	4,455,510	4,994,910
Lease liabilities	*27*	44,265	71,264	76,925	83,324
Derivative financial instruments	*22*	–	342	2,485	25,743
Current taxation	*29(a)*	383	118	560	796
		4,496,522	6,323,053	9,084,396	9,770,830

		At 31 December			At 31 May
	Note	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net current assets/(liabilities)		1,828,804	(258,190)	130,217	(2,683,849)
Total assets less current liabilities		10,541,798	9,448,355	10,216,061	7,855,998
Non-current liabilities					
Interest-bearing borrowings	*26*	1,713,949	2,753,851	2,440,271	2,041,398
Lease liabilities	*27*	1,248,376	2,009,819	2,047,050	2,217,329
Deferred income	*30*	385,543	527,719	660,738	681,433
Other non-current liabilities	*31*	34,200	24,200	4,200	–
		3,382,068	5,315,589	5,152,259	4,940,160
NET ASSETS		7,159,730	4,132,766	5,063,802	2,915,838
CAPITAL AND RESERVES					
Share capital	*32*	360,000	361,964	361,964	361,964
Reserves		6,485,864	3,610,924	4,607,673	2,591,735
Total equity attributable to equity shareholders of the Company		6,845,864	3,972,888	4,969,637	2,953,699
Non-controlling interests		313,866	159,878	94,165	(37,861)
TOTAL EQUITY		7,159,730	4,132,766	5,063,802	2,915,838

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment		7,049	9,149	19,592	18,314
Intangible assets		1,856	2,013	2,887	2,636
Interests in subsidiaries	*15*	363,850	438,241	450,201	501,141
Amounts due from subsidiaries	*38*	1,292,850	414,093	493,842	483,985
		1,665,605	863,496	966,522	1,006,076
Current assets					
Inventories		1,679	1,093	987	2,881
Prepayments, deposits and other receivables		844	8,631	28,229	46,179
Amounts due from subsidiaries	*38*	2,834,681	4,063,375	4,054,492	4,781,332
Financial assets at FVPL	*21*	655,198	50,283	351,341	392,641
Derivative financial instruments	*22*	–	38,692	–	16,019
Restricted deposits		103,300	178,040	399,878	440,223
Cash and cash equivalents	*23*	1,529,472	1,561,517	2,415,625	1,776,951
		5,125,174	5,901,631	7,250,552	7,456,226
Current liabilities					
Trade and bills payables		20,000	–	–	4,205
Accruals and other payables		58,121	29,095	80,518	73,777
Amounts due to subsidiaries	*38*	2,287,317	1,539,176	2,074,805	2,090,096
Interest-bearing borrowings	*26*	2,158,000	2,565,600	3,350,560	3,843,485
Lease liabilities		2,036	1,601	2,404	2,044
Derivative financial instruments	*22*	–	–	2,400	20,802
		4,525,474	4,135,472	5,510,687	6,034,409

		At 31 December			At 31 May
	Note	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net current assets		599,700	1,766,159	1,739,865	1,421,817
Total assets less current liabilities		2,265,305	2,629,655	2,706,387	2,427,893
Non-current liabilities					
Interest-bearing borrowings	*26*	811,500	311,100	305,450	41,689
Lease liabilities		1,202	945	1,124	598
Deferred income		–	405	3,749	2,718
		812,702	312,450	310,323	45,005
NET ASSETS		1,452,603	2,317,205	2,396,064	2,382,888
CAPITAL AND RESERVES					
Share capital	*32*	360,000	361,964	361,964	361,964
Reserves		1,092,603	1,955,241	2,034,100	2,020,924
TOTAL EQUITY		1,452,603	2,317,205	2,396,064	2,382,888

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**PRC statuary reserve** *RMB'000*	**Other reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Sub-Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2020		290,384	567,010	14,330	1,583	2,261,621	3,134,928	151,708	3,286,636
Changes in equity for 2020:									
Profit and total comprehensive income for the year		–	–	–	–	3,488,173	3,488,173	120,178	3,608,351
Issue of ordinary shares	*32(c)*	6,701	293,299	–	–	–	300,000	–	300,000
Capital contribution from non-controlling interests		–	–	–	–	–	–	55,890	55,890
Capitalisation issue	*32(c)*	62,915	–	–	–	(62,915)	–	–	–
Appropriation to reserve	*32(d)*	–	–	30,522	–	(30,522)	–	–	–
Recognition of share-based payments	*28*	–	5,567	–	–	–	5,567	–	5,567
Business combination	*33*	–	–	–	–	–	–	3,092	3,092
Acquisition of non-controlling interests	*34*	–	–	–	(2,804)	–	(2,804)	(3,897)	(6,701)
Dividends declared during the year	*32(b)*	–	–	–	–	(80,000)	(80,000)	(13,105)	(93,105)
Balance at 31 December 2020		360,000	865,876	44,852	(1,221)	5,576,357	6,845,864	313,866	7,159,730
Balance at 1 January 2021		360,000	865,876	44,852	(1,221)	5,576,357	6,845,864	313,866	7,159,730
Changes in equity for 2021:									
Loss and total comprehensive income for the year		–	–	–	–	(2,997,303)	(2,997,303)	(175,355)	(3,172,658)
Issue of ordinary shares	*32(c)*	1,964	118,036	–	–	–	120,000	–	120,000
Capital contribution from non-controlling interests		–	–	–	–	–	–	34,622	34,622
Appropriation to reserve	*32(d)*	–	–	73,816	–	(73,816)	–	–	–
Recognition of share-based payments	*28*	–	5,633	–	–	–	5,633	–	5,633
Disposal of interests in subsidiaries	*23(d)*	–	–	–	–	–	–	(396)	(396)
Liquidation of subsidiaries		–	–	–	–	–	–	(9,762)	(9,762)
Acquisition of non-controlling interests	*34*	–	–	–	(1,306)	–	(1,306)	(3,097)	(4,403)
Balance at 31 December 2021		361,964	989,545	118,668	(2,527)	2,505,238	3,972,888	159,878	4,132,766

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**PRC statuary reserve** *RMB'000*	**Other reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Sub-Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2022		361,964	989,545	118,668	(2,527)	2,505,238	3,972,888	159,878	4,132,766
Changes in equity for 2022									
Profit and total comprehensive income for the year		–	–	–	–	992,866	992,866	(83,111)	909,755
Capital contribution from non-controlling interests		–	–	–	–	–	–	18,600	18,600
Appropriation to reserve	*32(d)*	–	–	7,528	–	(7,528)	–	–	–
Recognition of share-based payments	*28*	–	3,579	–	–	–	3,579	–	3,579
Disposal of interests in subsidiaries	*23(d)*	–	–	–	–	–	–	(298)	(298)
Deemed disposal of interests in subsidiaries	*34*	–	–	–	1,390	–	1,390	1,010	2,400
Acquisition of non-controlling interest	*34*	–	–	–	(1,086)	–	(1,086)	(1,914)	(3,000)
Balance at 31 December 2022		361,964	993,124	126,196	(2,223)	3,490,576	4,969,637	94,165	5,063,802
(unaudited)									
Balance at 1 January 2022		361,964	989,545	118,668	(2,527)	2,505,238	3,972,888	159,878	4,132,766

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**PRC statuary reserve** *RMB'000*	**Other reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Sub-Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Changes in equity for five months ended 31 May 2022:									
Loss and total comprehensive income for the period		–	–	–	–	(1,374,898)	(1,374,898)	(173,746)	(1,548,644)
Capital contribution from non-controlling interests		–	–	–	–	–	–	12,599	12,599
Recognition of share-based payments	*28*	–	2,121	–	–	–	2,121	–	2,121
Deemed disposal of interests in subsidiaries		–	–	–	1,390	–	1,390	1,010	2,400
Balance at 31 May 2022		361,964	991,666	118,668	(1,137)	1,130,340	2,601,501	(259)	2,601,242

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**PRC statuary reserve** *RMB'000*	**Other reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Sub-Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2023		361,964	993,124	126,196	(2,223)	3,490,576	4,969,637	94,165	5,063,802
Changes in equity for five months ended 31 May 2023:									
Loss and total comprehensive income for the period		–	–	–	–	(2,026,138)	(2,026,138)	(158,326)	(2,184,464)
Capital contribution from non-controlling interests		–	–	–	–	–	–	10,500	10,500
Deemed disposal of interests in subsidiaries	*34*	–	–	–	7,311	–	7,311	18,689	26,000
Acquisition of non-controlling interest	*34*	–	–	–	2,889	–	2,889	(2,889)	–
Balance at 31 May 2023		361,964	993,124	126,196	7,977	1,464,438	2,953,699	(37,861)	2,915,838

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Year ended 31 December			Five months ended 31 May	
		2020	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before taxation		3,609,017	(3,170,672)	910,435	(1,548,298)	(2,184,029)
Adjustments for:						
Depreciation charge on property, plant and equipment	*11(a)*	250,877	564,677	723,888	313,584	379,306
Impairment loss on property, plant and machinery		959	–	–	–	–
Amortisation of intangible assets	*13*	190	612	797	295	908
Provision for expected credit loss of trade and other receivables		2,240	5,917	13,332	5,801	300
Finance costs	*6(a)*	155,589	312,242	405,272	163,223	189,182
Interest income	*5*	(16,143)	(32,624)	(30,455)	(4,544)	(19,693)
Share of losses of associates		347	3,271	16,382	4,176	–
(Gain)/loss on sale of property, plant and equipment and intangible assets	*5*	(13,013)	4,259	215	1,564	518
(Gain)/loss on disposal of interests in subsidiaries	*5*	–	(938)	852	–	–
Changes in fair value of biological assets	*12*	(1,295,726)	2,753,504	(304,795)	419,278	1,202,422
Changes in fair value of financial assets at FVPL	*5*	(19,338)	(13,307)	(6,063)	(595)	(5,228)
Changes in fair value of unlisted equity investments	*5*	–	–	120	–	368
Unrealised (gain)/loss on derivative financial instruments, net		–	(38,404)	719	3,122	1,766
Equity-settled share-based payment expenses	*28*	5,567	5,633	3,579	2,121	–
Government grants	*5*	(41,022)	(51,579)	(74,042)	(24,262)	(29,386)

	Note	Year ended 31 December			Five months ended 31 May	
		2020	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Changes in working capital:						
(Increase)/decrease in inventories		(186,910)	(126,047)	(137,052)	(11,480)	177,192
(Increase)/decrease in biological assets		(1,338,158)	(823,476)	(802,579)	115,058	192,979
Decrease/(increase) in trade receivables		5,969	(4,148)	(7,695)	(6,532)	(1,760)
(Increase)/decrease in prepayments, deposits and other receivables		(10,138)	(62,656)	(100,640)	(3,136)	27,860
Increase in trade and bills payables		236,172	572,833	286,815	91,644	218,497
Increase/(decrease) in accruals and other payables		422,482	507,620	1,235,536	815,604	(45,385)
(Increase)/decrease in other non-current assets		(484)	6,279	69,237	599	464
Increase in restricted deposits		(96,223)	(511)	(6,584)	(31,401)	(41,398)
Cash generated from operations		1,672,254	412,485	2,197,274	305,821	64,883
Tax paid		(770)	(5,957)	(5,611)	(3,855)	(1,783)
Net cash generated from operating activities		1,671,484	406,528	2,191,663	301,966	63,100
Investing activities						
Payment for the purchase of property, plant and equipment		(2,944,567)	(2,229,663)	(1,013,880)	(426,111)	(504,523)
Payment for purchase of breeding livestock		(374,496)	(333,172)	(217,644)	(72,287)	(100,309)
Payment for purchase of intangible assets		(1,823)	(1,264)	(1,455)	–	(566)
Government grants received	*30*	123,105	193,755	207,061	113,388	50,081
Proceeds from disposal of property, plant and equipment		24,005	2,827	73,483	51,358	5,750
Investments in an associate		(10,000)	(10,000)	–	–	–
Acquisition of subsidiaries, net of cash acquired	*33*	(16,263)	–	–	–	–
Payment for the purchase of financial assets at FVPL	*35(d)*	(6,080,000)	(2,975,029)	(1,530,000)	(50,000)	(990,000)
Payment for the purchase of unlisted equity investment	*35(d)*	–	(1,500)	–	–	–
Proceeds from disposal of interests in subsidiaries	*23(d)*	–	394	1,042	–	–
Proceeds from disposal of financial assets at FVPL	*35(d)*	5,504,206	3,593,251	1,235,005	50,443	953,928
Net cash used in investing activities		(3,775,833)	(1,760,401)	(1,246,388)	(333,209)	(585,639)

	Note	**Year ended 31 December**			**Five months ended 31 May**	
		2020	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Financing activities						
Proceeds from interest-bearing borrowings	*23(b)*	3,871,083	4,384,341	4,396,003	2,557,020	2,356,096
Repayment of non-interest-bearing government loans	*23(b)*	–	(10,000)	(20,000)	–	(4,200)
Repayment of interest-bearing borrowings	*23(b)*	(724,375)	(2,575,612)	(3,468,381)	(1,712,056)	(2,215,569)
Increase of restricted deposits for interest-bearing borrowings		–	(61,700)	(227,100)	(467,100)	–
Prepayments for costs incurred in connection with the proposed initial [**REDACTED**] of the Company's shares		–	–	(15,681)	–	(12,864)
Proceeds from issue of ordinary shares	*32(c)*	300,000	120,000	–	–	–
Capital contribution from non-controlling equity owners of subsidiaries		55,890	34,622	18,600	12,599	10,500
Acquisition of non-controlling interests	*34*	(6,701)	(4,403)	(3,000)	–	–
Proceeds from deemed disposal of interests in subsidiaries	*34*	–	–	2,400	2,400	26,000
Payment to non-controlling interest upon liquidation of subsidiaries		–	(9,762)	–	–	–
Capital element of lease rentals paid	*23(b)*	(72,284)	(55,239)	(149,630)	(13,772)	(61,640)
Interest element of lease rentals paid	*23(b)*	(58,351)	(101,359)	(149,780)	(56,698)	(71,166)
Other interests paid	*23(b)*	(113,441)	(269,916)	(294,424)	(109,116)	(106,110)
Dividends paid		(102,355)	–	–	–	–
Net cash generated from/(used in) financing activities		3,149,466	1,450,972	89,007	213,277	(78,953)
Net increase/(decrease) in cash and cash equivalents		1,045,117	97,099	1,034,282	182,034	(601,492)
Cash and cash equivalents at 1 January	*23*	666,757	1,711,874	1,808,973	1,808,973	2,843,255
Cash and cash equivalents at 31 December/31 May	*23*	1,711,874	1,808,973	2,843,255	1,991,007	2,241,763

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

四川德康農牧食品集團股份有限公司 (Dekon Food and Agriculture Group) (the "Company") was established in the People's Republic of China (the "PRC") on 11 April 2014 as a private-owned enterprise with limited liability. The Company was previously known as 四川德康農牧科技有限公司 (Sichuan Dekang Agro-livestock Technology Company Limited) before it was converted into a joint stock company on 9 May 2019.

The Company and its subsidiaries are principally engaged in: (i) providing market hogs, breeding pigs, market piglets and boar semen (ii) providing yellow-feathered broilers, chicks and eggs; and (iii) providing ancillary products such as ingredients and others.

As at the date of this report, no audited financial statements have been prepared for the Company.

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"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has 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.

As at 31 May 2023, the Group had net current liabilities of RMB2,683,849,000. The Historical Financial Information has been prepared on a going concern basis, because the directors of the Company are of the opinion that based on a cash flow forecast of the Group prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 31 May 2023. Meanwhile, the Group has maintained long-term strong business relationship with its major banks and financial institutions to get their continuing support. As at 31 May 2023, the Group has unused bank facilities amounting to RMB3,632,754,000 and new facilities amounting to RMB200,000,000 have been obtained during June 2023. Accordingly, the directors of the Company consider it appropriate to prepare the Historical Financial Information on a going concern basis.

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 "Stock Exchange").

The accounting policies set out below have been applied consistently to all period presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- other investments in debt and equity securities (see Note 2(f));
- derivative financial instruments (see Note 2(g)); and
- biological assets (see Note 2(h)).

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(q) or (r), depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(l)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)).

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 35(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(iii)).

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(v)(ii).

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Biological assets

The biological assets of the Group 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) hog breeders held for own use to produce commodity hogs which are classified as 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 it arises.

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 while 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. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(k)).

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 (see Note 2(w)).

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(j) 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 the Group has sufficient resources and the intention to complete development.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(l)).

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.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides 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. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are modifications, and recognised the change in consideration as a negative variable lease payments in profit or loss in the period in which the event and condition that triggers the rent concession occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables, deposits and other receivables);

– contract assets as defined in IFRS 15 (see Note 2(n));

Other financial assets measured at fair value, including derivative financial instruments, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of fixed-rate financial assets, trade and other receivables and contract assets are discounted using effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "accruals and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill;
- prepayments for property, plant and equipment; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost, on the weighted average basis, and net realisable value after making 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.

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(n)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(w)).

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the shares were granted. If the shares granted do not vest until the completion of services for a period, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the capital reserve).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in period into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or period, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is 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.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) 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.

(ii) Dividends

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

(iii) 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 FVOCI (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 (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(l)(i)).

(iv) 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 the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Group 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.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products, the nature of production processes, the type or class of customers, the methods used to distribute the products, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 12 and 35 contain information about the assumptions and their risk factors relating to fair value of biological assets and the Group' financial assets and financial liabilities measured at fair value, respectively. Other significant sources of estimation uncertainty are as follows:

(a) Impairment losses for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(l)(iii). These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are (i) providing market hogs, breeding pigs, market piglets and boar semen; (ii) providing yellow-feathered broilers, chicks and eggs; and (iii) providing ancillary products such as ingredients and others. Further details regarding the Group's principal activities are disclosed in Note 4(b).

	Year ended 31 December			**Five months ended 31 May**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
Disaggregated by product line:					
Sales of pigs and related products	5,747,697	7,168,155	11,745,056	3,443,596	5,014,315
Sales of poultry and related products	2,287,783	2,618,082	3,215,336	1,111,707	1,265,158
Sales of ancillary products	109,869	115,329	76,635	25,909	82,771
	8,145,349	9,901,566	15,037,027	4,581,212	6,362,244

Revenue from contracts with customers is recognised at a point in time when the customers obtain control of promised goods. During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, no revenue from a single external customer accounts for 10% or more of the Group's revenue in the respective years.

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and estimate is reassessed at each reporting date.

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group's sales contracts have an original expected duration of less than one year.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component as the period between when the Group transfers a promised goods to a customer and when the customer pays for that goods will be one year or less.

Details of concentration of credit risk from the Group's customers are set out in Note 35(a).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sales of pigs: sales of market hogs, breeding pigs, market piglets and boar semen;
- Sales of poultry: sales of yellow-feathered broilers, chicks and eggs;
- Sales of ancillary products: sales of ingredients and others.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

The Group's other operating income and expenses, such as other income and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 is set out below.

	Year ended 31 December 2020			
	Sales of pigs	**Sales of poultry**	**Sales of ancillary products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	5,747,697	2,287,783	109,869	8,145,349
Inter-segment revenue	16	13	1,141,763	1,141,792
Reportable segment revenue	5,747,713	2,287,796	1,251,632	9,287,141
Reportable segment profit/(loss)	3,208,883	(49,300)	7,088	3,166,671

	Year ended 31 December 2021			
	Sales of pigs	**Sales of poultry**	**Sales of ancillary products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	7,168,155	2,618,082	115,329	9,901,566
Inter-segment revenue	10	43	2,391,735	2,391,788
Reportable segment revenue	7,168,165	2,618,125	2,507,064	12,293,354
Reportable segment profit	734,264	18,344	188,739	941,347

	Year ended 31 December 2022			
	Sales of pigs	**Sales of poultry**	**Sales of ancillary products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	11,745,056	3,215,336	76,635	15,037,027
Inter-segment revenue	2,727	78	3,997,147	3,999,952
Reportable segment revenue	11,747,783	3,215,414	4,073,782	19,036,979
Reportable segment profit	1,674,774	385,523	175,041	2,235,338

	Five months ended 31 May 2022 (unaudited)			
	Sales of pigs	**Sales of poultry**	**Sales of ancillary products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	3,443,596	1,111,707	25,909	4,581,212
Inter-segment revenue	–	27	1,499,357	1,499,384
Reportable segment revenue	3,443,596	1,111,734	1,525,266	6,080,596
Reportable segment (loss)/profit	(671,570)	71,453	71,302	(528,815)

	Five months ended 31 May 2023			
	Sales of pigs *RMB'000*	**Sales of poultry** *RMB'000*	**Sales of ancillary products** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	5,014,315	1,265,158	82,771	6,362,244
Inter-segment revenue	37,029	29	1,957,410	1,994,468
Reportable segment revenue	5,051,344	1,265,187	2,040,181	8,356,712
Reportable segment (loss)/profit	(285,921)	(96,106)	74,927	(307,100)

(ii) Reconciliations of reportable profit/(loss) before taxation

	Year ended 31 December			Five months ended 31 May	
	2020 **RMB'000**	**2021** **RMB'000**	**2022** **RMB'000**	**2022** **RMB'000** *(unaudited)*	**2023** **RMB'000**
Revenue					
Reportable segment revenue	9,287,141	12,293,354	19,036,979	6,080,596	8,356,712
Elimination of inter-segment revenue	(1,141,792)	(2,391,788)	(3,999,952)	(1,499,384)	(1,994,468)
Consolidated revenue *(Note 4(a))*	8,145,349	9,901,566	15,037,027	4,581,212	6,362,244
Profit					
Reportable segment profit/(loss)	3,166,671	941,347	2,235,338	(528,815)	(307,100)
Elimination of inter-segment loss before taxation	(2,779)	(177,246)	(167,159)	(68,369)	(75,777)
Reportable segment profit derived from group's external customers	3,163,892	764,101	2,068,179	(597,184)	(382,877)
Changes in fair value of biological assets	1,295,726	(2,753,504)	304,795	(419,278)	(1,202,422)
Other net income	77,956	102,410	110,894	57,329	120,932
Selling expense	(70,091)	(72,623)	(80,275)	(28,876)	(40,916)
Administrative expenses	(700,290)	(889,626)	(1,058,172)	(387,089)	(489,264)
Provision for expected credit loss of trade and other receivables	(2,240)	(5,917)	(13,332)	(5,801)	(300)
Finance cost	(155,589)	(312,242)	(405,272)	(163,223)	(189,182)
Share of losses of associates	(347)	(3,271)	(16,382)	(4,176)	–
Consolidated profit/(loss) before taxation	3,609,017	(3,170,672)	910,435	(1,548,298)	(2,184,029)

(iii) Geographic information

The Group's revenue is substantially generated from the sales of pigs, chicken and ancillary products in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

5 OTHER NET INCOME

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest income	16,143	32,624	30,455	4,544	19,693
Government grants *(Note 30)*	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)
Net (loss)/gain on disposal of biological assets, net of insurance compensation recovered during the year/period	(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

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on interest-bearing borrowings *(Note 23(b))*	117,151	273,329	294,236	125,976	128,318
Interest on lease liabilities *(Note 11(b) and Note 23(b))*	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

* The borrowing costs have been capitalised at a rate of 3.50%-4.35%, 4.65%-4.75%, 4.65%-4.75%, 4.65%-4.75% (unaudited) and 4.00%-4.65% per annum in 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively.

(b) Staff costs

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages and other benefits	579,530	836,114	910,600	376,521	425,200
Contributions to defined contribution retirement plan	4,274	60,329	67,116	30,428	33,829
Equity-settled share-based payment expenses *(Note 28)*	5,567	5,633	3,579	2,121	–
	589,371	902,076	981,295	409,070	459,029

The employees of the entities comprising the Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these entities are required to contribute to the scheme at a rate of 14%-16% of the minimum local base of retirement schemes. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement scheme at their normal retirement age. During the year ended 31 December 2020, the Group has been granted certain exemption on the contributions to defined contribution retirement plans by the local government authority as a result of the COVID-19 impact for the period from February 2020 to December 2020.

Contributions to the retirement benefit scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution. The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Amortisation cost of intangible assets *(Note 13)*#	190	612	797	295	908
Depreciation charge *(Note 11)*#					
– owned property, plant and equipment	174,633	385,813	492,816	184,396	220,571
– right-of-use assets	76,244	178,864	231,072	129,188	158,735
	250,877	564,677	723,888	313,584	379,306
[**REDACTED**]*	-	22,091	4,811	–	3,580
Auditors' remuneration					
– audit services	1,723	111	100	70	104
Research and development expense	74,999	132,841	196,648	65,597	99,354
Cost of sale of biological assets#	4,848,377	9,022,867	12,899,678	5,149,946	6,651,148
Cost of inventories#	133,080	114,598	69,170	28,450	93,973

\# Cost of sale of biological assets and inventories includes RMB304,690,000, RMB839,639,000, RMB982,996,000, RMB424,248,000 (unaudited) and RMB520,239,000 relating to staff costs, depreciation and amortisation expenses for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

* The [**REDACTED**] of RMB22,091,000 for the year ended 31 December 2021 were incurred in respect of the previous [**REDACTED**] application.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax					
Provision for the year/period	666	1,986	681	346	435
Deferred tax					
Origination and reversed of temporary differences	–	–	(1)	–	–
	666	1,986	680	346	435

(b) Reconciliation between tax expense and accounting profit or loss at applicable tax rates:

	Year ended 31 December			Five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before taxation	3,609,017	(3,170,672)	910,435	(1,548,298)	(2,184,029)
Notional tax on profit/(loss) before taxation at PRC statutory tax rate	902,254	(792,668)	227,609	(387,075)	(546,007)
Tax effect of non-deductible expenses	3,487	3,913	3,609	904	4,711
Tax effect of unused losses and temporary differences not recognised	27,705	(5,527)	49,832	19,566	13,613
Effect of losses incurred for agricultural business *(Note (ii))*	–	960,755	202,673	385,003	533,976
Tax effect of unused tax losses and temporary differences not recognised in previous years/periods but utilised in current year/period	(777)	(130)	(566)	(12,339)	(2,552)
Tax concessions *(Note (ii))*	(932,003)	(164,357)	(482,477)	(5,713)	(3,306)
Actual tax expense	666	1,986	680	346	435

Notes:

(i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023.

(ii) Pursuant to the article 27 of Law of the People's Republic of China on Enterprise Income Tax (No. 63 Order of the President of the People's Republic of China), certain subsidiaries are entitled to full income tax exemptions on their animal husbandry business. Effect of tax losses incurred for agricultural business is the tax losses for those subsidiaries which are entitled to full income tax exemptions.

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments of the directors and supervisors of the Company during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 are as followings:

	Year ended 31 December 2020						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Wang Dehui	–	827	647	–	1,474	543	2,017
Yao Hailong	–	992	660	1	1,653	894	2,547
Hu Wei	–	1,033	300	1	1,334	–	1,334
Liu Shan	–	–	–	–	–	–	–
Li Xuewei	–	–	–	–	–	–	–
Supervisors							
Zhu Hui	–	229	100	1	330	31	361
Gong Shuang	–	375	300	1	676	66	742
Zhou Zhexu	–	361	144	1	506	37	543
	–	3,817	2,151	5	5,973	1,571	7,544

	Year ended 31 December 2021						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Wang Dehui	–	1,109	660	36	1,805	547	2,352
Yao Hailong	–	1,321	660	36	2,017	905	2,922
Hu Wei	–	1,086	660	36	1,782	–	1,782
Liu Shan	–	–	–	–	–	–	–
Li Xuewei (resigned on 16 May 2021)	–	–	–	–	–	–	–
Xiang Chuan (appointed on 4 June 2021 and resigned on 3 December 2021)	–	–	–	–	–	–	–
Wang Degen (appointed on 3 December 2021)	–	–	–	–	–	–	–
Supervisors							
Zhu Hui	–	327	144	30	501	32	533
Gong Shuang	–	520	300	36	856	68	924
Zhou Zhexu	–	544	144	36	724	38	762
	–	4,907	2,568	210	7,685	1,590	9,275

	Year ended 31 December 2022						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Wang Dehui	–	996	300	36	1,332	416	1,748
Yao Hailong	–	1,473	300	36	1,809	530	2,339
Hu Wei	–	1,285	300	36	1,621	–	1,621
Liu Shan	–	–	–	–	–	–	–
Wang Degen	–	83	–	3	86	–	86
Supervisors							
Zhu Hui	–	238	25	36	299	11	310
Gong Shuang	–	577	144	36	757	23	780
Zhou Zhexu	–	343	76	36	455	13	468
	–	4,995	1,145	219	6,359	993	7,352

	Five months ended 31 May 2022 (unaudited)						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Wang Dehui	–	302	–	15	317	215	532
Yao Hailong	–	503	–	15	518	335	853
Hu Wei	–	376	–	15	391	–	391
Liu Shan	–	–	–	–	–	–	–
Wang Degen	–	–	–	–	–	–	–
Supervisors							
Zhu Hui	–	101	–	15	116	11	127
Gong Shuang	–	294	–	15	309	23	332
Zhou Zhexu	–	142	–	15	157	13	170
	–	1,718	–	90	1,808	597	2,405

	Five months ended 31 May 2023						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Wang Dehui	–	514	–	15	529	–	529
Yao Hailong	–	350	–	15	365	–	365
Hu Wei	–	556	–	15	571	–	571
Liu Shan	–	–	–	–	–	–	–
Wang Degen	–	462	–	15	477	–	477
Supervisors							
Zhu Hui	–	108	–	15	123	–	123
Gong Shuang	–	257	–	15	272	–	272
Zhou Zhexu	–	172	–	15	187	–	187
	–	2,419	–	105	2,524	–	2,524

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. No emoluments were paid to independent non-executive directors as the appointment of independent non-executive directors will be effective from date of the [**REDACTED**] of the Company's H shares on the Stock Exchange.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two, three, three, three (unaudited) and two are directors for each of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individual are as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other emoluments	2,634	2,464	2,572	1,000	1,897
Discretionary bonuses	2,060	960	690	–	–
Share-based payments	581	376	–	54	–
Retirement scheme contributions	2	72	36	30	45
	5,277	3,872	3,298	1,084	1,942

The emoluments of the individuals who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (unaudited)*	*Number of individuals*
HKDNil – HKD1,000,000	–	–	–	2	3
HKD1,500,001 – HKD2,000,000	1	–	2	–	–
HKD2,000,001 – HKD2,500,000	2	2	–	–	–

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, no emoluments were paid by the Group to the individual as an inducement to join or upon joining the Group or as compensation for loss of office.

10 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, is based on the profit/(loss) attributable to equity shareholders of the Company of RMB3,488,173,000, RMB(2,997,303,000), RMB992,866,000, RMB(1,374,898,000) (unaudited) and RMB(2,026,138,000) and the weighted average number of ordinary shares in issue of 357,538,000, 360,043,000, 361,964,000, 361,964,000 (unaudited) and 361,964,000 for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively.

(a) Weighted average number of shares

Weighted average number of ordinary

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	'000	*'000*	*'000*	*'000 (unaudited)*	*'000*
Ordinary shares at 1 January	290,384	360,000	361,964	361,964	361,964
Effect of ordinary shares issued	4,669	43	–	–	–
Effect of capitalisation issue	62,485	–	–	–	–
Weighted average number of ordinary shares	357,538	360,043	361,964	361,964	361,964

The Company did not have any potential dilutive shares throughout the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023. Accordingly, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Plant and buildings	Right-of-use assets	Machinery and equipment	Vehicles, furniture, and others	Sub-total	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2020	1,210,819	510,651	577,534	149,584	2,448,588	268,566	2,717,154
Additions	45,397	1,034,774	111,755	131,698	1,323,624	2,787,926	4,111,550
Additions through acquisition of subsidiary	–	–	5	–	5	27,605	27,610
Disposals	(7,959)	–	(5,459)	(4,880)	(18,298)	(1,301)	(19,599)
Transfer in/(out)	752,881	–	386,553	28,025	1,167,459	(1,167,459)	–
At 31 December 2020	2,001,138	1,545,425	1,070,388	304,427	4,921,378	1,915,337	6,836,715
At 1 January 2021	2,001,138	1,545,425	1,070,388	304,427	4,921,378	1,915,337	6,836,715
Additions	102,852	891,459	88,203	230,120	1,312,634	1,767,494	3,080,128
Disposals	(1,904)	(11,476)	(4,461)	(4,708)	(22,549)	(6,864)	(29,413)
Transfer in/(out)	1,258,199	–	780,763	84,146	2,123,108	(2,123,108)	–
At 31 December 2021	3,360,285	2,425,408	1,934,893	613,985	8,334,571	1,552,859	9,887,430
At 1 January 2022	3,360,285	2,425,408	1,934,893	613,985	8,334,571	1,552,859	9,887,430
Additions	59,869	211,330	96,785	52,053	420,037	780,109	1,200,146
Disposals	(3,143)	(112,332)	(7,440)	(14,307)	(137,222)	(5,712)	(142,934)
Transfer in/(out)	762,609	–	322,265	46,946	1,131,820	(1,131,820)	–
At 31 December 2022	4,179,620	2,524,406	2,346,503	698,677	9,749,206	1,195,436	10,944,642
At 1 January 2023	4,179,620	2,524,406	2,346,503	698,677	9,749,206	1,195,436	10,944,642
Additions	101,232	303,864	28,852	28,066	462,014	174,326	636,340
Disposals	(5,330)	(4,467)	(3,464)	(2,707)	(15,968)	(629)	(16,597)
Transfer in/(out)	230,525	–	34,485	8,091	273,101	(273,101)	–
At 31 May 2023	4,506,047	2,823,803	2,406,376	732,127	10,468,353	1,096,032	11,564,385

	Plant and buildings *RMB'000*	Right-of-use assets *RMB'000*	Machinery and equipment *RMB'000*	Vehicles, furniture, and others *RMB'000*	Sub-total *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:							
At 1 January 2020	(169,103)	(39,808)	(139,811)	(47,908)	(396,630)	–	(396,630)
Charge for the year	(66,970)	(76,244)	(69,431)	(38,232)	(250,877)	–	(250,877)
Written back on disposals	1,315	–	4,459	2,833	8,607	–	8,607
At 31 December 2020	(234,758)	(116,052)	(204,783)	(83,307)	(638,900)	–	(638,900)
At 1 January 2021	(234,758)	(116,052)	(204,783)	(83,307)	(638,900)	–	(638,900)
Charge for the year	(141,884)	(178,864)	(177,042)	(66,887)	(564,677)	–	(564,677)
Written back on disposals	1,443	4,182	3,496	1,729	10,850	–	10,850
At 31 December 2021	(375,199)	(290,734)	(378,329)	(148,465)	(1,192,727)	–	(1,192,727)
At 1 January 2022	(375,199)	(290,734)	(378,329)	(148,465)	(1,192,727)	–	(1,192,727)
Charge for the year	(177,295)	(231,072)	(203,212)	(112,309)	(723,888)	–	(723,888)
Written back on disposals	2,882	46,529	7,191	11,294	67,896	–	67,896
At 31 December 2022	(549,612)	(475,277)	(574,350)	(249,480)	(1,848,719)	–	(1,848,719)
At 1 January 2023	(549,612)	(475,277)	(574,350)	(249,480)	(1,848,719)	–	(1,848,719)
Charge for the period	(75,740)	(158,735)	(90,371)	(54,460)	(379,306)	–	(379,306)
Written back on disposals	3,730	2,144	2,541	1,914	10,329	–	10,329
At 31 May 2023	(621,622)	(631,868)	(662,180)	(302,026)	(2,217,696)	–	(2,217,696)
Net book value:							
At 31 December 2020	1,766,380	1,429,373	865,605	221,120	4,282,478	1,915,337	6,197,815
At 31 December 2021	2,985,086	2,134,674	1,556,564	465,520	7,141,844	1,552,859	8,694,703
At 31 December 2022	3,630,008	2,049,129	1,772,153	449,197	7,900,487	1,195,436	9,095,923
At 31 May 2023	3,884,425	2,191,935	1,744,196	430,101	8,250,657	1,096,032	9,346,689

Certain of the Group's property, plant and equipment in mainland China with an aggregate net carrying amount of RMB18,423,000, RMB nil, RMB nil, RMB335,137,000 at 31 December 2020, 2021 and 2022 and 31 May 2023 were pledged to secure certain bank borrowings of the Group (Note 26(c)).

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights and leased land	284,238	495,830	417,824	510,952
Pig and chicken farms and office buildings	908,196	1,116,220	1,163,743	1,236,770
Machinery and equipment	236,939	522,624	467,562	444,213
	1,429,373	2,134,674	2,049,129	2,191,935

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:					
– Land use rights and leased land	17,074	78,529	113,265	57,470	67,586
– Pig and chicken farms and office buildings	46,835	46,981	57,759	32,912	46,121
– Machinery and equipment	12,335	53,354	60,048	38,806	45,028
	76,244	178,864	231,072	129,188	158,735
Interest on lease liabilities *(Note 6(a))*	58,351	101,359	149,780	56,698	71,166
Expense relating to short-term leases	1,188	16,799	14,681	7,618	5,006

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(c) and 27, respectively.

(c) Title ownership

As at the date of this report, the Group was in the progress of applying for registration of the ownership certificates for certain of its properties. The aggregate carrying value of such properties as at 31 December 2020, 2021 and 2022 and 31 May 2023 was approximately RMB15,050,000, RMB114,633,000, RMB153,658,000 and RMB155,811,000, respectively. The directors are of the opinion that the defects in title ownership do not have significant adverse impact on the Group's business.

12 BIOLOGICAL ASSETS

The Group

	Breeding stocks – Hog breeders	Breeding stocks – Chicken breeders	Commodity stocks – Live swine	Commodity stocks – Broilers and broiler eggs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	731,047	79,151	1,553,048	309,325	2,672,571
Increase due to purchasing/raising/transfer	2,607,763	137,704	4,541,096	2,623,966	9,910,529
Decrease due to sales/disposal/transfer	(1,637,645)	(127,440)	(3,764,913)	(2,667,877)	(8,197,875)
Changes in fair value	735,257	(12,230)	603,268	(30,569)	1,295,726
At 31 December 2020	2,436,422	77,185	2,932,499	234,845	5,680,951
At 1 January 2021	2,436,422	77,185	2,932,499	234,845	5,680,951
Increase due to purchasing/raising/transfer	2,060,213	174,065	8,025,470	2,919,820	13,179,568
Decrease due to sales/disposal/transfer	(2,374,215)	(164,791)	(6,697,826)	(2,786,088)	(12,022,920)
Changes in fair value	(1,204,366)	(8,097)	(1,530,635)	(10,406)	(2,753,504)
At 31 December 2021	918,054	78,362	2,729,508	358,171	4,084,095
At 1 January 2022	918,054	78,362	2,729,508	358,171	4,084,095
Increase due to purchasing/raising/transfer	1,094,045	162,702	11,328,472	3,752,907	16,338,126
Decrease due to sales/disposal/transfer	(1,084,892)	(157,678)	(10,549,512)	(3,525,821)	(15,317,903)
Changes in fair value	19,154	(2,598)	398,306	(110,067)	304,795
At 31 December 2022	946,361	80,788	3,906,774	475,190	5,409,113
At 1 January 2023	946,361	80,788	3,906,774	475,190	5,409,113
Increase due to purchasing/raising/transfer	673,854	70,652	5,198,068	1,454,369	7,396,943
Decrease due to sales/disposal/transfer	(414,346)	(70,399)	(5,533,777)	(1,471,091)	(7,489,613)
Changes in fair value	(94,089)	6,130	(1,017,066)	(97,397)	(1,202,422)
At 31 May 2023	1,111,780	87,171	2,553,999	361,071	4,114,021

Notes:

(i) Breeding stocks represent hogs and chicken of required qualities that are selected as breeding stock held for own use, including boars, sows, gilts, studs, immature and mature chicken breeders. Boars are male hogs for mating purpose, sows are female hogs which have farrowed and mature chicken breeders are chicken which have mated. Boars, sows and mature chicken breeders held for the production of piglets and eggs for sale and/or further raising to become swine parent stock/chicken breeders or market hogs/chicken. Gilts, studs and immature chicken breeders are pigs/chicken that are selected to be transferred into boars, sows and mature chicken breeders but have not been mated or farrowed. Since there was no active market for boars, sows, immature and mature chicken breeders at specific age, the replacement cost approach has been adopted. Market prices for different species of boars, sows, immature and mature chicken breeders have been obtained as a basis for the replacement cost, and adjusted for the reduction/consumption of economic useful life by applying the respective metrics to estimate the fair value of breeding stock in different species. The fair value of the gilts and studs were derived by multiplying the market prices of the gilts and studs for different species by their corresponding quantities.

Breeding stocks may be transferred to commodity stocks when the pigs/chicken held for own use were expected to be sold as market hogs/chicken.

(ii) Commodity stocks include pigs (piglets, nursery pigs, growers) and chickens (eggs, commodity chicks and broilers). Piglets are new born pigs between birth and weaning between zero to three weeks of age. Nursery pigs are young hogs of around 22-73 days old that have been weaned off and consuming feeding stuff. Growers are hogs that age around 74 to 183 days. Eggs are the fertile eggs laid by chicken breeders which are incubated for around 21 days and hatched into chicken breeds, chicken breeds will be raised for around 90-120 days to broilers or chicken breeders.

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.

Nursery pigs, growers, eggs, chicken breeds, broilers were assumed to (1) be sold live or slaughtered when they become mature, or (2) become breeding stock. The fair value of nursery pigs, growers, fertile eggs, chicken breeds and broilers is derived by assuming the market prices of the commodity stocks, fertile eggs or broilers as the estimated price receivable upon sale or slaughtering, multiplying the unit price for different categories or species by the corresponding quantities, less the expected costs required to raise the hogs or chickens, adjusting with mortality rate and the respective profit margin.

Commodity stocks may be transferred to breeding stocks, when the pigs/chickens are selected as breeding stock held for own use after growers.

(iii) The quantities of biological assets owned by the Group at the end of each reporting period are as follows:

		At 31 December			At 31 May
		2020	**2021**	**2022**	**2023**
		Units	*Units*	*Units*	*Units*
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
Commodity stocks – Hogs					
– Piglets	(Heads)	269,279	440,253	484,102	560,072
– Nursery pigs	(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

(iv) Fair value measurement of biological assets

Fair value hierarchy

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.

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period and in which they occur.

The valuations of the Group's biological assets as at 31 December 2020, 2021 and 2022 and 31 May 2023 were carried out by Jones Lang LaSalle (Beijing) Consultants, Inc. ("JLL"). The Group's finance manager and the chief financial officer have discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting date.

Information about Level 3 fair value measurements

	Significant unobservable inputs	**31 December 2020**	**31 December 2021**	**31 December 2022**	**31 May 2023**
Breeding stocks					
– Sows and boars	Replacement cost	RMB5,400 to RMB12,700 per head	RMB2,770 to RMB7,790 per head	RMB2,650 to RMB11,490 per head	RMB3,250 to RMB11,490 per head
– Gilts and studs	Market price	RMB4,600 to RMB11,900 per head	RMB1,320 to RMB6,000 per head	RMB1,200 to RMB9,700 per head	RMB1,800 to RMB9,700 per head
– Mature breeders	Replacement cost	RMB26 to RMB107 per bird	RMB6.91 to RMB98 per bird	RMB14 to RMB87 per bird	RMB14 to RMB91 per bird
– Immature breeders	Replacement cost	RMB14 to RMB87 per bird	RMB3.14 to RMB77 per bird	RMB2.78 to RMB62 per bird	RMB1.26 to RMB79.68 per bird
Commodity stocks					
– Piglets	Replacement cost	RMB278 to RMB447 per head	RMB276 to RMB580 per head	RMB275 to RMB374 per head	RMB278 to RMB347 per head
– Nursery Pigs and Growers	Market price	RMB34 to RMB37 per kilogram	RMB16 to RMB18 per kilogram	RMB19 to RMB21 per kilogram	RMB14 to RMB15 per kilogram
– Fertile eggs	Market price	RMB0.80 per piece	RMB1.2 per piece	RMB1.42 per piece	RMB1.57 per piece
– Commodity Chicks	Market price	RMB2.78 to RMB5.11 per bird	N/A	RMB1.35 per bird	RMB0.7 per bird
– Broilers	Market price	RMB11 to RMB19 per kilogram	RMB12 to RMB22 per kilogram	RMB11 to RMB23 per kilogram	RMB12 to RMB19 per kilogram

A significant increase/decrease in the estimated market 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 market price of nursery pigs, growers, gilts, studs, eggs, commodity chicks and broilers and replacement cost of piglets, sows, boars, mature and immature chicken breeders held for own use increases by 10%, the estimated fair value of biological assets would have increased by RMB563,805,000, RMB430,419,000, RMB532,584,000 and RMB627,239,000, respectively, and if market price and replacement cost decreases by 10%, the estimated fair value of biological assets would have decreased by RMB557,228,000, RMB489,539,000, RMB551,940,000 and RMB562,332,000, respectively.

Changes in fair value of biological assets are presented separately in the consolidated statements of profit or loss and other comprehensive income.

13 INTANGIBLE ASSETS

The Group

	Software *RMB'000*
Cost:	
At 1 January 2020	815
Additions	1,823
At 31 December 2020	2,638
At 1 January 2021	2,638
Additions	1,264
At 31 December 2021	3,902
At 1 January 2022	3,902
Additions	1,455
At 31 December 2022	5,357
At 1 January 2023	5,357
Additions	566
At 31 May 2023	5,923

	Software *RMB'000*
Accumulated amortisation:	
At 1 January 2020	(592)
Charge for the year	(190)
At 31 December 2020	(782)
At 1 January 2021	(782)
Charge for the year	(612)
At 31 December 2021	(1,394)
At 1 January 2022	(1,394)
Charge for the year	(797)
At 31 December 2022	(2,191)

	Software
	RMB'000
At 1 January 2023	(2,191)
Charge for the period	(908)
At 31 May 2023	(3,099)
Net book value:	
At 31 December 2020	1,856
At 31 December 2021	2,508
At 31 December 2022	3,166
At 31 May 2023	2,824

The amortisation charge for the year/period is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

14 GOODWILL

		At 31 December		**At 31 May**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount	14,730	14,730	14,730	14,730

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) in sales of 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 use 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 pre-tax discount rate of 14.42%, 12.93%, 12.00% and 13.19% 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		**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			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.

15 INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

				Group's effective interest					
Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital *RMB'000*	At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023	As of date of report	Principal activities
Chengdu Dekon Animal Husbandry Technology Co., Ltd. 成都德康畜牧科技有限公司 (*Note (ii)*)	the PRC, limited liability company	29 December 2017	140,000	100%	100%	100%	100%	100%	Holding company
Chengdu Dekon Chicken Breeding Co., Ltd. 成都德康雞業有限公司 (*Note (ii)*)	the PRC, limited liability company	10 October 2014	72,000	100%	100%	100%	100%	100%	Holding company
Chengdu Xindekon Food Co., Ltd. 成都新德康食品有限公司 (*Note (ii)*)	the PRC, limited liability company	17 August 2020	100,000	100%	100%	100%	100%	100%	Holding company
Chengdu Dekon Animal Health Technology Service Co., Ltd. 成都德康動物健康技術服務有限公司 (*Note (ii)*)	the PRC, limited liability company	6 November 2018	50,000	100%	100%	100%	100%	100%	Trading
Mianzhu Dekon Pig Farming Co., Ltd. 綿竹德康生豬養殖有限公司 (*Note (ii)*)	the PRC, limited liability company	13 June 2012	20,000	100%	100%	100%	100%	100%	Pig farming
Sihong Dekon Farming and Technology Co., Ltd. 泗洪德康農牧科技有限公司 (*Note (ii)*)	the PRC, limited liability company	18 April 2018	185,000	65%	65%	65%	65%	65%	Pig farming
Horqin Right Front Banner Dekon Agriculture and Animal Husbandry Co., Ltd. 科爾沁右翼前旗德康農牧有限公司 (*Note (ii)*)	the PRC, limited liability company	13 December 2016	30,000	69%	69%	69%	70%	70%	Pig farming

Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital *RMB'000*	Group's effective interest At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023	As of date of report	Principal activities
Chongqing Hechuan Dekon Pig Farming Co., Ltd. 重慶市合川區德康生豬養殖有限公司 (*Note (ii)*)	the PRC, limited liability company	28 October 2015	20,000	100%	100%	100%	100%	100%	Pig farming
Xuanwei Dekon Pig Farming Co., Ltd. 宣威德康生豬養殖有限公司 (*Note (ii)*)	the PRC, limited liability company	18 October 2012	50,000	98.40%	100%	100%	100%	100%	Pig farming
Xishui Dekon Agriculture and Animal Husbandry Co., Ltd. 習水德康農牧有限公司 (*Note (ii)*)	the PRC, limited liability company	4 July 2012	20,000	100%	100%	100%	100%	100%	Pig farming
Baotou Dekon Agriculture and Animal Husbandry Co., Ltd.包頭德康農牧有限公司 (*Note (ii)*)	the PRC, limited liability company	10 September 2015	10,000	69%	69%	69%	70%	70%	Pig farming
Ceheng Dekon Agriculture and Animal Husbandry Co., Ltd.冊亨德康農牧有限公司 (*Note (ii)*)	the PRC, limited liability company	19 September 2019	10,000	100%	100%	100%	100%	100%	Pig farming
Fushun Dekon Pig Breeding Co., Ltd.富順德康生豬養殖有限公司 (*Note (ii)*)	the PRC, limited liability company	20 May 2015	65,000	100%	100%	100%	100%	100%	Pig farming
Quxian Dekon Pig Farming Co., Ltd. 渠縣德康生豬養殖有限公司 (*Note (ii)*)	the PRC, limited liability company	17 May 2012	10,000	100%	100%	100%	100%	100%	Pig farming
Jiangan Dekon Pig Farming Co., Ltd. 江安德康生豬養殖有限公司 (*Note (ii)*)	the PRC, limited liability company	27 April 2012	10,000	100%	100%	100%	100%	100%	Pig farming
Songtao Dekon Agriculture and Animal Husbandry Co., Ltd. 松桃德康農牧有限公司 (*Note (ii)*)	the PRC, limited liability company	1 March 2012	10,000	100%	100%	100%	100%	100%	Pig farming
Anshun Dekon Agriculture and Animal Husbandry Co., Ltd. 安順德康農牧有限公司 (*Note (ii)*)	the PRC, limited liability company	9 May 2011	10,000	100%	100%	100%	100%	100%	Pig farming
Yuechi Yincheng Dekon Animal Husbandry Co., Ltd. 岳池銀城德康畜牧有限公司 (*Note (ii)*)	the PRC, limited liability company	21 January 2008	5,000	100%	100%	100%	100%	100%	Pig farming
Chongqing Wanzhou Dekon Agriculture and Animal Husbandry Technology Co., Ltd. 重慶萬州德康農牧科技有限公司 (*Note (ii)*)	the PRC, limited liability company	3 December 2018	40,000	76%	76%	76%	76%	76%	Pig farming
Xinping Dekon Agriculture and Animal Husbandry Co., Ltd. 新平德康農牧有限公司 (*Note (ii)*)	the PRC, limited liability company	1 March 2017	10,000	100%	100%	100%	100%	100%	Pig farming
Renshou Dekon Agriculture and Animal Husbandry Co., Ltd. 仁壽德康農牧有限公司 (*Note (ii)*)	the PRC, limited liability company	4 December 2018	100,000	100%	100%	100%	100%	100%	Pig farming

Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital *RMB'000*	Group's effective interest At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023	As of date of report	Principal activities
Zigong Dekon Animal Husbandry Technology Co., Ltd. 自貢德康農牧科技有限公司 *(Note (ii))*	the PRC, limited liability company	31 October 2019	64,500	100%	100%	100%	100%	100%	Pig farming
Guigang Dekon Pig Farming Co., Ltd. 貴港德康生豬養殖有限公司 *(Note (ii))*	the PRC, limited liability company	21 September 2016	10,000	100%	100%	100%	100%	100%	Pig farming
Taijiang Dekon Agriculture and Animal Husbandry Co., Ltd. 臺江德康農牧有限公司 *(Note (ii))*	the PRC, limited liability company	31 May 2017	10,000	100%	100%	100%	100%	100%	Pig farming
Pengan Dekon Pig Breeding Co., Ltd. 蓬安德康種豬繁育有限公司 *(Note (ii))*	the PRC, limited liability company	5 March 2008	37,000	100%	100%	100%	100%	100%	Pig farming
Guangan Dekon Pig Farming Co., Ltd. 廣安德康生豬養殖有限公司 *(Note (ii))*	the PRC, limited liability company	18 January 2013	10,000	100%	100%	100%	100%	100%	Pig farming
Suqian Dekon Agriculture and Animal Husbandry Co., Ltd. 宿遷德康農牧有限公司 *(Note (iii))*	the PRC, limited liability company	8 June 2020	20,000	100%	100%	100%	100%	100%	Pig farming
Yiyang Dekon Pig Farming Co., Ltd 弋陽縣德康種豬繁育有限公司 *(Note (ii))*	the PRC, limited liability company	17 July 2015	20,000	95%	95%	95%	95%	95%	Pig farming
Jiangsu Dekon Animal Husbandry Technology Co., Ltd. 江蘇德康農牧科技有限公司 *(Note (ii))*	the PRC, limited liability company	14 December 2017	186,400	65%	65%	65%	65%	65%	Pig farming
Guizhou Guian New Area Dekon Poultry Farming Co., Ltd. 貴州貴安新區德康家禽養殖有限公司 *(Note (ii))*	the PRC, limited liability company	20 May 2011	10,000	99%	99%	99%	99%	99%	Yellow-feathered broiler farming
Shilin Dekon Poultry Farming Co., Ltd. 石林德康家禽養殖有限公司 *(Note (ii))*	the PRC, limited liability company	28 January 2011	5,000	95%	95%	95%	95%	95%	Yellow-feathered broiler farming
Kunming Dekon Poultry Farming Co., Ltd. 昆明德康家禽養殖有限公司 *(Note (ii))*	the PRC, limited liability company	30 September 2009	3,000	98%	98%	98%	98%	98%	Yellow-feathered broiler farming
Deyang Dekon Poultry Farming Co., Ltd. 德陽德康家禽養殖有限公司 *(Note (ii))*	the PRC, limited liability company	24 September 2009	2,000	100%	100%	100%	100%	100%	Yellow-feathered broiler farming
Xifeng Dekon Poultry Farming Co., Ltd. 息烽德康家禽養殖有限公司 *(Note (ii))*	the PRC, limited liability company	16 December 2008	12,000	99%	99%	99%	99%	99%	Yellow-feathered broiler farming
Guangdong Zhicheng Foods Co., Ltd. 廣東智成食品有限公司 *(Note (vi))*	the PRC, limited liability company	23 August 2007	10,000	92%	92%	92%	92%	92%	Yellow-feathered broiler farming

Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital *RMB'000*	Group's effective interest At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023	As of date of report	Principal activities
Chongqing Bishan Dekon Poultry Farming Co., Ltd. 重慶市璧山區德康家禽養殖有限公司 *(Note (ii))*	the PRC, limited liability company	27 April 2007	10,000	88%	88%	88%	88%	88%	Yellow-feathered broiler farming
Guangdong Wizagricultural Science & Technology Co., Ltd. 廣東智威農業科技股份有限公司 *(Note (iv))*	the PRC, limited liability company	10 July 2003	54,000	92%	92%	92%	92%	92%	Yellow-feathered broiler farming
Kaiping Jinjiwang Poultry Co., Ltd. 開平金雞王禽業有限公司 *(Note (v))*	the PRC, limited liability company	11 November 2002	6,000	92%	92%	92%	92%	92%	Yellow-feathered broiler farming

Notes:

(i) The official names of all these entities are in Chinese. The English translation is for identification only. All these entities are established in the PRC with limited liability and have their operations in the PRC.

(ii) No audited financial statements have been prepared for these companies during the relevant periods.

(iii) The financial statements of this entity for the year ended 31 December 2021 have been audited by Suqian Qiushi Certified Public Accountants Co., Ltd. 宿遷求實會計師事務所有限公司.

(iv) The financial statements of this entity for the years ended 31 December 2020, 2021 and 2022 have been audited by Shaoguan Gongxin Certified Public Accountants Co., Ltd. 韶關市公信會計師事務所有限公司, Guangdong Chengfengxin Certified Public Accountants Co., Ltd. 廣東誠豐信會計師事務所有限公司 and Guangdong Zhengyue Accounting Firm (General Partnership) 廣東正粵會計師事務所(普通合夥), respectively.

(v) The financial statements of this entity for the years ended 31 December 2020, 2021 and 2022 have been audited by Shaoguan Gongxin Certified Public Accountants Co., Ltd. 韶關市公信會計師事務所有限公司, Guangdong Weide Certified Public Accountants (General Partnership) 廣東維德會計師事務所(普通合夥) and Guangdong Weide Certified Public Accountants (General Partnership) 廣東維德會計師事務所(普通合夥), respectively.

(vi) The financial statements of this entity for the years ended 31 December 2020, 2021 and 2022 have been audited by Shaoguan Gongxin Certified Public Accountants Co., Ltd. 韶關市公信會計師事務所有限公司, Shaoguan Gongxin Certified Public Accountants Co., Ltd. 韶關市公信會計師事務所有限公司 and Shaoguan Zhijie Certified Public Accountants' Firm 韶關市智傑會計師事務所(普通合夥), respectively.

The above table lists out the subsidiaries of the Company which, in the opinion of the directors, principally affected the Group's profits or losses or formed a substantial portion of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16 INTERESTS IN ASSOCIATES

The principal associates of the Group are as follows:

Name of company	Place of establishment/ incorporation/ operation and legal form of the entity	Date of establishment/ incorporation	Particulars of issued/ paid-up capital *RMB'000*	Proportion of ownership interest At 31 December 2020	At 31 December 2021	At 31 December 2022	At 31 May 2023	As of date of report	Principal activities
Jilin Songfa Dekon Agricultural Industry Development Co., Ltd. 吉林松發德康農業産業發展有限公司	the PRC, limited liability company	3 January 2017	10,000	40%	40%	40%	40%	40%	Pig farming
Chongqing Detianfeng Modern Agricultural Development Co., Ltd. 重慶德添豐現代農業發展有限公司 *(i)*	the PRC, limited liability company	14 September 2019	20,000	5%	5%	5%	5%	5%	Pig farming
Jilin Jinlongfeng Agriculture and Animal Husbandry Technology Co., Ltd.吉林金隆豐農牧科技有限公司	the PRC, limited liability company	22 July 2020	40,000	20%	20%	20%	20%	20%	Pig farming

(i) The Group has voting right in the meeting of the board of the entity and has significant influence on the entity.

Information of associates that are not individually material:

	At 31 December 2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	At 31 May 2023 *RMB'000*
Carrying amount of individually immaterial associates in the Historical Financial Information	9,653	16,382	–	–

	Year ended 31 December 2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	Five months ended 31 May 2023 *RMB'000*
Amounts of the Group's share of individually immaterial associates' loss and total comprehensive income	(347)	(3,271)	(16,382)	–

17 OTHER NON-CURRENT ASSETS

The Group

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	46,203	54,732	19,999	58,623
Others	6,314	5,435	5,663	5,199
	52,517	60,167	25,662	63,822

18 INVENTORIES

The Group

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*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
	444,081	570,128	707,180	529,988

19 TRADE RECEIVABLES

The Group

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from:				
– related parties	–	–	–	217
– third parties	1,598	5,745	13,442	14,983
	1,598	5,745	13,442	15,200
Less: expected credit loss	(7)	(6)	(8)	(6)
	1,591	5,739	13,434	15,194

All of the trade receivables, net of allowance for doubtful debts (if any), are expected to be recovered within one year.

All of the trade receivables were due upon issuing the invoices.

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,435	5,705	9,959	14,016
1 to 2 years	154	29	3,473	1,052
2 to 3 years	2	5	2	126
	1,591	5,739	13,434	15,194

Further details on the Group's credit policy and credit risk arising from trade receivable are set out in Note 35(a).

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*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 *(Note (i))*	–	–	15,681	28,545
Others	4,637	13,596	23,078	37,489
Total	142,095	235,284	413,418	424,752

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

Note:

(i) The balance at 31 December 2022 and 31 May 2023 will be transferred to the capital reserve account within equity upon the [**REDACTED**] of the Company's shares on the Stock Exchange.

21 FINANCIAL ASSETS AT FVPL

The Group/Company

	The Group				The Company			
	At 31 December			At 31 May	At 31 December			At 31 May
	2020	2021	2022	2023	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RMB wealth management products	655,198	50,283	351,341	392,641	655,198	50,283	351,341	392,641
Unlisted equity investments	–	1,500	1,380	1,012	–	–	–	–
Total	655,198	51,783	352,721	393,653	655,198	50,283	351,341	392,641

22 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group				The Company			
	At 31 December			At 31 May	At 31 December			At 31 May
	2020	2021	2022	2023	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial assets								
Commodity futures contracts	–	38,746	–	16,139	–	38,692	–	16,019
Derivative financial liabilities								
Commodity futures contracts	–	(342)	(445)	(3,498)	–	–	(445)	(2,939)
Options contracts	–	–	(2,040)	(22,245)	–	–	(1,955)	(17,863)
	–	(342)	(2,485)	(25,743)	–	–	(2,400)	(20,802)

The Group has entered into live hog and soybean meal future contracts and live hog options contracts to manage the future price risk in live hog and soybean meal. These futures and options contracts are measured at FVPL.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents represent cash at bank.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Interest bearing borrowings	**Interest payable**	**Other non-current liabilities**	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 26)	*(Note 25)*	*(Note 31)*	*(Note 27)*	
At 1 January 2020	1,012,722	1,027	34,200	433,534	1,481,483
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	3,871,083	–	–	–	3,871,083
Repayment of interest-bearing borrowings	(724,375)	–	–	–	(724,375)
Capital element of lease rental paid	–	–	–	(72,284)	(72,284)
Interest element of lease rentals paid	–	–	–	(58,351)	(58,351)
Other interests paid	–	(113,441)	–	–	(113,441)
Total changes from financing cash flows	3,146,708	(113,441)	–	(130,635)	2,902,632
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	931,391	931,391
Interest expenses *(Note 6(a))*	–	117,151	–	58,351	175,502
Total other changes	–	117,151	–	989,742	1,106,893
At 31 December 2020	4,159,430	4,737	34,200	1,292,641	5,491,008

	Interest bearing borrowings RMB'000 (Note 26)	Interest payable RMB'000 (Note 25)	Other non-current liabilities RMB'000 (Note 31)	Lease liabilities RMB'000 (Note 27)	Total RMB'000
At 1 January 2021	4,159,430	4,737	34,200	1,292,641	5,491,008
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	4,384,341	–	–	–	4,384,341
Proceeds non-interest-bearing government loans	–	–	(10,000)	–	(10,000)
Repayment of interest-bearing borrowings	(2,575,612)	–	–	–	(2,575,612)
Capital element of lease rental paid	–	–	–	(55,239)	(55,239)
Interest element of lease rentals paid	–	–	–	(101,359)	(101,359)
Other interests paid	–	(269,916)	–	–	(269,916)
Total changes from financing cash flows	1,808,729	(269,916)	(10,000)	(156,598)	1,372,215
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	843,681	843,681
Interest expenses *(Note 6(a))*	–	273,329	–	101,359	374,688
Total other changes	–	273,329	–	945,040	1,218,369
At 31 December 2021	5,968,159	8,150	24,200	2,081,083	8,081,592

	Interest bearing borrowings RMB'000 (Note 26)	Interest payable RMB'000 (Note 25)	Other non-current liabilities RMB'000 (Note 31)	Lease liabilities RMB'000 (Note 27)	Total RMB'000
At 1 January 2022	5,968,159	8,150	24,200	2,081,083	8,081,592
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	4,396,003	–	–	–	4,396,003
Repayment of non-interest bearing government loans	–	–	(20,000)	–	(20,000)
Repayment of interest-bearing borrowings	(3,468,381)	–	–	–	(3,468,381)
Capital element of lease rental paid	–	–	–	(149,630)	(149,630)
Interest element of lease rentals paid	–	–	–	(149,780)	(149,780)
Other interests paid	–	(294,424)	–	–	(294,424)
Total changes from financing cash flows	927,622	(294,424)	(20,000)	(299,410)	313,788

	Interest bearing borrowings *RMB'000* *(Note 26)*	Interest payable *RMB'000* *(Note 25)*	Other non-current liabilities *RMB'000* *(Note 31)*	Lease liabilities *RMB'000* *(Note 27)*	Total *RMB'000*
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	192,522	192,522
Interest expenses *(Note 6(a))*	–	294,236	–	149,780	444,016
Total other changes	–	294,236	–	342,302	636,538
At 31 December 2022	6,895,781	7,962	4,200	2,123,975	9,031,918

	Interest bearing borrowings *RMB'000* *(Note 26)* *(unaudited)*	Interest payable *RMB'000* *(Note 25)* *(unaudited)*	Other non-current liabilities *RMB'000* *(Note 31)* *(unaudited)*	Lease liabilities *RMB'000* *(Note 27)* *(unaudited)*	Total *RMB'000* *(unaudited)*
At 1 January 2022	5,968,159	8,150	24,200	2,081,083	8,081,592
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	2,557,020	–	–	–	2,557,020
Repayment of interest-bearing borrowings	(1,712,056)	–	–	–	(1,712,056)
Capital element of lease rental paid	–	–	–	(13,772)	(13,772)
Interest element of lease rentals paid	–	–	–	(56,698)	(56,698)
Other interests paid	–	(109,116)	–	–	(109,116)
Total changes from financing cash flows	844,964	(109,116)	–	(70,470)	665,378
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	–	–	105,642	105,642
Interest expenses *(Note 6(a))*	–	125,976	–	56,698	182,674
Total other changes	–	125,976	–	162,340	288,316
At 31 May 2022	6,813,123	25,010	24,200	2,172,953	9,035,286

	Interest bearing borrowings *RMB'000* *(Note 26)*	Interest payable *RMB'000* *(Note 25)*	Other non-current liabilities *RMB'000* *(Note 31)*	Lease liabilities *RMB'000* *(Note 27)*	Total *RMB'000*
At 1 January 2023	6,895,781	7,962	4,200	2,123,975	9,031,918
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	2,356,096	–	–	–	2,356,096
Repayment of non-interest bearing government loans	–	–	(4,200)	–	(4,200)
Repayment of interest-bearing borrowings	(2,215,569)	–	–	–	(2,215,569)
Capital element of lease rental paid	–	–	–	(61,640)	(61,640)
Interest element of lease rentals paid	–	–	–	(71,166)	(71,166)
Other interests paid	–	(106,110)	–	–	(106,110)
Total changes from financing cash flows	140,527	(106,110)	(4,200)	(132,806)	(102,589)
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	–	–	238,318	238,318
Interest expenses *(Note 6(a))*	–	128,318	–	71,166	199,484
Total other changes	–	128,318	–	309,484	437,802
At 31 May 2023	7,036,308	30,170	–	2,300,653	9,367,131

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating cash flows	1,188	16,799	14,681	7,618	5,006
Within investing cash flows	–	38,822	4,792	4,792	42,546
Within financing cash flows	130,635	156,598	299,410	70,470	132,806
	131,823	212,219	318,883	82,880	180,358

These amounts relate to the following:

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Lease rentals paid	131,823	173,397	314,091	78,088	137,812
Additions of land use rights	–	38,822	4,792	4,792	42,546
	131,823	212,219	318,883	82,880	180,358

(d) Net cash inflow arising from the disposal of subsidiaries

The disposal of subsidiaries during the year ended 31 December 2021 and 2022 had the following effects on the Group's assets and liabilities on the disposal dates:

	2021	**2022**
	RMB'000	*RMB'000*
Non-current assets	–	2,192
Current assets	4,265	784
Current liabilities	(307)	–
	3,958	2,976
Less: non-controlling interests	(396)	(298)
Net assets	3,562	2,678

Net gain/(loss) on disposal of interests in subsidiaries arising from the disposal has been recognised as follows:

	2021	**2022**
	RMB'000	*RMB'000*
Considerations received	4,500	1,826
Net assets	(3,562)	2,678
Net gain/(loss) on disposal of interests in subsidiaries	938	(852)

An analysis of the cash flows in respect of the disposal of the subsidiaries is as follows:

	2021	**2022**
	RMB'000	*RMB'000*
Consideration	4,500	1,826
Cash and cash equivalents disposed of	(4,106)	(784)
Net cash inflow included in investing activities	394	1,042

24 TRADE AND BILLS PAYABLES

The Group

		At 31 December		**At 31 May**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables due to:				
– related parties	17,149	82,093	34,823	68,702
– third parties	591,213	1,119,102	1,453,187	1,439,849
	608,362	1,201,195	1,488,010	1,508,551
Bills payables	20,000	–	–	197,956
	628,362	1,201,195	1,488,010	1,706,507

As of the end of each reporting period, the ageing analysis of trade and bills payables of the Group, based on the invoice date, is as follows:

		At 31 December		**At 31 May**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	620,144	1,187,379	1,457,579	1,680,219
1-2 years	7,349	11,276	21,610	17,249
2-3 years	118	2,323	6,850	6,654
Over 3 years	751	217	1,971	2,385
	628,362	1,201,195	1,488,010	1,706,507

As at 31 December 2020, 2021, and 2022 and 31 May 2023 all trade and bills payables of the Group are or expected to be settled within one year or are payable on demand.

25 ACCRUALS AND OTHER PAYABLES

The Group

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for staff related cost	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

Notes:

(a) All of the accruals and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

(b) Movements in contract liabilities

	Year ended 31 December			Five months ended 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	15,655	46,239	35,273	68,505
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(15,655)	(46,239)	(35,273)	(68,505)
Increase in contract liabilities as a result of receipt in advance of transferring goods	46,239	35,273	68,505	56,749
At 31 December/31 May	46,239	35,273	68,505	56,749

26 INTEREST-BEARING BORROWINGS

(a) The interest-bearing borrowings comprise:

	The Group				The Company			
	At 31 December			At 31 May	At 31 December			At 31 May
	2020	2021	2022	2023	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans								
– Guaranteed by a company controlled by the ultimate controlling party	–	–	–	39,300	–	–	–	–
– Guaranteed by a company controlled by the ultimate controlling party, ultimate controlling party, spouse of the ultimate controlling party and a company controlled by the spouse of the ultimate controlling party	1,912,000	1,527,700	1,698,100	2,125,800	1,912,000	1,527,700	1,698,100	2,125,800
– Guaranteed by a company controlled by the ultimate controlling party, ultimate controlling party and a company controlled by the spouse of the ultimate controlling party	699,500	889,000	980,000	770,000	699,500	699,000	980,000	770,000
– Guaranteed by ultimate controlling party	165,403	464,958	377,698	362,134	–	–	–	–
– Guaranteed by a company controlled by one of the Directors of a subsidiary	92,000	74,440	56,880	45,600	–	–	–	–
– Guaranteed by a company controlled by the ultimate controlling party and ultimate controlling party	–	–	–	100,000	–	–	–	100,000
– Secured by property, plant and equipment	–	–	–	131,000	–	–	–	–
– Unsecured and unguaranteed	766,528	1,825,343	2,089,649	1,874,602	–	–	–	–
Total bank loans	3,635,431	4,781,441	5,202,327	5,448,436	2,611,500	2,226,700	2,678,100	2,995,800
Government loans								
– Unsecured and unguaranteed	41,494	35,509	15,300	15,300	–	–	–	–
Loans from discounted bills								
– Guaranteed by a company controlled by the ultimate controlling party, ultimate controlling party and a company controlled by the spouse of the ultimate controlling party	200,000	550,000	200,000	100,000	150,000	400,000	200,000	100,000
– Secured by restricted deposits and guaranteed by a company controlled by the ultimate controlling party, ultimate controlling party and a company controlled by the spouse of the ultimate controlling party	133,000	150,000	200,000	257,000	133,000	150,000	200,000	257,000
– Secured by restricted deposits	75,000	100,000	357,000	300,000	75,000	100,000	357,000	300,000
– Unsecured and unguaranteed	–	–	90,000	90,000	–	–	90,000	90,000
Loans from other financial institutions								
– Guaranteed by ultimate controlling party	–	98,954	525,876	512,895	–	–	97,700	86,389
– Secured by property, plant and equipment and guaranteed by a company controlled by one of the shareholders	12,505	–	–	–	–	–	–	–
– Unsecured and unguaranteed	–	200,255	253,278	260,677	–	–	33,210	55,985
Loans from non-controlling shareholders of subsidiaries								
– Unsecured and unguaranteed	62,000	52,000	52,000	52,000	–	–	–	–
Total other loans	523,999	1,186,718	1,693,454	1,587,872	358,000	650,000	977,910	889,374
	4,159,430	5,968,159	6,895,781	7,036,308	2,969,500	2,876,700	3,656,010	3,885,174

All the guarantees provided by related parties in connection with loans as at 31 May 2023 will be released before [**REDACTED**].

(b) The interest-bearing borrowings were repayable as follows:

	The Group				The Company			
	At 31 December			At 31 May	At 31 December			At 31 May
	2020	2021	2022	2023	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	2,445,481	3,214,308	4,455,510	4,994,910	2,158,000	2,565,600	3,350,560	3,843,485
After 1 year but within 2 years	738,451	906,712	1,186,842	931,100	565,500	311,100	305,450	41,637
After 2 years but within 5 years	837,212	1,576,038	1,167,981	970,635	246,000	–	–	52
After 5 years	138,286	271,101	85,448	139,663	–	–	–	–
Total non-current loans	1,713,949	2,753,851	2,440,271	2,041,398	811,500	311,100	305,450	41,689
	4,159,430	5,968,159	6,895,781	7,036,308	2,969,500	2,876,700	3,656,010	3,885,174

(c) The interest-bearing borrowings were secured by assets of the Group as follows:

	The Group				The Company			
	At 31 December			At 31 May	At 31 December			At 31 May
	2020	2021	2022	2023	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	18,423	–	–	335,137	–	–	–	–
Restricted deposits for interest-bearing borrowings	88,300	150,000	377,100	377,100	88,300	150,000	377,100	377,100
	106,723	150,000	377,100	712,237	88,300	150,000	377,100	377,100

27 LEASE LIABILITIES

The lease liabilities of the Group were repayable as follows:

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	44,265	71,264	76,925	83,324
After 1 year but within 2 years	41,748	67,212	72,163	78,165
After 2 years but within 5 years	96,020	154,587	166,987	180,878
After 5 years	1,110,608	1,788,020	1,807,900	1,958,286
	1,248,376	2,009,819	2,047,050	2,217,329
	1,292,641	2,081,083	2,123,975	2,300,653

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 29 June 2019, a share incentive scheme ("First Restricted Share Award Scheme") was approved at the Company's first extraordinary general meeting of 2019. The Company issued 3,807,107 restricted shares to an employee (the "Employee") at a subscription price of RMB4.00 each and 7,814,213 restricted shares to eligible directors and employees through an employee shareholding platform at a subscription price of RMB9.85 each under First Restricted Share Award Scheme.

On 15 December 2019, a share incentive scheme ("Second Restricted Share Award Scheme") was approved at the Company's fifth extraordinary general meeting of 2019. The Company issued 1,422,221 restricted shares to the eligible directors and employees through another employee shareholding platform at a subscription price of RMB30.11 each under Second Restricted Share Award Scheme.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions
Restricted shares granted to directors:		
– On 29 June 2019 under First Restricted Share Award Scheme	2,281,219	Service period conditions apply (Note (i))
– 15 December 2019 under Second Restricted Share Award Scheme	391,593	Service period conditions apply (Note (i))
Restricted shares granted to employees:		
– On 29 June 2019 under First Restricted Share Award Scheme	3,807,107	Vested upon granted
– On 29 June 2019 under First Restricted Share Award Scheme	5,532,994	Service period conditions apply (Note (i))
– 15 December 2019 under Second Restricted Share Award Scheme	1,030,628	Service period conditions apply (Note (i))
Total Restricted shares granted	13,043,541	

Note:

(i) The restricted shares will vest over a three-year period, with 33%, 33% and 34% of total restricted shares vesting on the first trading day after the first, second and third anniversary date from the date of the registration of grant, respectively, upon meeting the vesting conditions with reference to the service period of grantees.

(b) Set out below are details of the movements of the restricted shares:

	At 31 December			At 31 May
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Outstanding at the beginning of the year/period	9,237	6,189	3,141	–
Vested during the year/period	(3,048)	(3,048)	(3,141)	–
Outstanding at the end of the year/period	6,189	3,141	–	–

(c) Fair value of share-based compensation

The fair value of share-based compensation in respect of restricted shares granted to the Employee and other grantees on 30 April 2019 and the grantees on 15 December 2019 was estimated to be RMB7.07 per share, RMB1.22 per share, and RMB5.19 per share, respectively. The fair value is estimated based on the difference between the market price of the ordinary share at the grant date and the proceeds received from the grantees.

The Group has recognised share-based payment expenses of RMB5,567,000, RMB5,633,000, RMB3,579,000, RMB2,121,000 (unaudited) and RMB nil for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively.

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	487	383	118	118	560
Provision for the year/period	666	1,986	681	346	435
Income tax paid	(770)	(2,251)	(239)	(201)	(199)
At the end of the year/period	383	118	560	263	796

(b) Deferred tax assets and recognised:

Movement of deferred tax assets

	Year ended 31 December			Five months ended 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1	1	1	2
Charged to profit or loss	–	–	1	–
At the end of the year/period	1	1	2	2

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(*t*), the Group has not recognised deferred tax assets in respect of tax losses and other temporary difference of RMB336,491,000, RMB324,186,000, RMB469,448,000 and RMB512,381,000 during the years ended 31 December 2020 ,2021 and 2022 and the five months ended 31 May 2023, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Such cumulative tax losses will be carried forward and expire in years as follows:

	Year ended 31 December			Five months ended 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year of 2021	27,787	–	–	–
Year of 2022	9,203	9,194	–	–
Year of 2023	58,237	58,237	58,227	58,226
Year of 2024	130,444	130,444	130,444	127,595
Year of 2025	110,820	110,310	110,070	110,070
Year of 2026	–	16,001	15,341	10,534
Year of 2027	–	–	155,366	152,815
Year of 2028	–	–	–	53,141
	336,491	324,186	469,448	512,381

30 DEFERRED INCOME

The Group

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	303,460	385,543	527,719	660,738
New grant	123,105	193,755	207,061	50,081
Credit to profit or loss	(41,022)	(51,579)	(74,042)	(29,386)
At 31 December/31 May	385,543	527,719	660,738	681,433

Deferred income mainly represents government grants relating to construction of property, plant and equipment, which are recognised as income on a straight-line basis over the expected useful life of relevant assets.

31 OTHER NON-CURRENT LIABILITIES

The other non-current liabilities represented non-interest-bearing government loans and were repayable as follows:

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
After 1 year but within 2 years	10,000	20,000	4,200	–
After 2 years but within 5 years	24,200	4,200	–	–
	34,200	24,200	4,200	–

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

	Note	**Share capital**	**Capital reserve**	**Statutory surplus reserve**	**Retained earnings**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020		290,384	567,010	14,330	(69,254)	802,470
Changes in equity for 2020:						
Total comprehensive income for the year		–	–	–	424,566	424,566
Issue of ordinary shares	*32(c)*	6,701	293,299	–	–	300,000
Appropriation to reserves	*32(d)*	–	–	30,522	(30,522)	–
Recognition of share-based payments	*28*	–	5,567	–	–	5,567
Capitalisation issue	*32(c)*	62,915	–	–	(62,915)	–
Dividends declared and paid during the year	*32(b)*	–	–	–	(80,000)	(80,000)

	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 31 December 2020 and 1 January 2021		360,000	865,876	44,852	181,875	1,452,603
Changes in equity for 2021:						
Total comprehensive income for the year		–	–	–	738,969	738,969
Issue of ordinary shares	*32(c)*	1,964	118,036	–	–	120,000
Appropriation to reserves	*32(d)*	–	–	73,816	(73,816)	–
Recognition of share-based payments	*28*	–	5,633	–	–	5,633
Balance at 31 December 2021		361,964	989,545	118,668	847,028	2,317,205
Balance at 1 January 2022		361,964	989,545	118,668	847,028	2,317,205
Changes in equity for 2022:						
Total comprehensive income for the year		–	–	–	75,280	75,280
Appropriation to reserves	*32(d)*	–	–	7,528	(7,528)	–
Recognition of share-based payments	*28*	–	3,579	–	–	3,579
Balance at 31 December 2022		361,964	993,124	126,196	914,780	2,396,064

	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2022		361,964	989,545	118,668	847,028	2,317,205
Changes in equity for five months ended 31 May 2022 (unaudited):						
Total comprehensive income for the period (unaudited)		–	–	–	4,470	4,470
Recognition of share-based payments (unaudited)	*28*	–	2,121	–	–	2,121
Balance at 31 May 2022 (unaudited)		361,964	991,666	118,668	851,498	2,323,796

	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2023		361,964	993,124	126,196	914,780	2,396,064
Changes in equity for five months ended 31 May 2023:						
Total comprehensive income for the period		–	–	–	(13,176)	(13,176)
Balance at 31 May 2023		361,964	993,124	126,196	901,604	2,382,888

(b) Dividends

Dividends declared during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023.

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Dividend declared during the year	80,000	–	–	–	–
Dividend per ordinary share (RMB)	0.27	–	–	–	–

In October 2020, the Company declared dividends to its shareholders with amounts of RMB80,000,000, which was fully settled in cash in October 2020.

(c) Share capital

	Number of ordinary shares	Amount
	'000	*RMB'000*
Issued and fully paid:		
1 January 2020	290,384	290,384
Issuance of ordinary shares *(Note (i))*	6,701	6,701
Capitalisation issue *(Note (ii))*	62,915	62,915
At 31 December 2020 and 1 January 2021	360,000	360,000
Issuance of ordinary shares *(Note (iii))*	1,964	1,964
At 31 December 2021, 31 December 2022 and 31 May 2023	361,964	361,964

Notes:

(i) On 21 April 2020, the shareholders' meeting of the Company approved the investment agreement with an independent investor, pursuant to which the investor subscribed 6,701,000 shares of the Company at a consideration of RMB300,000,000.

(ii) On 30 October 2020, pursuant to the resolution passed by the equity shareholders of the Company, the Company converted RMB62,915,000 from retained earnings to share capital.

(iii) On 24 December 2021, the Company issued 1,963,636 shares to an investor at a consideration of RMB120,000,000.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the following:

– the proceeds in excess of the par value upon shares issuance received by the Company as disclosed in Note 32(c).

– the portion of the grant date fair value of unvested shares granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(s)(ii); and

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Company and the Company's subsidiaries in the PRC, appropriations to statutory surplus reserve were made at a certain percentage of after-tax profit (after offsetting prior year losses) determined in accordance with the accounting rules and regulations of the PRC until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The PRC statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiaries and is non-distributable other than in liquidation.

(iii) Other reserve

Other reserve represents the changes in the Group's interests in subsidiaries that do not result in a loss of control, whereby adjustments made to the amounts of non-controlling interests within consolidated equity to reflect the change in relative interests.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital based on the total equity reported in the statement of changes in equity.

33 ACQUISITIONS OF SUBSIDIARIES

Xishui Runkang Livestock Breeding Co., Ltd.

In April 2020, the Group acquired 85% of the total equity interest in Xishui Runkang Livestock Breeding Co., Ltd. ("Xishui Runkang Livestock") from a third party at a consideration of RMB17,000,000. Xishui Runkang Livestock has become the Company's non-wholly owned subsidiary thereon. Xishui Runkang Livestock is mainly engaged in pig farming. Consideration for the acquisition was fully settled in 2020. There was no transaction cost incurred.

The fair values of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition are set out as follow:

	RMB'000
Property, plant and equipment	27,610
Other non-current assets	279
Prepayments, deposits and other receivables	19,272
Cash and cash equivalents	737
Accruals and other payables	(27,806)
Total identifiable net assets at fair value	20,092
Non-controlling interests	(3,092)
Total consideration	17,000
Satisfied by cash	(17,000)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	Year ended 31 December 2020 *RMB'000*
Cash consideration	17,000
Cash and cash equivalents acquired	(737)
Net cash outflow included in investing activities	16,263

The values of assets and liabilities recognised on acquisition are their fair values. In determining the fair values of property, plant and equipment, the directors of the Group have referenced the fair value adjustments to valuation reports issued by independent valuers.

The fair values of property, plant and equipment located in PRC is determined by replacement cost approach, where based on the prevailing market prices for reconstruction of the properties of equal quality/repurchasing of the same equipment, adjusting with the useful life.

The fair value of measurement of property, plant and equipment fall into level 3 of the fair value hierarchy.

(i) Revenue and profit contribution

Since the acquisition, Xishui Runkang Livestock contributed RMB1,284,000 to the Group's revenue, and a loss of RMB2,996,000 to the consolidated net profit for the year ended 31 December 2020.

Had the business combinations taken place on 1 January 2020, the revenue and the net loss of the Group would have been RMB8,145,349,000 and RMB3,608,222,000, respectively for the year ended 31 December 2020.

34 CHANGES IN NON-CONTROLLING INTERESTS

The information of changes in the non-controlling interests during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023 are as follows:

Year ended 31 December 2020

Subsidiaries	**Ownership before acquisition**	**Ownership after acquisition**	**Carrying amount of non-controlling interests acquired** *RMB'000*	**Consideration paid to non-controlling interests** *RMB'000*	**A (decrease)/ increase in total equity attributable to equity shareholders of the Group** *RMB'000*
Jiangsu Dekon Animal Husbandry Technology Co., Ltd. 江蘇德康農牧科技有限公司 (i)	55%	65%	(3,182)	–	(3,182)
Chongqing Wanzhou Dekon Agriculture and Animal Husbandry Technology Co., Ltd. 重慶萬州德康農牧科技有限公司	60%	76%	1,017	(3,201)	(2,184)
Chongqing Hechuang Dekon Pig Farming Co., Ltd. 重慶市合川區德康生豬養殖有限公司	90%	100%	6,062	(3,500)	2,562
			3,897	(6,701)	(2,804)

Year ended 31 December 2021

Subsidiaries	**Ownership before acquisition**	**Ownership after acquisition**	**Carrying amount of non-controlling interests acquired** *RMB'000*	**Consideration paid to non-controlling interests** *RMB'000*	**A (decrease)/ increase in total equity attributable to equity shareholders of the Group** *RMB'000*
Zhongxian Dekon Agricultural Co., Limited 忠縣德康農牧有限公司	68%	80%	303	(1,707)	(1,404)
Xuanwei Dekon Pig Farming Co., Limited 宣威德康生豬養殖有限公司	98%	100%	3,488	(2,696)	792
Luoding Guying Agricultural Co., Limited 羅定市穀盈畜牧業有限公司	85%	93%	(694)	–	(694)
			3,097	(4,403)	(1,306)

Year ended 31 December 2022

Subsidiary	Ownership before disposal/ acquisition	Ownership after disposal/ acquisition	Carrying amount of non-controlling interests disposed/ acquired *RMB'000*	Consideration received from/(paid to) non-controlling interests *RMB'000*	An increase/ (decrease) in total equity attributable to equity shareholders of the Group *RMB'000*
Yangchun Dekon Agricultural Co., Limited 陽春德康農牧有限公司	100%	70%	(1,010)	2,400	1,390
Luoding Guying Agricultural Co., Limited 羅定市穀盈畜牧業有限公司	93%	100%	1,914	(3,000)	(1,086)
			904	(600)	304

Five months ended 31 May 2023

Subsidiaries	Ownership before disposal/ acquisition	Ownership after disposal/ acquisition	Carrying amount of non-controlling interests disposed/ acquired *RMB'000*	Consideration received from non-controlling interests *RMB'000*	An increase in total equity attributable to equity shareholders of the Group *RMB'000*
Luoding Guying Agricultural Co., Limited 羅定市穀盈畜牧業有限公司	100%	74%	(19,645)	26,000	6,355
Xingan Dekon Agriculture and Animal Husbandry Co., Limited. 興安德康農牧有限公司	100%	70%	956	–	956
Jilin Dekon Investment Co., Limited 吉林德康投資有限公司 (ii)	69%	70%	2,889	–	2,889
			(15,800)	26,000	10,200

Notes:

(i) The acquisition of non-controlling interest of Jiangsu Dekon Animal Husbandry Technology Co., Ltd. 江蘇德康農牧科技有限公司 includes its subsidiary Sihong Dekon Farming and Technology Co., Ltd. 泗洪德康農牧科技有限公司.

(ii) The acquisition of non-controlling interest of Jilin Dekon Investment Co., Ltd. 吉林德康投資有限公司 includes its subsidiary Horqin Right Front Banner Dekon Agriculture and Animal Husbandry Co., Ltd. 科爾沁右翼前旗德康農牧有限公司, Baotou Dekon Agriculture and Animal Husbandry Co., Ltd. 包頭德康農牧有限公司, SongYuan Dekon Agriculture and Animal Husbandry Co., Ltd. 松原德康農牧有限公司, Horqin Right Front Banner Dekon Feed Co., Ltd. 科爾沁右翼前旗德康飼料有限公司.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of the Group, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 37, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 37.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2020, 2021 and 2022 and 31 May 2023:

	At 31 December 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Less than 1 year	0.1%	1,436	1
1 to 2 years	2.9%	159	5
2 to 3 years	37.3%	3	1
Over 3 years	100.0%	–	–
		1,598	7

	At 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Less than 1 year	0.0%	5,706	2
1 to 2 years	1.1%	30	–
2 to 3 years	15.4%	6	1
Over 3 years	100.0%	3	3
		5,745	6

	At 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Less than 1 year	0.0%	9,961	2
1 to 2 years	0.1%	3,477	4
2 to 3 years	25.4%	3	1
Over 3 years	100.0%	1	1
		13,442	8

	At 31 May 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Less than 1 year	0.0%	14,017	1
1 to 2 years	0.1%	1,053	1
2 to 3 years	2.7%	129	3
Over 3 years	100.0%	1	1
		15,200	6

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year/period is as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Balance at 1 January	6	7	6	6	8
Impairment loss recognised/(reversed) during the year/period	1	(1)	2	2	(2)
Balance at 31 December/31 May	7	6	8	8	6

Movement in the loss allowance account in respect of other receivables during the year/period is as follows:

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Balance at 1 January	17,682	19,921	25,839	25,839	39,169
Impairment loss recognised during the year/period	2,239	5,918	13,330	5,799	302
Balance at 31 December/31 May	19,921	25,839	39,169	31,638	39,471

(b) Liquidity risk

The following tables show the remaining contractual maturities at 31 December 2020, 2021, and 2022 and 31 May 2023 of the Group's non-derivative financial liabilities and derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	2,578,840	810,082	912,405	149,963	4,451,290	4,159,430
Lease liabilities	63,346	58,579	135,036	1,199,455	1,456,416	1,292,641
Trade and bill payables	628,362	–	–	–	628,362	628,362
Accruals and other payables	1,331,792	–	–	–	1,331,792	1,331,792
Other non-current liabilities	–	10,000	24,200	–	34,200	34,200
	4,602,340	878,661	1,071,641	1,349,418	7,902,060	7,446,425
Financial guarantees issued:						
Maximum amount guaranteed *(Note 37)*	76,855	–	–	–	76,855	–

	At 31 December 2021					
	Contractual undiscounted cash outflow/inflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	3,394,510	1,010,096	1,710,587	289,697	6,404,890	5,968,159
Lease liabilities	194,560	157,855	332,183	2,735,291	3,419,889	2,081,083
Trade and bill payables	1,201,195	–	–	–	1,201,195	1,201,195
Accruals and other payables	1,800,553	–	–	–	1,800,553	1,800,553
Other non-current liabilities	–	20,000	4,200	–	24,200	24,200
Derivative financial liabilities settled net	342	–	–	–	342	342
	6,591,160	1,187,951	2,046,970	3,024,988	12,851,069	11,075,532

	At 31 December 2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	4,618,292	1,261,934	1,239,669	95,669	7,215,564	6,895,781
Lease liabilities	169,900	200,145	347,876	2,544,814	3,262,735	2,123,975
Trade and bill payables	1,488,010	–	–	–	1,488,010	1,488,010
Accruals and other payables	2,992,401	–	–	–	2,992,401	2,992,401
Other non-current liabilities	–	4,200	–	–	4,200	4,200
Derivative financial liabilities settled net	2,485	–	–	–	2,485	2,485
	9,271,088	1,466,279	1,587,545	2,640,483	14,965,395	13,506,852

	At 31 May 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	5,265,608	997,863	1,034,074	143,146	7,440,691	7,036,308
Lease liabilities	242,867	235,068	418,893	2,637,310	3,534,138	2,300,653
Trade and bill payables	1,706,507	–	–	–	1,706,507	1,706,507
Accruals and other payables	2,902,801	–	–	–	2,902,801	2,902,801
Derivative financial liabilities settled net	25,743	–	–	–	25,743	25,743
	10,143,526	1,232,931	1,452,967	2,780,456	15,609,880	13,972,012

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at 31 December 2020, 2021, and 2022 and 31 May 2023:

	At 31 December 2020		At 31 December 2021		At 31 December 2022		At 31 May 2023	
	Effective interest rate	**Amounts**	**Effective interest rate**	**Amounts**	**Effective interest rate**	**Amounts**	**Effective interest rate**	**Amounts**
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings								
Lease liabilities	6.53%	1,292,641	6.07%	2,081,083	5.80%	2,123,975	6.23%	2,300,653
Bank loans	2.05%-5.98%	1,467,458	3.55%-5.98%	1,299,993	2.10%-5.98%	1,743,087	2.10%-5.70%	2,376,195
Other loans	2.45%-8.50%	523,999	2.64%-8.50%	1,046,719	1.90%-8.50%	1,390,072	1.70%-8.50%	1,318,593
Total fixed rate borrowings		3,284,098		4,427,795		5,257,134		5,995,441

	At 31 December 2020		At 31 December 2021		At 31 December 2022		At 31 May 2023	
	Effective interest rate	Amounts	Effective interest rate	Amounts	Effective interest rate	Amounts	Effective interest rate	Amounts
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Variable rate borrowings								
Bank loans	2.05%-6.18%	2,167,973	3.85%-6.18%	3,481,448	3.35%-5.39%	3,479,240	3.35%-5.39%	3,072,241
Other loans		–	4.00%	139,999	7.02%-7.85%	283,382	7.02%-7.85%	269,279
Total variable rate borrowings		2,167,973		3,621,447		3,762,622		3,341,520
Total borrowings		5,452,071		8,049,242		9,019,756		9,336,961
Fixed rate borrowings as a percentage of total borrowings		60%		55%		58%		64%

(ii) Sensitivity analysis

At 31 December 2020, 2021 and 2022 and 31 May 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB21,689,000, RMB36,214,000, RMB37,626,000 and RMB13,923,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period. The impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The fair value measurement of derivative financial instruments fall into level 1 of the fair value hierarchy and the fair values of derivative financial instruments are determined by quoted prices in active markets. The fair value measurement of RMB wealth management products and unlisted equity investment fall into level 3 of the fair value hierarchy.

During the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method. The main level 3 inputs used by the Group for RMB wealth management products are the expected rates of return. At 31 December 2020, 2021, and 2022 and 31 May 2023, if the expected rate of return of the investment in RMB wealth management products held by the Group had been one percentage point higher/lower, the Group's profit for the year/period and retained profits would have been RMB1,793,000, RMB97,000, RMB531,000 and RMB961,000 higher/lower respectively.

The movements during the year/period in the balance of Level 3 fair value measurements are as follows:

	Year ended 31 December			Five months ended 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB wealth management products *(Note 21)*:				
At 1 January	60,066	655,198	50,283	351,341
Additions in investments	6,080,000	2,975,029	1,530,000	990,000
Change in fair value recognised in profit or loss during the year/period	19,338	13,307	6,063	5,228
Disposal of financial assets	(5,504,206)	(3,593,251)	(1,235,005)	(953,928)
At 31 December/31 May	655,198	50,283	351,341	392,641

The Group's change in the fair value of the unlisted equity investment held is measured on the basis of the profit and loss and shareholding ratio of the investee company's financial statements

	Year ended 31 December			Five months ended 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investment *(Note 21)*:				
At 1 January	–	–	1,500	1,380
Additions in investments	–	1,500	–	–
Change in fair value recognised in profit or loss during the year/period	–	–	(120)	(368)
At 31 December/31 May	–	1,500	1,380	1,012

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020, 2021 and 2022 and 31 May 2023.

36 COMMITMENTS

Capital commitments outstanding at respective reporting period end dates not provided for in the Historical Financial Information were as follows:

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*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

37 CONTINGENT LIABILITIES

At 31 December 2020, the Group guaranteed the bank loans drawn by the contract farmers of the Group. As at 31 December 2020, the directors of the Company do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2020 under the guarantees issued is the outstanding amount of the bank loans of the contract farmers of RMB76,855,000.

The directors do not believe it probable that the contract farmers will default on the contract and fail to make payment when due, and the Group will make specified payments to reimburse the beneficiary of the guarantee for a loss the bank incurs.

38 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships of the related parties that had material transactions with the Group during the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023:

Name of related party	Relationship
Mr. Wang Degen 王德根	Ultimate Controlling Party
Ms. Zhang Qiang 張強	Spouse of the Ultimate Controlling Party
Sichuan Desheng Ronghe Industrial Group Co., Ltd. 四川德盛榮和實業集團有限公司	A company controlled by the Ultimate Controlling Party
Sichuan Tequ Investment Group Co., Ltd. ("Sichuan Tequ") 四川特驅投資集團有限公司 *(note ii)*	A company controlled by the Ultimate Controlling Party
Sichuan Tequ Agriculture and Animal Husbandry Technology Group Co., Ltd. 四川特驅農牧科技集團有限公司	A subsidiary of Sichuan Tequ
Sichuan Lvkepuhua Trading Co., Ltd. 四川綠科普華商貿有限公司	A subsidiary of Sichuan Tequ
Zhanjiang Tequ Feed Co., Ltd. 湛江特驅飼料有限公司	A subsidiary of Sichuan Tequ
Baoding Wanqian Feed Co., Ltd. 保定萬千飼料有限公司	A subsidiary of Sichuan Tequ
Kunming Tequ Feed Co., Ltd. 昆明特驅飼料有限公司	A subsidiary of Sichuan Tequ
Chengdu Tequ Agriculture and Animal Husbandry Technology Co., Ltd. 成都特驅農牧科技有限公司	A subsidiary of Sichuan Tequ
Xinjin Bond Technology Co., Ltd. 新津邦得科技有限公司	A subsidiary of Sichuan Tequ
Yibin Tequ Feed Co., Ltd. 宜賓特驅飼料有限公司	A subsidiary of Sichuan Tequ
Chongqing Shengbo Feed Co., Ltd. 重慶生搏飼料有限公司	A subsidiary of Sichuan Tequ
Deyang Tequ Feed Co., Ltd. 德陽特驅飼料有限公司	A subsidiary of Sichuan Tequ
Guiyang Tequ Hope Agricultural Technology Co., Ltd. 貴陽特驅希望農業科技有限公司	A subsidiary of Sichuan Tequ
Guanghan Tequ Agriculture and Animal Husbandry Technology Co., Ltd. 廣漢特驅農牧科技有限公司	A subsidiary of Sichuan Tequ
Chongqing Tequ Feed Co., Ltd. 重慶特驅飼料有限公司	A subsidiary of Sichuan Tequ
Xishui Xianyuan Honggu Tea Tree Tea Industry Co., Ltd. 習水仙源紅古茶樹茶業有限公司	A subsidiary of Sichuan Tequ
Chongqing Lvke Xianggang Logistics Co., Ltd. 重慶綠科祥港物流有限公司	A subsidiary of Sichuan Tequ
Chongqing JinTianTequ Feed Co., Ltd. 重慶今天特驅飼料有限公司	A subsidiary of Sichuan Tequ
Beijing Tequxiwang Feed Co., Ltd. 北京特驅希望飼料有限公司	A subsidiary of Sichuan Tequ
Chengdu Chuannongniu Technology Co., Ltd. 成都川農牛科技有限公司	A subsidiary of Sichuan Tequ
Deyang Tequ Feed Co., Ltd. 德陽特驅飼料有限公司	A subsidiary of Sichuan Tequ
Qian Southwest Hope Agriculture and Husbandry Co., Ltd. 黔西南希望農牧有限公司	A subsidiary of Sichuan Tequ
Guigang Wanqian Feed Co., Ltd. 貴港市萬千飼料有限責任公司	A company controlled by one of the shareholders

Name of related party	Relationship
Xichang Wanqian Feed Co., Ltd. 西昌萬千飼料有限責任公司	A company controlled by one of the shareholders
Guiyang Huawu Benchu Food Co., Ltd. 貴陽花舞笨廚食品有限公司 *(note iii)*	A company controlled by one of the shareholders
Chengdu Jiayuan International Hotel Co., Ltd. 成都家園國際酒店有限公司	A company controlled by one of the shareholders
Guang'an Wanqian Group Co., Ltd. 廣安萬千集團有限公司	A company controlled by one of the shareholders
Sichuan Puhua Agricultural Technology Development Co., Ltd. 四川普華農業科技發展有限公司	A company controlled by the spouse of the Ultimate Controlling Party
Da'an Jinlongfeng Agriculture and Animal Husbandry Co., Ltd. 大安市金隆豐農牧有限公司	Associate
Sichuan Zhenghu Wisdom Technology Co., Ltd. 四川正狐智慧科技有限公司	Fellow subsidiary
Jilin Huixin Tiancheng Investment Co., Ltd. 吉林匯鑫天成投資有限公司	Non-controlling shareholder of a subsidiary
Leshan Jinxin Agricultural Development Co., Ltd. 樂山錦鑫農業發展有限責任公司	Non-controlling shareholder of a subsidiary
Guangzhou Minghao Industrial Co., Ltd. 廣州市明豪實業有限公司	Non-controlling shareholder of a subsidiary

Notes:

(i) The official names of these entities are in Chinese. The English translation is for identification purpose only.

(ii) In May 2022, the controlling party of Sichuan Tequ Investment Group Co., Ltd. was changed from Chen YUXIN (陳育新) to Wang Degen (王德根), so the relationship changed from a company controlled by one of the shareholders to a company controlled by the Ultimate Controlling Party.

(iii) In March 2021, the controlling shareholder of Guiyang Huawu Benchu Food Co., Ltd. 貴陽花舞笨廚食品有限公司 disposed the shares of the company. Therefore the company is no longer a company controlled by one of the Shareholders since then.

(b) Transactions with related parties

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of goods to a company controlled by one of the shareholders	901	342	770	570	2,421
Sales of goods to an associate	11,832	27,095	22,169	–	10,491
Sales of goods to companies controlled by the Ultimate Controlling Party	–	–	2,025	260	14
Purchase of goods from companies controlled by one of the shareholders	210,003	377,257	365,126	311,625	53,206
Purchase of goods from fellow subsidiary	1,645	6,480	198	–	–
Purchase of goods from companies controlled by the Ultimate Controlling Party	–	–	353,147	78,864	200,387

	Year ended 31 December			Five months ended 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Proceeds of interest-bearing borrowings from non-controlling shareholders of subsidiaries	62,000	–	–	–	–
Repayments of interest-bearing borrowings from non-controlling shareholder of a subsidiary	–	10,000	–	–	–
Interest payables to non-controlling shareholders of subsidiaries	1,899	3,953	4,420	1,842	1,842

As disclosed in Note 26, certain of the Group's interest-bearing borrowings were guaranteed by certain related parties of the Group.

(c) Balances with related parties

The balances with related parties as at the end of each reporting period are as follows:

The Group

		At 31 December			At 31 May
	Notes	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature:					
– Trade receivables	*19*	–	–	–	217
– Trade and bills payables	*24*	17,149	82,093	34,823	68,702
Non-trade in nature:					
– Accruals and other payables		1,647	1,645	–	2,000
Interest-bearing borrowings from certain non-controlling shareholders of subsidiaries*	*26*	62,000	52,000	52,000	52,000

* The interest-bearing borrowings from certain non-controlling shareholders of subsidiaries are repayable on demand and will be settled on receiving repayment notice from non-controlling shareholders.

The Company

	At 31 December			At 31 May
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Non-current assets				
– Amounts due from subsidiaries	1,292,850	414,093	493,842	483,985
Current assets				
– Amounts due from subsidiaries	2,834,681	4,063,375	4,054,492	4,781,332
Current liabilities				
– Amounts due to subsidiaries	2,287,317	1,539,176	2,074,805	2,090,096

The Company provides loans to subsidiaries for normal business activities and also collect excess funds from subsidiaries according to its funds management policy. As at 31 December 2020, 2021 and 2022 and 31 May 2023, the amounts due from subsidiaries include interest-bearing borrowings of RMB2,894,510,000 (effective interest rate: 3.50%-12.0%), RMB3,365,492,000 (effective interest rate: 3.50%-8.50%), RMB3,218,174,000 (effective interest rate: 3.50%-8.50%) and RMB3,522,156,100 (effective interest rate:4.20%-8.50%), respectively and the rest are interest-free. All the amounts due from subsidiaries are unsecured except that the amounts due from non-wholly owned subsidiaries are secured by the non-controlling shareholders in proportion to respective shareholdings in the company. The amounts due from subsidiaries are repayable on demand. The amounts which the directors of the Company do not intend to request repayment within twelve months from the end of the reporting period are classified as non-current assets.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, representing the amounts paid to the Company's directors and supervisors as disclosed in Note 8, is as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other emoluments	3,817	4,907	4,995	1,718	2,419
Discretionary bonuses	2,151	2,568	1,145	–	–
Retirement scheme contributions	5	210	219	90	105
Share-based payments	1,571	1,590	993	597	–
	7,544	9,275	7,352	2,405	2,524

39 SUBSEQUENT EVENTS

According to the special shareholder resolution dated 31 October 2023, the Company declared a distribution of RMB100 million undistributed profits as of 31 December 2022 which would be shared by all shareholders as of 26 December 2022 in proportion to their respective shareholdings in the Company.

According to the special board resolution dated 20 June 2023, the Company proposed to convert an additional [**REDACTED**] domestic shares (increased from [**REDACTED**] domestic shares to [**REDACTED**] domestic shares) to H Shares and applied for the granting of the [**REDACTED**] of and permission to [**REDACTED**] the H shares on the Main Board of the Hong Kong Stock Exchange.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING 1 JANUARY 2023

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on 1 January 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 May 2023.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, and has not taken in to account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of the H shares.

TAXATION IN THE PRC

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**Individual Income Tax Law**" or the "**IIT Law**") amended by the SCNPC on 31 August 2018 and effective on 1 January 2019, and the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on 18 December 2018 and effective on 1 January 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC on 7 September 2015 and effective on 8 September 2015, where an individual holds the shares of a listed company obtained from the [**REDACTED**] for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the [**REDACTED**] and transfers the stock of the listed company on the stock market, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income**") executed on 21 August 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) (the "**Fifth Protocol**") issued by The State Administration of Taxation and effective on 6 December 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") amended by the SCNPC and effective on 29 December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**Implementation Rules of the EIT Law**") amended by the State Council and effective on 23 April 2019, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation and effective on 6 November 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. The Reply on the Collection of Enterprise Income Tax on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) promulgated by the State Administration of Taxation and effective 24 July 2009 further provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (including A shares, B shares and overseas shares) must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [**REDACTED**]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

Tax related to equity transfer income

Individual Investors

Under the Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realised on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated by the MOF and The State Administration of Taxation and became effective on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The State Administration of Taxation does not specify whether to continue to exempt individuals from personal income tax on the income from the transfer of shares in listed company in the newly revised EIT Law and Implementation Rules of the EIT Law.

Enterprise Investors

Under the EIT Law and its implementation rules, a non-PRC resident enterprise is subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforementioned income tax payable by non- PRC resident enterprises is subject to source withholding, and the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted under applicable tax treaties or arrangements.

Shanghai-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Programme of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 31 October 2014 and effective on 17 November 2014, transfer spread income derived by mainland enterprises from stock investment listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors to the H-share companies and withhold individual income tax at the rate of 20% on behalf of the H-share companies.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 4 December 2019 and effective on 5 December 2019, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2022. As to the Latest Practicable Date, this announcement is still effective.

Pursuant to the Notice on the Tax Policies Related to the Pilot Programme of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by mainland enterprises from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. Pursuant to which, dividend income obtained by mainland resident enterprises from holding H shares for 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies shall not withhold income tax on dividends and bonus income for mainland enterprises investors. The tax payable shall be declared and paid by the enterprise itself.

Shenzhen-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Programme of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 5 November 2016 and effective on 5 December 2016, transfer spread income derived by mainland enterprises from stock investment listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors to the H- share companies and the H-share companies shall withhold individual income tax at the rate of 20% on behalf of the investors.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds promulgated by the MOF, the State Administration of Taxation and the CSRC on 4 December 2019 and effective on 5 December 2019, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect from 5 December 2019 to 31 December 2022. As to the Latest Practicable Date, this announcement is still effective.

Pursuant to the Notice on the Tax Policies Related to the Pilot Programme of the Shenzhen-Hong Kong Stock Connect (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by mainland enterprises investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. In particular, dividend and bonus income obtained by mainland resident enterprises from holding H shares for 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies shall not withhold income tax on dividends and bonus income for mainland enterprises. The tax payable shall be declared and paid by the enterprise itself.

Others

PRC Stamp Duty

According to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》), which was promulgated on 10 June 2021 and came into effect on 1 July 2022, the disposal of H Shares by non-PRC investors outside of the PRC is not subject to the requirements of the Stamp Duty Law of the People's Republic of China.

Estate duty

According to PRC law, no estate duty is currently levied in the PRC.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), enterprises and other income-generating organizations (hereinafter collectively referred to as "enterprises") within the territory of the People's Republic of China are the taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the provisions of the EIT Law. The Enterprise Income Tax rate is 25%.

Enterprises are classified into resident enterprises and non-resident enterprises. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income has no actual connection to such establishment or place of business, shall pay enterprise income tax on its income within the PRC and withhold at source, where the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Meanwhile, any gains realised on the transfer of shares by such investors are subject to enterprise income tax and shall be withheld at source if such gains are regarded as income derived from the transfer of property within the PRC.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) amended by the State Council and became effective on 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) amended by the MOF on 28 October 2011 and effective on 1 November 2011, all entities and individuals in the PRC engaging in the sale of goods, the provision of processing, repairs and replacement services, and the importation of goods are required to pay value-added tax. For taxpayers selling or importing goods, the general tax rate shall be 17% unless otherwise specified in the aforesaid regulations.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the State Administration of Taxation on 4 April 2018, and became effective as of 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (2019 No. 39 of MOF, State Administration of Taxation and General Administration of Customs), promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the Renminbi. The State Administration of Foreign Exchange (the "**SAFE**"), authorised by the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) amended by the State Council and became effective on August 5, 2008, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and became effective on July 1, 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters (國務院關於取消和調整一批行政審批項目等事項的決定) promulgated by the State Council and effective on 23 October 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been cancelled.

According to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) promulgated by the SAFE and became effective on 26 December 2014, the relevant provisions on foreign exchange administration of domestic joint stock companies (hereinafter referred to as "**domestic companies**") listed overseas are as follows:

(i) The SAFE and its branches and the Foreign Exchange Management Department (the "**Foreign Exchange Bureau**") supervise, manage and inspect the business registration, account opening and use, cross-border income and expenditure, and capital exchange involved in the overseas listing of domestic companies.

(ii) A domestic company shall, within 15 working days after the completion of the overseas listing and issuance, register the overseas listing with the Foreign Exchange Bureau at the place where it is registered with relevant material.

(iii) After the overseas listing of a domestic company, its domestic shareholders who intend to increase or reduce their shareholding in an overseas listed company according to relevant regulations shall register the overseas shareholding with the local foreign exchange bureau at the place where the domestic shareholders are located within 20 working days prior to the proposed increase or reduction of shareholding with relevant materials.

(iv) A domestic company (other than banking financial institutions) shall, by virtue of its registration certificate for overseas listing business, open a "special foreign exchange account for overseas listing of domestic companies" with a domestic bank for its initial offering (or additional offering) and repurchase business to handle the remittance and transfer of funds for the relevant business.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued on 13 February 2015 and came into effect on 1 June 2015, the SAFE has cancelled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued and implemented by the SAFE on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix summarises certain aspects of PRC laws and regulations which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in the section headed "Taxation and Foreign Exchange" in Appendix III to this document. This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to the Company. This summary is not intended to include all the information which is important to the potential investors. For a discussion of laws and regulations which are relevant to the Company's business, see "Regulatory Overview" in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》) (the "**Legislation Law**"), which was amended by the National People's Congress (the "**NPC**") on 13 March 2023 and became effective on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into autonomous regions for approval before implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; the people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on 10 June 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organisation of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to The Constitution and the Law of Organisation of the People's Procuratorate of the PRC (中華人民共和國人民檢察院組織法) revised by SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgement or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgement or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgement or ruling of such court, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法(2021年修訂)》) (the "**PRC Civil Procedure Law**") adopted by the SCNPC on 24 December 2021 and effective on 1 January 2022 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organisation must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organisation must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuse to comply with a judgement or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgement or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling may also be recognised and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company incorporated in the PRC seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations of the PRC.

The PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**") was adopted by the Fifth Standing Committee Meeting of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. The latest revised Company Law came into effect on 26 October 2018.

The Trial Measures and its five interpretative guidelines promulgated by the CSRC on 17 February, 2023 came into effect on 31 March, 2023 and were applicable to the direct and indirect overseas share subscription and listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, where a domestic company directly offering and listing overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "Guidelines for Articles of Association") in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas which ceased to apply from 31 March, 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December, 1997 and last amended on 5 January, 2022.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to the Company.

General Provisions

"A joint stock limited company" means is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notified all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority. A joint stock limited company established by the subscription method shall obtain the approval for [**REDACTED**] from the securities regulatory authority of the State Council and submit the approval to the company registration authority.

A joint stock limited company's promoters shall be liable for: (1) the payment of debts and expenses incurred in the incorporation process jointly and severally if a company cannot be incorporated; (2) the refund of subscription monies paid by the subscribers, together with interest, at bank rates of deposit for the same period jointly and severally if a company cannot be incorporated; and (3) the compensation of any damages suffered by a company as a result of the default of the promoters in the course of its establishment. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on 22 April 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights or land use rights.

The Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorise the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

Under the Company Law, when a company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters: (1) the name and domicile of a shareholder; (2) the number of shares held by each shareholder; (3) the serial number of the shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' general meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders. When a company launches a [**REDACTED**] of new shares under the permission of the securities regulatory authority of the State Council, it must publish a document for the new shares and financial and accounting reports, and prepare the share subscription form. After payment in full for the new shares issued, a company must change its registration with a company registration authority and make an announcement accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) to prepare a balance sheet and a property list;

(ii) a company makes a resolution at shareholders' general meeting to reduce its registered capital;

(iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers within 30 days after the approval of resolution of reducing registered capital;

(iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;

(v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

Share Buy-Back

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

(i) reducing the registered capital;

(ii) merging with other company that holds the shares of the Company;

(iii) using the shares for employee stocks plan or equity incentives;

(iv) with respect to shareholders voting against any resolution adopted at the shareholders' general meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;

(v) using the shares for the conversion of convertible corporate bonds issued by the listed company;

(vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the general meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or the authorisation from the general meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be cancelled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or cancelled within six months in the case of items (ii) and (iv) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of a company, and shall be transferred or cancelled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder should affect a transfer of his shares on securities established exchange according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's general meeting or 5 days prior to the record date for a company's distribution of dividends. However, if any law provides otherwise for the registration of changes in the register of members of a listed company, such provisions shall prevail. The transfer of bearer share certificates shall become effective upon delivery of such share certificates to the transferee by the shareholder.

Under the Company Law, shares in the Company held by promoters shall not be transferred within one year after the date of establishment of a company. Shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of accompany are listed and traded on a securities exchange. Directors, Supervisors and senior management of a company shall declare to a company their shareholdings in a company and any changes of such shareholdings, and the shares transferred each year during their term of office shall not exceed 25% of the total shares they hold in a company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of ordinary shares of a company include:

(i) to receive dividends and other forms of distributions in proportion to their shareholdings;

(ii) to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;

(iii) to supervise and manage a company's business operations, and to present proposals or to raise inquiries;

(iv) to transfer shares in accordance with laws, administrative regulations and the provisions of the Articles of Association;

(v) to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;

(vi) in the event of the winding-up or liquidation of a company, to participate in the distribution of remaining property of a company in proportion to the number of shares held;

(vii) other rights conferred by laws, administrative regulations and the Articles of Association.

The obligations of a shareholder of ordinary shares of a company include:

(i) to comply with the Articles of Association;

(ii) to pay subscription money according to the number of shares subscribed and the method of subscription;

(iii) not to abuse their shareholders' rights to damage the interests of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of shareholders to damage the interests of the creditors of a company;

(iv) other obligations conferred by laws, administrative regulations and the Articles of Association.

Shareholder's General Meetings

Under the Company Law, the shareholders' general meeting of a joint stock limited company is made up of all shareholders. The shareholders' general meeting is the organ of authority of a company, which exercises the following functions and powers:

(i) to decide on a company's business policies and investment plans;

(ii) to elect and replace directors and supervisors who are not representatives of the employees and to decide on matters relating to the remuneration of directors and supervisors;

(iii) to examine and approve reports of the board of directors;

(iv) to examine and approve reports of the supervisory committee or supervisors;

(v) to examine and approve a company's annual financial budget and final accounts;

(vi) to examine and approve a company's profit distribution plans and loss recovery plans;

(vii) to resolve on the increase or reduction of a company's registered capital;

(viii) to resolve on the issuance of corporate bonds;

(ix) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;

(x) to amend the company's Articles of Association;

(xi) other functions and powers specified in provision of the Articles of Association.

Under the Company Law, annual shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;

(ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital;

(iii) shareholders individually or jointly holding 10% or more of the company's shares request;

(iv) when deemed necessary by the Board;

(v) the Supervisory Committee proposes to convene the meeting;

(vi) other circumstances as stipulated in the Articles of Association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

Notice of general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Pursuant to the Guidelines for Articles of Association, shareholders who individually or jointly hold more than 3% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorisation. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting.

Under the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by a company are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting in accordance with the provisions of the Articles of Association or the resolutions of the shareholders' general meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' general meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Directors

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to nineteen members. The term of office of a director shall be stipulated in the Articles of Association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board exercises the following functions and powers:

(i) to convene shareholder's general meetings and report its work to the shareholder's general meetings;

(ii) to implement the resolutions of the shareholder's general meeting;

(iii) to decide on a company's business plans and investment plans;

(iv) to formulate a company's annual financial budget and final accounts;

(v) to formulate a company's profit distribution plan and loss recovery plan;

(vi) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;

(vii) to formulate plans for cake, division, dissolution or change of corporate form of a company;

(viii) to decide on the internal management structure of a company;

(ix) to decide on the appointment or dismissal of the manager of a company and their remuneration;

(x) To decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

(xi) to formulate a company's basic management system;

(xii) other functions and powers specified in the Articles of Association.

Board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorisation for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the Articles of Association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person may not serve as a director of a company if he is:

(i) a person without capacity or with restricted capacity;

(ii) a person who has been sentenced to criminal punishment due to corruption, bribery, infringement of property, misappropriation of property or destruction of the socialist market economic order, where less than five years have elapsed since the date of completion of the sentence; or a person who has been deprived of his political rights due to a crime, where less than five years have elapsed since the date of completion of the sentence;

(iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise; and

(v) persons who have a relatively large amount of debts due and outstanding.

The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

(i) to preside over shareholders' general meetings and convene and preside over board meetings;

(ii) to examine the implementation of resolutions of the Board;

(iii) to sign the securities issued by a company;

(iv) to exercise other powers conferred by the Board.

Supervisors

Under the Company Law, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third and the specific proportion shall be stipulated in the Articles of Association. Employee representatives of the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, employee general meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The Supervisory Committee exercises the following powers:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meetings;

(iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;

(iv) to propose the convening of extraordinary general meetings, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over shareholders' general meetings under the Company Law;

(v) to submit proposals to the shareholders' general meeting;

(vi) to initiate legal proceedings against directors and senior management in accordance with the Company Law;

(vii) other functions and powers specified in the Articles of Association.

Managers and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) to be in charge of the production, operation and management of the company and to organise the implementation of the resolutions of the board of directors;

(ii) to organise the implementation of the company's annual business plans and investment plans;

(iii) to formulate plans for the establishment of the company's internal management structure;

(iv) to draft the company's basic management system;

(v) to formulate the basic rules and regulations of the company;

(vi) to propose the appointment or dismissal of the company's deputy manager and financial controller;

(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors; and

(viii) to exercise other powers conferred by the Articles of Association and the Board.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors and other personnel as stipulated in the Articles of Association of the company.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors and senior management are prohibited from:

(i) misappropriation of the company's capital;

(ii) depositing the company's capital into accounts under his own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favour of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;

(v) using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accept and possess commissions paid by a third party for transactions conducted with the company;

(vii) unauthorized divulgence of confidential business information of the company; or

(viii) other acts in violation of their fiduciary duty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the Company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the general meeting or the shareholders' general meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the Articles of Association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. However, the capital reserve shall not be used to make up the company's losses. When the statutory reserve fund is converted into capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Profit Distribution

Under the Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is drawn.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

(i) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(ii) the general meeting or the shareholders' general meeting resolves to dissolve the company;

(iii) dissolution is necessary due to a merger or division of the company;

(iv) the business license is revoked, or the business license is ordered to be closed or revoked in accordance with laws;

(v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgement.

Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting. Where the Company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of an event of dissolution. The liquidation committee of a joint stock limited company shall be composed of directors or the personnel determined by a shareholders' general meeting. If a liquidation committee is not established within the stipulated period to conduct liquidation, the creditors may apply to the people's court to appoint relevant personnel to form a liquidation committee to conduct liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

(i) to liquidate the company's property and respectively prepare balance sheet and list of property;

(ii) to notify creditors by notice or public announcement;

(iii) to deal with the outstanding business of the company involved in the liquidation;

(iv) to pay all outstanding taxes and taxes arising in the course of liquidation;

(v) to liquidate claims and debts;

(vi) to deal with the remaining property of the company after paying off debts;

(vii) to participate in civil litigations on behalf of the company.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall apply to the people's court for a declaration of insolvency. After the people's court has declared the company bankrupt, the liquidation committee shall hand over the affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' general meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancellation of the company's registration and to announce the termination of the company.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his wilful or material default.

Overseas Listing

According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

On 10 August 2023, the CSRC revised the Guidelines for the "Full Circulation" Programme for Domestic Unlisted Shares of H-share Listed Companies (CSRC Announcement [2023] No. 50) (the "**Guidelines for the Full Circulation**"), which came into effect on the same day. This provision is to regulate the listing and circulation (hereinafter referred to as "Full Circulation") of unlisted domestic shares of domestic joint-stock limited companies (hereinafter referred to as H-share Companies) listed on the stock exchange of Hong Kong (including unlisted domestic capital stock held by domestic shareholders before overseas listing, unlisted domestic capital stock issued in China after overseas listing and unlisted shares held by foreign shareholders) to the Hong Kong Stock Exchange.

According to the Guidelines for the Full Circulation, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share company may be entrusted to file with the CSRC for full circulation. Unlisted domestic joint-stock limited companies may file with the CSRC for "Full Circulation" simultaneously when applying for overseas initial public offering and listing.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on 22 April 1993 provide the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on 25 December 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "**PRC Securities Law**"), which was amended by the Standing Committee of the NPC on 28 December 2019 and came into effect on 1 March 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the

State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

The Guidelines for the Application for "Full Circulation" of Domestic Unlisted Shares of H Share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) last amended by the CSRC and came into effect on 10 August 2023 regulates the listing and circulation of unlisted domestic shares of domestic stock companies (hereinafter referred to as "H share companies") listed on the Hong Kong Stock Exchange (including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares issued in China upon overseas listing and unlisted shares held by overseas shareholders). According to the Guidelines for the Full Circulation, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share company may be entrusted to file with the CSRC for full circulation. A domestic joint stock limited company whose shares are unlisted may simultaneously file with the CSRC for "full circulation" at the time of applying for an overseas initial public offering and listing.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "**Arbitration Law**") amended by the Standing Committee of the NPC on September 1, 2017 and effective on January 1, 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on 31 October 2023, which shall become effective from the date of [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company's Articles of Association and therefore may not contain all the information that is material to potential investors.

1 DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorise the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general meeting of Shareholders ("General Meeting") in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

(2) Power to dispose assets of our Company or any subsidiary

The Board of Directors shall determine the authority of external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, connected transactions, external donations, and establish strict review and decision-making procedures; major investment projects shall be reviewed by relevant experts and professionals and reported to the shareholders' meeting for approval.

The transaction within the scope of daily business of the Company that meets one of the following criteria shall be submitted to the Board of Directors for deliberation:

i. The transaction amount accounts for more than 20% of the Company's total assets in the latest period; However, if the transaction amount accounts for more than 50% of the Company's total assets in the latest period, or if the Company purchases or sells significant assets within one year that exceed 30% of the Company's total assets in the latest period, it should also be submitted to the General Meeting for review; If the transaction amount has both book value and evaluation value, the higher one shall be used as the calculation data;

ii. The relevant operating revenue of the transaction subject (such as equity) in the most recent fiscal year accounts for more than 20% of the Company's audited operating revenue in the most recent fiscal year, and the absolute amount exceeds RMB 10 million; However, if the transaction subject matter (such as equity) accounts for more than 50% of the Company's audited operating income in the most recent fiscal year, and the absolute amount exceeds RMB 50 million, it should also be submitted to the General Meeting for review;

iii. The net profit related to the subject matter of the transaction (such as equity) in the most recent fiscal year accounts for more than 20% of the audited net profit of the Company in the most recent fiscal year, and the absolute amount exceeds RMB 1 million; However, if the net profit related to the subject matter of the transaction (such as equity) in the most recent fiscal year accounts for more than 50% of the Company's audited net profit in the most recent fiscal year, and the absolute amount exceeds RMB 5 million, it should also be submitted to the General Meeting for review;

iv. The transaction amount (including assuming debts and expenses) accounts for more than 20% of the Company's latest audited net assets, and the absolute amount exceeds RMB 10 million; However, if the transaction amount (including assuming debts and expenses) accounts for more than 50% of the company's latest audited net assets, and the absolute amount exceeds RMB 50 million, it should also be submitted to the General Meeting for review;

v. The profits generated from transactions account for more than 20% of the Company's audited net profit for the most recent fiscal year, and the absolute amount exceeds RMB 1 million; However, if the profits generated from the transaction account for more than 50% of the company's audited net profit in the most recent fiscal year, and the absolute amount exceeds RMB 5 million, it should also be submitted to the General Meeting for review.

(3) External Guarantee Matters

The external guarantee matters of the Company shall be submitted to the Board of Directors or the General Meeting for deliberation.

The Company is not allowed to provide guarantees to other entities except to subsidiaries within the scope of the Company's consolidated financial statements and entities with which the Company (including subsidiaries within the scope of the consolidated financial statements) has an entrusted farming cooperation relationship. The following acts of external guarantee (including mortgage, pledge or guarantee) of the Company shall be submitted to the General Meeting for deliberation and approval after being reviewed and approved by the Board of Directors:

i. Any guarantee to be provided after the total amount of external guarantees provided by the Company or the subsidiaries it controls has exceeded 50% of the Company's net assets as audited in the latest period;

ii. Any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of its total assets as audited in the latest period;

iii. The amount guaranteed by the Company within one year exceeds 30% of its latest audited total assets;

iv. Any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;

v. Any single guarantee for an amount more than 10% of the Company's net assets audited in the latest period;

vi. Any guarantee to be provided to a Shareholder, or to an ultimate controller or related party thereof;

vii. Other external guarantees that meet the requirements of laws, regulations, normative documents, the Listing Rules and other securities regulatory rules of the place where the Company's shares are listed can take effect only after being reviewed and approved by the General Meeting.

(4) Remuneration

The appointment and removal of the members of the Board of Directors and the Board of Supervisors, as well as their remuneration and payment methods, shall be adopted by the General Meeting by ordinary resolution.

(5) Appointment, Resignation and Dismissal

The Board of Directors consists of nine Directors, at least three of whom are independent non-executive Directors and shall account for more than one-third of the total number of directors. The Board of Directors has one chairman. Directors are elected at the General Meeting. The Directors need not hold any of our shares.

The chairman of the Board shall be elected and dismissed by a vote of more than one half of the Directors.

The chairman and vice chairman of the Board serve 3-year terms. Upon expiration of the term, the Director may be re-elected. Director can be the general manager or other senior management personnel at the same time. However, the number of the Directors who are also general manager or other senior management personnel shall not be more than half of the total number of Directors. There is no provision in the Articles of Association that imposes any age limit for Directors beyond which retirement of a Director is mandatory.

None of the following persons shall serve as our Director, Supervisor or senior management:

i. A person who has no civil capacity or has limited civil capacity;

ii. A person who has been imposed penalty for the offence of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;

iii. A person who is a former director, factory manager or general manager of a company or enterprise that is bankrupt and liquidated, was personally liable for the bankruptcy of such company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of such company or enterprise;

iv. A person who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws, was personally liable, and is within three years of the date on which the business license of such company or enterprise was revoked;

v. A person who has a relatively large sum of debt, which was not paid at maturity;

vi. A person who has been banned from entering the securities market by the CSRC and whose term has not expired;

vii. A person who has been subject to administrative punishment by the CSRC in the last 3 years, or has been publicly denounced by the stock exchange in the last 12 months;

viii. A person who has been filed for investigation by the judicial authority due to suspected crimes or has been filed for investigation by the CSRC due to suspected violations of laws and regulations, and has not yet reached a clear conclusion;

ix. Other contents stipulated by laws, administrative regulations, departmental rules, other normative documents, the Listing Rules and other securities regulatory rules of the place where the company's shares are listed.

The election, appointment or employment of the Directors, Supervisors or other senior management shall be invalid if such election, appointment or employment is against the Articles of Association. If the Directors, Supervisors or senior management falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

(6) Duties

The directors shall abide by laws, administrative regulations and the Articles of Association, and shall have the following fiduciary duties to the Company:

i. Shall not abuse their authority by accepting bribes or other illegal income, and shall not convert company property;

ii. Shall not misappropriate company funds;

iii. Shall not deposit Company's assets into accounts held in their own names or in the name of any other individual;

iv. Shall not, in violation of the Articles of Association, loan Company's funds to any other person or give Company's assets as security for the debt of any other person without the approval of the General Meeting or the Board of Directors;

v. Shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval of the General Meeting;

vi. Shall not use the advantages provided by their own positions to pursue business opportunities that properly belong to the Company to engage in the same business as the Company either for their own account or for the account of any other person without the approval of the General Meeting;

vii. Shall not accept commissions paid by others for transactions conducted with the Company as their own;

viii. Shall not disclose confidential Company's information without authorisation;

ix. Shall not abuse their connected relationships to damage the Company's interests;

x. Other fiduciary obligations stipulated in laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the company's shares are listed and the Articles of Association.

The income obtained by the director in violation of above article shall belong to the Company; If losses are caused to the Company, it shall be liable for compensation.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company:

i. Shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and state economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;

ii. Shall treat all Shareholders fairly;

iii. Shall maintain a timely awareness of the operation and management of the Company;

iv. Shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;

v. Shall provide accurate information and materials to the Board of Supervisors and shall not obstruct the Board of Supervisors or individual Supervisors from performing its or their duties;

vi. Other obligations of diligence stipulated in the laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed, and Articles of Association.

The fiduciary duty assumed by the Directors shall not be automatically relieved within a reasonable period after the resignation report has not come into effect or has come into effect, and within a reasonable period after the end of the term of office. The duty of confidentiality of the Company's business secrets shall remain valid after the end of the term of office, until the secrets become public information.

The specific time limit for Directors to undertake the fiduciary duty is 2 years from the date of the resignation takes effect or the term of office expires. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the nature of the matter, its importance to the company, the duration of its impact on the company, the relationship between it and the Director and other factors.

Without the provisions of the Articles of Association or the lawful authorisation of the Board of Directors, no Director shall act in his own name on behalf of the Company or the Board of Directors. When a Director acts in his/her own name, the Director shall declare his/her position and identity in advance if the third party reasonably believes that the Director is acting on behalf of the Company or the Board of Directors.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding 1% or more shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the people's court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders may submit a written request to the Board of Directors to file an action with the people's court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the competent court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent court.

2 MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

Where the amendments to the Articles of Association passed by the General Meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3 SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the Shareholders' meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution may be adopted by a simple majority of the votes held by the Shareholders (including proxies of Shareholders) attending the General Meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies of Shareholders) attending the General Meeting.

4 VOTING RIGHTS

The Shares held by the Shareholders of the Company are ordinary shares, without special voting rights. Shareholders (including proxy) shall exercise their voting rights according to the number of voting Shares they represent, and each Share shall have one vote.

When voting at the General Meeting, the Shareholder (including proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote.

Any Shareholder who is required by the Hong Kong Listing Rules to abstain from voting on a matter or is limited to an affirmative or negative vote shall abstain from voting or be required to so vote; any vote cast by or on behalf of relevant shareholder which is cast in violation of such requirement or restriction shall not be counted in the voting result.

The shares held by the Company itself shall have no voting right and shall not be counted in the total number of voting shares at the shareholders' meeting.

When the number of dissenting votes equals the number of supporting votes at the meeting of the Board of Directors, regardless of voting by ballot or show of hands, the chairman of the Board of Directors is entitled to one additional vote.

5 RULES ON THE GENERAL MEETINGS

The General Meetings are divided into annual general Shareholders' meetings and extraordinary general Shareholders' meetings. The annual general shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

At the time of the General Meeting, all shareholders or their proxies who are registered in the Register of Shareholders on the Date of The Share Registration are entitled to attend the meeting, to speak at the meeting and to exercise their voting rights in accordance with the relevant laws, rules and the Articles of Association.

6 ACCOUNTING AND AUDITS

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations and rules developed by the competent department. Where there are special rules in the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed, the special rules would prevail.

The Company employs an accounting firm that complies with the provisions of the Securities Law, the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed to conduct accounting statement audit, net asset verification and other related consulting services. The employment period is one year, and can be renewed.

The employment of accounting firms by the Company must be decided by the General Meeting by ordinary resolution, and the Board of Directors shall not appoint accounting firms before the decision of the General Meeting. The remuneration of the accounting firm and the way to pay shall be determined by the General Meeting.

The Company shall guarantee to provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The Company shall notify the accounting firm 15 days in advance when dismissing or no longer renewing the accounting firm. The accounting firm shall be allowed to state its opinions when the General Meeting votes on dismissing the accounting firm. If the accounting firm proposes to resign, it shall explain to the General Meeting whether the Company has any improper situation.

7 NOTICE AND AGENDA OF THE GENERAL MEETINGS

Under any of the following circumstances, our Company shall convene an extraordinary general Shareholders' meeting within two months:

i. The number of Directors is less than the minimum number specified in the PRC Company Law or less than two thirds of the number required in the Articles of Association;

ii. The uncovered losses of our Company reach one-third of its total paid-in share capital;

iii. The Shareholders with 10% or more shares of the Company separately or jointly. request to convene an extraordinary general Shareholders' meeting;

iv. The Board of Directors considers it necessary;

v. The Board of Supervisors proposes to convene;

vi. Any other circumstances stipulated in laws, administrative regulations, regulations of the authorities, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

In the event that the Board of Directors agree to convene an extraordinary general meeting, the notice of convening the extraordinary general Shareholders' meeting shall be issued within 5 days after the Board of Directors makes a resolution. With regard to the proposal of convening an extraordinary general Shareholders' meeting made by the Board of Supervisors, if the Board of Directors made a rejection or does not respond within 10 days after it receiving the proposal, it shall be viewed as the Board of Directors is unable to or fails to perform its duty of convening the General Meeting, and the Board of Supervisors may convene and preside over the meeting by its own.

Shareholders who separately or jointly hold 10% or more of the shares may request in writing to convene an extraordinary general Shareholders' meeting. If the Board of Directors does not issue a notice of convening the meeting within 10 days after receiving the above written requirement, or refused to convene, the shareholders who separately or jointly hold 10% or more of the shares may request the Board of Supervisors in writing to convene the meeting. If the Board of Supervisors does not issue the notice about convening the meeting within 5 days after receiving the above written requirement, the shareholders holding 10% or more shares separately or jointly for over 90 consecutive days could convene and preside the meeting by themselves.

In the event that the General Meeting is convened, the Board of Directors, the Board of Supervisors and shareholders who separately or jointly hold more than 3% of the shares of our Company may submit a proposal.

When convening an annual general Shareholders' meetings, our Company shall send a written notice 20 days before it is convened. When convening an extraordinary general Shareholders' meeting, our Company shall send a written notice 15 days before it is convened. When the Company calculates the starting period of "20 days" and "15 days", it does not include the date of the meeting, but includes the date of the notice.

The notice of the General Meeting shall be made in writing, including the following contents:

i. The date, the place and the term of meeting;

ii. The matters and proposals to be discussed at the meeting;

iii. Conspicuous statement that all shareholders are entitled to attend the meeting and appoint proxy to attend and vote and that proxy need not be a shareholder;

iv. The registration date of the share of the shareholder entitled to attend the Shareholders' meeting;

v. Name and phone number of the standing contact person for affairs;

vi. Voting time and voting procedure by network or other means (if any);

vii. Other requirements specified in the laws, administrative regulations, regulations of the authorities, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

The notice of the General Meeting and the supplementary notice shall fully and completely disclose all the specific contents of all proposals. If the matter to be discussed needs the opinion of Independent Directors, the opinions and reasons of Independent Directors will be disclosed at the same time when the notice of General Meeting or supplementary notice is issued. The start time of voting (if any) by network or other means at the General Meeting shall not be earlier than 3:00 p.m. on the day before the on-site General Meeting is held, nor later than 9:30 a.m. on the day of the on-site General Meeting, and the end time shall not be earlier than 3:00 p.m. on the day of the on-site General Meeting.

The interval between the equity registration date and the meeting date shall be no more than 7 working days. Once the equity registration date is confirmed, it cannot be changed.

The resolution of the General Meeting includes ordinary resolution and special resolution. The following matters shall be approved by the General Meeting through ordinary resolutions:

i. Work report of the Board of Directors and the Board of Supervisors;

ii. Plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;

iii. Appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;

iv. Annual budgets plan and final accounts plan of the Company;

v. Annual report of the Company;

vi. The employment, remuneration, or the payment methods of the accounting firm;

vii. Other matters other than those approved by special resolution stipulated in the laws, administrative regulations, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the General Meeting:

i. The increase or decrease of the share capital, or the issuance of stock, warrants or other similar securities of any kind;

ii. Issuance of company bond;

iii. Division, spin-off, merger, dissolution and liquidation of our Company;

iv. Change of form of our Company;

v. Substantial assets acquired or disposed of or security provided within one year for an amount exceeding 30% of the latest audited total assets of our Company;

vi. Amendment of the Articles of Association;

vii. Share equity incentive plan;

viii. Other matters as required by the laws, administrative regulations, Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association, And matters approved by ordinary resolution of the General Meeting which are believed could materially affect our Company and need to be approved by special resolution.

In the event that any resolution of the General Meeting or resolution of the Board of Directors violates laws or administrative regulations, any shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the General Meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted.

8 SHARE TRANSFERS

The shares of our Company holding by the funders thereof shall not be transferred within one year of the date of establishment of our Company. The shares issued before the public issuance of shares by our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded on a securities exchange.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the shares of our Company and the changes thereto. The shares transferable by them during each year of their term of office shall not exceed 25 percent of their total holdings of the shares of the same class of our Company. The shares that they held in our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded. The aforesaid persons shall not transfer their shares of our Company within six months from the date of their resignation.

Where any Shareholder, Director, Supervisor or senior manager of the Company who holds more than 5% of the Company Shares sells company's stock or other securities with the nature of equity he holds within 6 months of the relevant purchase, or purchases any stock or other securities with the nature of equity he has sold within 6 months of the relevant sale, the proceeds generated therefrom shall be incorporated into the profits of the Company, and the Board of Directors of the Company shall recover the proceeds. However, the following circumstances shall be excluded where a securities company holds more than 5% of the shares due to its purchase of any remaining Shares under a best efforts underwriting or where the provisions of the securities regulatory authority under the State Council are listed apply.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior executives and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people's accounts.

If the Board of Directors of the Company fails to comply with the above paragraph of this Article, the Shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the Shareholders are entitled to initiate litigation directly in the People's Court in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions set forth in this Article, the responsible Directors shall bear joint and several liability in accordance with law.

9 RIGHTS OF OUR COMPANY TO PURCHASE OUR OUTSTANDING ISSUED SHARES

Under any of the following circumstances, our Company may buy back our outstanding issued shares:

i. Reduce our Company's registered capital;

ii. Merger with other companies which hold our shares;

iii. Granting shares to the staff of our Company as incentives;

iv. Requesting the Company to buy back its shares from shareholders who vote against any resolutions adopted at the General Meeting concerning the merger and division of the Company;

v. To convert shares into bond issued by our Company which is convertible to stock of our Company;

vi. Necessary for our Company to maintain our Company's value and Shareholders' equity;

vii. Other circumstances permitted by laws and administrative regulations.

A Company may purchase its own Shares through public centralised trading, or through other means recognised by the laws, administrative regulations, the Listing Rules, and other securities regulatory rules of the place where the Company's Shares are listed or the CSRC (if required). Where any Company purchases its own Shares under any of the circumstances specified in the provisions set forth in iii, v, vi above, centralised trading shall be adopted publicly.

10 DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company attaches importance to the reasonable return on investment to Shareholders, and the profit distribution should follow the principle of paying attention to the reasonable return on investment to Shareholders and benefiting the long-term development of the Company. The Company's profit distribution policy should maintain continuity and stability, and comply with the relevant provisions of laws and regulations. The Company may distribute dividends in cash or stock. Under the condition that the Company has distributable profits, the Board of Directors of the Company may make cash dividend distribution plans or/and stock dividend distribution plans according to the Company's business and financial conditions.

After the General Meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the General Meeting.

11 SHAREHOLDER PROXIES

Any shareholder who is entitled to attend and vote at General Meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting in his or her place.

The power of attorney shall indicate whether the shareholder's proxy can vote according to his own will if the Shareholder does not give specific instructions.

Where a Shareholder authorises another person to sign a proxy statement for voting, the power of attorney for signing authority or other authorisation documents shall be notarized. The notarized power of attorney or other authorisation documents shall be lodged at the Company's domicile or any other place stipulated in the meeting notice. Where the Shareholder is a legal person or an institutional shareholder, its legal representative or managing partner or any person authorised by a resolution of the Board of Directors or other decision-making body shall attend the General Meeting as its proxy.

If the principal shareholder is a Recognised Clearing House (or its proxies) as defined in the relevant ordinances enacted from time to time in Hong Kong, the shareholder may authorise its company representative or one or more persons as it deems appropriate to act as its representative at any General Meeting or any class of shareholders. However, if more than one person is authorised, the power of attorney or letter of authorisation shall specify the number and type of shares involved in such authorisation, and the power of attorney shall be signed by the authorised person of the recognised clearing house. Such authorised person may represent the Recognised Clearing House (or its proxies) at the meeting (without presenting a shareholding certificate, notarized authorisation and/or further evidence confirming its duly authorisation) exercising the statutory rights equivalent to those enjoyed by other shareholders, including the right to speak and vote, as if the person were an individual shareholder of our Company.

12 REVIEW THE REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Our Company shall make a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities.

The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company's Shares. Shareholders enjoy rights and assume obligations according to the types of shares they hold; Shareholders holding the same kind of Shares shall enjoy the same rights and undertake the same obligations.

The original register of the shareholders of the overseas listed foreign shares listed in Hong Kong shall be kept in Hong Kong.

Our Company shall keep a copy of the register of the shareholders of the overseas listed foreign shares at our residential address. The overseas entrusted agency shall at all times maintain consistency between the original and copy of the register of the shareholders of the overseas listed foreign shares. The register of shareholders maintained in Hong Kong must be accessible to shareholders, but a company may be allowed to suspend the registration of shareholders under the same terms as the Company Ordinance (Cap. 622).

13 RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

The controlling Shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company; Controlling shareholders and actual controllers who violate Articles of Association and cause losses to the Company shall be liable for compensation.

Controlling Shareholders and ultimate controllers of the Company shall have a duty of care to the Company and other Shareholders. Controlling Shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of the Company or of other Shareholders in any way such as via the distribution of profits, an asset reorganisation, external investments, the use of Company's funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of other Shareholders.

14 PROCEDURES FOR LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

i. The term of business of our Company has expired or other causes of dissolution as provided for in Articles of Association;

ii. The General Meeting adopts a resolution to dissolve our Company;

iii. Our Company needs to be dissolved for the purpose of merger or division;

iv. The business license is revoked, or our Company is ordered to close or be eliminated according to applicable law; or

v. Where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of all voting rights of the Company's shareholders may request the People's Court to dissolve the Company.

Where our Company is dissolved due to the provisions set forth in i, ii, iv, v above, the liquidation team shall be established within 15 days from the date of the event leading to liquidation to commence dissolution and the personnel of the liquidation team shall consist of the persons determined by the Directors or the General Meeting.

Within 10 days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in the newspaper within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received.

Creditors who declare claims shall state relevant issues related to the claims and provide proofs. The liquidation team shall carry out registration of the claims. During the period for declaration of claims, the liquidation group shall not make any repayment to the creditors.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any shareholder before full payments have been made out of the property according to the aforesaid provision.

In the event the liquidation team finds that, after taking stock of our Company's property and preparing the balance sheet and list of property, that the assets are insufficient to pay the debts, it shall immediately apply to the people's court to declare bankruptcy.

After our Company is declared bankrupt by ruling of the people's court, the liquidation team shall turn over matters regarding the liquidation to the people's court.

15 OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

(1) General Provisions

Our Company is a permanently existing joint stock limited company.

All the assets of the company are divided into shares of equal value. The Shareholders are responsible for the Company to the extent of their subscribed Shares, and the Company is responsible for the Company's debts with all its assets.

The Articles of Association shall, from the date on which they take effect, be the legally binding document that regulates the organisation and activities of the Company and the relationship of rights and obligations as between the Company and the Shareholders and among the Shareholders, and shall be legally binding on the Company, the Shareholders, the Directors, the Supervisors and senior officers. Based on the Articles of Association, any Shareholder may bring a lawsuit against another Shareholder, a Director, a Supervisor, a manager or any other senior officer. Any Shareholder may bring a lawsuit against the Company, and the Company may bring a lawsuit against any Shareholder, Director, Supervisor, manager or any other senior officer.

The Company shall, subject to the provisions of the Constitution of the Communist Party of China, establish a party organisation and carry out party-related activities. The Company provides the necessary conditions for the activities of the party organisation.

(2) Share and Transfer

Our Company may increase stock capital by the following means:

i. Issuing new shares to unspecified investors;

ii. Placing new shares to specified investors;

iii. Allocating or giving new shares to existing shareholders;

iv. Converting the reserve funds into share capital;

v. Other means approved by the laws, administrative regulations or approved by the CSRC and the Hong Kong Stock Exchange.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in Company Law of the PRC, other related regulations, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Upon approval and filed by the competent securities department of the State Council and approved by the Hong Kong Stock Exchange, the not listed shares of the Company can be listed and traded on an overseas stock exchange. Such domestic shares shall be in compliance with the regulatory procedures, provisions and requirements of overseas securities market after being listed and traded on an overseas stock exchange.

Domestic unlisted shares can converted into overseas listed shares and listed for trading on overseas stock exchanges, and there is no need to convene a General Meeting to vote. The domestic unlisted shares issued by the company are centrally deposited with domestic securities registration and settlement institutions.

(3) Shareholders

The shareholders of our Company are persons lawfully holding the Company's shares and whose names (titles) are already listed in the register of shareholders. Shareholder is entitled to rights and assumes obligations pursuant to the classification and ratio of his or her shares. Shareholder holding the same classified share has the same rights and assumes the same obligations.

The rights of our shareholders are as follows:

i. To receive distribution of dividends and other forms of benefits according to the number of shares held;

ii. To legally require, convene, preside over, participate in or authorise proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights;

iii. To supervise operational activities of our Company, provide suggestions or submit queries;

iv. To transfer, grant and pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

v. To read the Articles of Association, the list of Shareholders, Company bond stubs, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

vi. To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;

vii. To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the Company;

viii. Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

Where any Shareholder demands to read the relevant information or obtain any of the aforesaid materials, he shall submit to the Company written documents proving the class(es) and number of shares he holds. The Company shall provide the relevant information or materials in accordance with the Shareholder's demand after verifying the Shareholder's identity.

The obligations of Shareholders are as follows:

i. to abide by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association;

ii. to provide Share capital according to the Shares subscribed for and Share participation methods;

iii. not to return Shares unless prescribed otherwise in laws and administrative regulations;

iv. not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;

v. to perform other duties prescribed in laws, administrative regulations, regulatory rules where our Company's shares are listed, and the Articles of Association.

Any company Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

(4) The Board of Directors

The Board of Directors is responsible to the General Meeting and exercises the following powers:

i. To convene the general Shareholders' meeting and report on work to the General Meeting;

ii. Implement the resolutions of the General Meeting;

iii. Determine the business and investment plans of our Company;

iv. Devise the annual financial budget and closing account plans of our Company;

v. Devise the earnings distribution and loss offset plans of our Company;

vi. Formulate the plans for increasing or decreasing our Company's registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of our Company;

vii. Formulate plans for major acquisitions of the Company, the buy-back of shares of our Company, corporate merger, separation of our Company, spin-off, changing the form and dissolution of our Company;

viii. Determine such matters as the Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction (except for transactions between our Company and its subsidiaries) and external donation within the scope authorised by the General Shareholders' Meeting;

ix. Decide on the setup of our Company's internal management organisation;

x. To decide on matters such as appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior officers and on their compensation and incentives/disincentives; to decide on matters such as appointment or dismissal of the Company's vice general manager, chief financial officer and other senior management and on their compensation and incentives/disincentives; to determine such matters as investment, purchase or sale of assets, financing and connected transaction (except for transactions between our Company and its subsidiaries) as decided by the Board of Directors pursuant to the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed;

xi. Set the basic management systems of our Company;

xii. Make the modification plan to the Articles of Association;

xiii. Manage the disclosure of company information;

xiv. Request to the general meeting of shareholders to hire or replace the accounting firm auditing for the company;

xv. Attend to the work report of our Company's general manager and review the work of the general manager;

xvi. Other powers and duties authorised by the laws, administrative regulations, regulations of the authorities, the Listing Rules,other securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Matters beyond the scope of authorisation of the General Meeting shall be submitted to the General Meeting for deliberation.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors before the Board of Directors meeting can be convened.

(5) Independent Non-executive Director

At least one-third of member of the Board of Directors of the Company shall be the independent non-executive Directors and the amount shall not be less than three. All members of the Audit Committee must be non-executive directors, and at least one of them shall be the independent non-executive Director who has appropriate professional qualifications as required by the Listing Rules, or has appropriate accounting or related financial management expertise.

(6) Secretary of the Board of Directors

Our Company shall have one secretary of the Board of Directors, who shall be responsible for preparing for General Meetings and meetings of the Board of Directors, the retention of documents, the management of Shareholder materials, the disclosure of information, etc.

(7) Board of Supervisors

Our Company shall set up a Board of Supervisors.

The Board of Supervisors consists of three Supervisors and includes one chairman. The chairman of the Board of Supervisors shall be elected and dismissed by more than a two-thirds vote of the members of the Board of Supervisors.

The Board of Supervisors shall consist of Shareholder's representatives and employee's representatives.

Resolutions of the Board of Supervisors shall require approval from two-third of all the Supervisors. The Supervisors serve three-year terms.

The Directors and senior management shall not also serve as Supervisors.

The Board of Supervisors is responsible to the General Meeting and lawfully exercises the following powers:

i. To examine and give written examination opinions on the Company's regular reports prepared by the Board of Directors;

ii. Supervise the Company's duties performing of Directors and senior management, and put forward suggestions for dismissing any Directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the General Meetings;

iii. Require the Directors and senior management to take corrective measures when their actions are detrimental to the Company's interests;

iv. To review the financial affairs of the Company;

v. Check financial information such as financial reports, business reports and profit distribution plans to be submitted by the board of directors to the General Meeting, and if doubts are found, may appoint a certified public accountant or a licensed auditor in the Company's name to help review them;

vi. Propose to convene an extraordinary General Meeting, and where the Board of Directors fails to perform the duties in relation to convene or preside over the General Meeting, to convene and preside over the General Meeting;

vii. Submit proposals at the General Meetings;

viii. Propose an ad hoc meeting of the Board of Directors;

ix. Bring actions against the Directors and senior management in accordance with the PRC Company Law;

x. Investigate into any abnormalities in operation of our Company; if necessary, to engage accounting firms, law firms and other professional institutions to assist its work, and the expenses shall be borne by our Company;

xi. Other powers and duties stipulated in the laws, administrative regulations, Articles of Association and authorised by the General Meetings.

The Supervisors may attend the meetings of the Board of Directors.

(8) General manager

Our Company has one general manager, appointed or dismissed by the Board of Directors. The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

i. Be in charge of the producing and operational management of our Company, and report to the Board of Directors on work;

ii. Organise the implementation of the resolutions of Board of Directors, annual operation plans and investment schemes;

iii. Devise the annual financial budget and closing account plans of our Company and make recommendations to the Board of Directors;

iv. Formulate the fundamental management rules and structure scheme of the internal department of our Company;

v. Formulate the basic rules of the Company;

vi. Propose the appointment or dismissal of the Company's vice general manager, chief financial officer and other senior management to the Board of Directors;

vii. Appoint or dismiss other management personnel and general employees except those who shall be appointed or dismissed by the Board of Directors;

viii. Proposing an ad hoc meeting of the Board of Directors;

ix. To decide other matters of the Company within the scope authorised by the Board of Directors;

x. To decide on investments, acquisitions and sale of assets, financing that must be decided by other than the Board of Directors or the General Meeting;

xi. Other powers and duties stipulated in the Articles of Association and the Board of Directors.

(9) Reserves

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the earnings to the statutory reserve of the Company.

When the total amount of the statutory reserve exceeds 50% of our Company's registered capital, no more allocations need to be drawn.

If the Company's statutory reserve is insufficient to offset our losses during the previous year, the earnings generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth above.

After allocation to the statutory reserve from the after-tax earnings of our Company, we may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the General Meeting.

After our Company has made up for its losses and made allocations to its statutory reserve fund, the remaining profits are distributed in proportion to the number of shares held by the Shareholders, unless otherwise specified by the Articles of Association.

If the General Meeting violates the above provisions and profits are distributed to the Shareholders before the Company makes up for losses or makes allocations to the statutory reserve fund, the profits distributed in violation of the provisions must be returned by such Shareholders to the Company.

The shares held by our Company itself shall not be subject to profit distribution.

The Company's reserves used for offsetting losses of the Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of the Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of Our Company

The predecessor of the Company was incorporated as a limited liability company in the PRC on 11 April 2014 under the corporate name Sichuan Dekon Agro-livestock Technology Company Limited (四川德康農牧科技有限公司). On 9 May 2019, our Company was converted to a joint stock company with limited liability and renamed as Dekon Food and Agriculture Group (四川德康農牧食品集團股份有限公司).

We have established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 10 June 2021. We have appointed Zeng Min and Mr. Li Kin Wai, as the Authorised Representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of relevant provisions of our Articles of Association is set out in Appendix V to this document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV to this document.

2. Changes in the Share Capital of Our Company

At the time of our establishment on 11 April 2014, our registered capital was RMB100,000,000. In April 2014, seven individuals, including Mr. Wang Degen, Mr. Chen Yuxin, Mr. Hu Wei, Mr. Tang Jianyuan, Mr. Rao Hui, Mr. Liu Guofeng and Mr. Wang Dehui, jointly established the Company through (1) contribution of their equity in Chongqing Dekon valued at RMB70 million and (2) cash of RMB30 million in proportion to their then shareholding in Chongqing Dekon. The shareholding structure of the Company upon the establishment is as follows: Mr. Wang Degen (42.00%), Mr. Chen Yuxin (35.00%), Mr. Hu Wei (10.00%), Mr. Tang Jianyuan (5.00%), Mr. Rao Hui (3.00%), Mr. Liu Guofeng (3.00%) and Mr. Wang Dehui (2.00%).

On 27 November 2018, the registered capital of the Company increased from RMB100 million to RMB101.70 million, with the additional RMB1.70 million subscribed at par value by Mr. Yao Hailong, Mr. Xu Wei and Mr. Tang Xiaoping for RMB1 million, RMB0.5 million and RMB0.2 million, respectively.

On 20 February 2019, the then Shareholders (also as the promoters), entered into the promoters' agreement pursuant to which they agreed to convert the Company into a joint stock company with limited liability with a registered capital of RMB250,000,000 divided into 250,000,000 Domestic Shares with a par value of RMB1.00 each, which was determined with reference to the net audited asset value of the Company of RMB605,566,600 as at 30 November 2018, as appraised and verified by an independent accountant. Upon completion of the said conversion on 9 May 2019, the Company was converted into a joint stock company with limited liability and we were incorporated under the name of Dekon Food and Agriculture Group (四川德康農牧食品集團股份有限公司). The then Shareholders and their respective equity interest in our Company remained unchanged immediately before and after the conversion of our Company into a joint stock company with limited liability.

On 29 June 2019, the Company issued an additional 33,295,430 ordinary Shares with a nominal value of RMB1 each. The registered capital was increased from RMB250 million to RMB283,295,430, which by Mr. Shu Dingming as to 3,807,107 Shares at a price of RMB4 per share, Zhongcheng Jinyi as to 7,814,213 Shares at a price of RMB9.85 per share, CEL Maiming as to 16,255,549 Shares at a price of RMB11.07 per share and Suzhou Houqi as to 5,418,561 Shares at a price of RMB11.07 per share.

On 14 November 2019, the Company issued an additional 5,665,909 ordinary Shares with a nominal value of RMB1 each. The registered capital was increased from RMB283,295,430 to RMB288,961,339, which was fully subscribed by Yixing CEL at a price of RMB35.30 per share.

On 15 December 2019, the Company issued an additional 1,422,221 ordinary Shares with a nominal value of RMB1 each. The registered capital was increased from RMB288,961,339 to RMB290,383,560, which was fully subscribed by Tongchuang Deheng at a price of RMB30.11 per share.

On 21 April 2020, the Company issued an additional 6,701,159 ordinary Shares with a nominal value of RMB1 each. The registered capital was increased from RMB290,383,560 to RMB297,084,719, which was fully subscribed by Yixing CEL at a price of RMB44.77 per share. The registration of such increase of registered capital with the Chengdu Administration for Industry and Commerce was completed on 23 April 2020.

On 30 October 2020, the Company resolved to increase the registered capital from RMB297,084,719 to RMB360,000,000. The Company's undistributed profit of RMB62,915,281 was transferred to registered capital in the same proportion as the then Shareholders' shareholding ratio.

On 3 December 2021, the Company resolved to issue an additional 1,963,636 ordinary Shares with a nominal value of RMB1 each. The share capital was increased from RMB360 million to RMB361,963,636, which was subscribed in full by Shanghai Xunran at a price of RMB61.11 per Share.

Save as disclosed above, there has been no alteration in our share capital since our establishment and as at the Latest Practicable Date.

Assuming the [**REDACTED**] is not exercised, upon the completion of the [**REDACTED**], the issued share capital of our Company will be increased to RMB[**REDACTED**], made up of [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares with a nominal value of RMB1.00 each fully paid up or credited as fully paid up, representing approximately [**REDACTED**]% and [**REDACTED**]% of our registered share capital, respectively.

3. Restriction of Share Repurchase

For details of the restrictions on the Share repurchase by our Company, please refer to "Summary of the Articles of Association" in Appendix V to this document.

4. Resolutions Passed at Our Company's Extraordinary General Meeting held on 26 December 2022

At the extraordinary general meeting of our Company held on 26 December 2022, among other things, the following resolutions were passed by the Shareholders:

(a) the issue of H Shares with a nominal value of RMB1.00 each by the Company and such H Shares to be [**REDACTED**] on the Main Board of the Stock Exchange;

(b) subject to the completion of the [**REDACTED**], the Articles of Association has been approved and adopted, which shall only become effective on the [**REDACTED**], and the Board has been authorised to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(c) authorising the Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the [**REDACTED**].

5. Changes in Share Capital of Our Subsidiaries

Our principal subsidiaries are referred to in the Accountants' Report set out in Appendix I to this document.

The following alterations in the share capital of our subsidiaries have taken place within two years immediately preceding the date of this document:

(a) Horqin Right Front Banner Dekon Agriculture and Animal Husbandry Co., Ltd. (科爾沁右翼前旗德康農牧有限公司)

On 21 December 2022, Horqin Right Front Banner Dekon Agriculture and Animal Husbandry Co., Ltd. increased its registered capital from RMB10 million to RMB30 million.

(b) Sichuan Dekon Research Innovation Technology Co., Ltd. (四川德康攻關創新科技有限公司)

On 11 July 2022, Sichuan Dekon Research Innovation Technology Co., Ltd. was established under the laws of the PRC with a registered capital of RMB10 million.

(c) Chongqing Langgeng Agriculture Co., Ltd. (重慶郎耕農業有限公司)

On 13 June 2022, Chongqing Langgeng Agriculture Co., Ltd. was established under the laws of the PRC with a registered capital of RMB5 million.

(d) Songtao Dekon Feed Co., Ltd. (松桃德康飼料有限公司)

On 24 December 2021, Songtao Dekon Feed Co., Ltd. was established under the laws of the PRC with a registered capital of RMB10 million.

(e) Yunan Dekon Agriculture and Animal Husbandry Co., Ltd. (鬱南德康農牧有限公司)

On 19 April 2022, Yunan Dekon Agriculture and Animal Husbandry Co., Ltd. was established under the laws of the PRC with a registered capital of RMB100 million.

(f) Chongqing Hechuan District Dekon Shangpin Feed Technology Co., Ltd. (重慶市合川區德康尚品飼料科技有限公司)

On 26 May 2022, Chongqing Hechuan District Dekon Shangpin Feed Technology Co., Ltd. was established under the laws of the PRC with a registered capital of RMB10 million.

(g) Bayan County Dekon Agriculture and Animal Husbandry Co., Ltd. (巴彥縣德康農牧有限公司)

On 6 April 2023, Bayan County Dekon Agriculture and Animal Husbandry Co., Ltd. was established under the laws of the PRC with a registered capital of RMB10 million.

(h) Yibin Dekon Agriculture Co., Ltd. (宜賓德康農業有限公司)

On 7 March 2023, Yibin Dekon Agriculture Co., Ltd. was established under the laws of the PRC with a registered capital of RMB5 million.

(i) Xing'an League Dekon Agriculture Co., Ltd. (興安盟德康農業有限公司)

On 24 March 2023, Xing'an League Dekon Agriculture Co., Ltd. was established under the laws of the PRC with a registered capital of RMB5 million.

(j) Chengdu Dekon Agriculture Co., Ltd. (成都德康農業有限公司)

On 17 February 2023, Chengdu Dekon Agriculture Co., Ltd. was established under the laws of the PRC with a registered capital of RMB20 million.

(k) Zigong Dekon Animal Husbandry Technology Co., Ltd. (自貢德康農牧科技有限公司)

On 19 July 2023, Zigong Dekon Animal Husbandry Technology Co., Ltd. increased its registered capital from RMB64.5 million to RMB128.5 million.

(l) Fushun Dekon Pig Breeding Co., Ltd. (富順德康生豬養殖有限公司)

On 19 July 2023, Fushun Dekon Pig Breeding Co., Ltd. increased its registered capital from RMB65 million to RMB88 million.

(m) Xiushan County Dekon Agriculture and Animal Husbandry Technology Co., Ltd. (秀山縣德康農牧科技有限公司)

On 21 July 2023, Xiushan County Dekon Agriculture and Animal Husbandry Technology Co., Ltd. increased its registered capital from RMB45 million to RMB101 million.

(n) Chongqing Hechuan Dekon Pig Farming Co., Ltd. (重慶市合川區德康生豬養殖有限公司)

On 19 July 2023, Chongqing Hechuan Dekon Pig Farming Co., Ltd. increased its registered capital from RMB20 million to RMB193 million.

(o) Renshou Dekon Agriculture and Animal Husbandry Co., Ltd. (仁壽德康農牧有限公司)

Renshou Dekon Agriculture and Animal Husbandry Co., Ltd. increased its registered capital from RMB100 million to RMB300 million on 12 July 2023 and further increased its registered capital to RMB425 million on 19 July 2023.

(p) Yibin Dekon Food Co., Ltd. (宜賓德康食品有限公司)

Yibin Dekon Food Co., Ltd. increased its registered capital from RMB50 million to RMB100 million on 22 December 2022 and further increased its registered capital to RMB140 million on 18 July 2023.

(q) Rong County Dekon Food Co., Ltd. (榮縣德康食品有限公司)

On 19 July 2023, Rong County Dekon Food Co., Ltd. increased its registered capital from RMB62 million to RMB122.8 million.

(r) Xingwen Dekon Animal Husbandry Co., Ltd. (興文德康畜牧有限公司)

On 20 July 2023, Xingwen Dekon Animal Husbandry Co., Ltd. increased its registered capital from RMB94.3 million to RMB154.3 million.

(s) Dazhou Dekon Agriculture and Animal Husbandry Food Co., Ltd. (達州市德康農牧食品有限公司)

On 19 July 2023, Dazhou Dekon Agriculture and Animal Husbandry Food Co., Ltd. increased its registered capital from RMB32 million to RMB152 million.

(t) Anshun Dekon Agriculture and Animal Husbandry Co., Ltd. (安順德康農牧有限公司)

On 20 July 2023, Anshun Dekon Agriculture and Animal Husbandry Co., Ltd. increased its registered capital from RMB10 million to RMB192 million.

(u) Changshu Dekon Agriculture and Animal Husbandry Co., Ltd. (常熟德康農牧有限公司)

On 19 July 2023, Changshu Dekon Agriculture and Animal Husbandry Co., Ltd. increased its registered capital from RMB95 million to RMB126 million.

(v) Taicang Dekon Agriculture and Animal Husbandry Co., Ltd. (太倉德康農牧有限公司)

On 21 July 2023, Taicang Dekon Agriculture and Animal Husbandry Co., Ltd. increased its registered capital from RMB20 million to RMB57 million.

Save as disclosed above, there has been no alternation in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document that are or may be material:

(a) [the [**REDACTED**]].

2. Intellectual Property Rights of Our Group

(a) Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks which, in the opinion of the Directors, are material to our business:

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
1	DEKON GROUP	The Company	19	PRC	41865417	2020.06.21-2030.06.20
2	DEKON GROUP	The Company	14	PRC	41865358	2020.06.21-2030.06.20
3	DEKON GROUP	The Company	8	PRC	41864428	2020.06.21-2030.06.20
4	DEKON GROUP	The Company	30	PRC	41863017	2020.06.21-2030.06.20
5	DEKON GROUP	The Company	24	PRC	41862797	2020.06.21-2030.06.20
6	DEKON GROUP	The Company	4	PRC	41861609	2020.06.21-2030.06.20
7	DEKON GROUP	The Company	25	PRC	41859974	2020.06.21-2030.06.20
8	DEKON GROUP	The Company	29	PRC	41856128	2020.06.21-2030.06.20
9	DEKON GROUP	The Company	26	PRC	41856016	2020.06.21-2030.06.20
10	DEKON GROUP	The Company	13	PRC	41852623	2020.06.21-2030.06.20
11	DEKON GROUP	The Company	22	PRC	41848723	2020.06.21-2030.06.20
12	DEKON GROUP	The Company	21	PRC	41848708	2020.06.21-2030.06.20
13	DEKON GROUP	The Company	28	PRC	41847833	2020.06.21-2030.06.20
14	DEKON GROUP	The Company	1	PRC	41847437	2020.06.21-2030.06.20
15	DEKON GROUP	The Company	5	PRC	41845010	2020.06.21-2030.06.20
16	DEKON GROUP	The Company	23	PRC	41844635	2020.06.21-2030.06.20
17	DEKON GROUP	The Company	17	PRC	41844177	2020.06.21-2030.06.20

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
18	DEKON GROUP	The Company	15	PRC	41841332	2020.06.21-2030.06.20
19	DEKON GROUP	The Company	10	PRC	41842839	2020.06.28-2030.06.27
20	DEKON GROUP	The Company	2	PRC	41861551	2020.06.28-2030.06.27
21	DEKON GROUP	The Company	27	PRC	41849549	2020.06.28-2030.06.27
22	DEKON GROUP	The Company	20	PRC	41839306	2020.06.28-2030.06.27
23	DEKON GROUP	The Company	3	PRC	41858838	2020.07.14-2030.07.13
24	DEKON GROUP	The Company	6	PRC	41863941	2020.07.14-2030.07.13
25	DEKON GROUP	The Company	16	PRC	41864506	2020.07.14-2030.07.13
26	DEKON GROUP	The Company	18	PRC	41839246	2020.07.14-2030.07.13
27	DEKON GROUP	The Company	37	PRC	41872201	2020.08.21-2030.08.20
28	DEKON GROUP	The Company	43	PRC	41875868	2020.08.21-2030.08.20
29	DEKON GROUP	The Company	33	PRC	41876067	2020.08.21-2030.08.20
30	DEKON GROUP	The Company	38	PRC	41876472	2020.08.21-2030.08.20
31	DEKON GROUP	The Company	45	PRC	41882722	2020.08.21-2030.08.20
32	DEKON GROUP	The Company	9	PRC	41844495	2020.08.28-2030.08.27
33	DEKON GROUP	The Company	35	PRC	41877458	2020.08.28-2030.08.27
34	DEKON GROUP	The Company	34	PRC	41870607	2020.08.28-2030.08.27
35	DEKON GROUP	The Company	31	PRC	41881636	2020.08.28-2030.08.27
36	DEKON GROUP	The Company	39	PRC	41882493	2020.08.28-2030.08.27
37	DEKON GROUP	The Company	40	PRC	41882530	2020.08.28-2030.08.27
38	DEKON GROUP	The Company	32	PRC	41884316	2020.08.28-2030.08.27

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
39	DEKON GROUP	The Company	41	PRC	41891633	2020.08.28-2030.08.27
40	DEKON GROUP	The Company	36	PRC	41892769	2020.08.28-2030.08.27
41	DEKON GROUP	The Company	44	PRC	41889720	2020.09.07-2030.09.06
42	DEKON GROUP	The Company	12	PRC	41841245	2020.09.14-2030.09.13
43	DEKON GROUP	The Company	11	PRC	41865826	2020.09.21-2030.09.20
44	DEKON GROUP	The Company	7	PRC	41853576	2020.10.07-2030.10.06
45	DEKON GROUP	The Company	42	PRC	41881103	2020.11.07-2030.11.06
46	DEKON GROUP	The Company	4	PRC	41865250	2020.06.21-2030.06.20
47	DEKON GROUP	The Company	26	PRC	41862878	2020.06.21-2030.06.20
48	DEKON GROUP	The Company	22	PRC	41862737	2020.06.21-2030.06.20
49	DEKON GROUP	The Company	18	PRC	41860560	2020.06.21-2030.06.20
50	DEKON GROUP	The Company	20	PRC	41855564	2020.06.21-2030.06.20
51	DEKON GROUP	The Company	17	PRC	41855166	2020.06.21-2030.06.20
52	DEKON GROUP	The Company	1	PRC	41854125	2020.06.21-2030.06.20
53	DEKON GROUP	The Company	30	PRC	41850253	2020.06.21-2030.06.20
54	DEKON GROUP	The Company	19	PRC	41850210	2020.06.21-2030.06.20
55	DEKON GROUP	The Company	29	PRC	41845243	2020.06.21-2030.06.20

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
56	DEKON GROUP	The Company	27	PRC	41844862	2020.06.21-2030.06.20
57	DEKON GROUP	The Company	10	PRC	41844534	2020.06.21-2030.06.20
58	DEKON GROUP	The Company	13	PRC	41841270	2020.06.21-2030.06.20
59	DEKON GROUP	The Company	25	PRC	41840571	2020.06.21-2030.06.20
60	DEKON GROUP	The Company	16	PRC	41838669	2020.06.21-2030.06.20
61	DEKON GROUP	The Company	14	PRC	41837946	2020.06.21-2030.06.20
62	DEKON GROUP	The Company	2	PRC	41858803	2020.06.28-2030.06.27
63	DEKON GROUP	The Company	23	PRC	41849521	2020.06.28-2030.06.27
64	DEKON GROUP	The Company	24	PRC	41848295	2020.06.28-2030.06.27
65	DEKON GROUP	The Company	6	PRC	41838114	2020.06.28-2030.06.27
66	DEKON GROUP	The Company	8	PRC	41857013	2020.06.28-2030.06.27
67	DEKON GROUP	The Company	3	PRC	41841001	2020.06.28-2030.06.27
68	DEKON GROUP	The Company	5	PRC	41838085	2020.06.28-2030.06.27
69	DEKON GROUP	The Company	21	PRC	41852983	2020.06.28-2030.06.27
70	DEKON GROUP	The Company	15	PRC	41852002	2020.07.14-2030.07.13

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
71	DEKON GROUP	The Company	28	PRC	41865503	2020.07.21-2030.07.20
72	DEKON GROUP	The Company	35	PRC	41876121	2020.08.21-2030.08.20
73	DEKON GROUP	The Company	45	PRC	41882726	2020.08.21-2030.08.20
74	DEKON GROUP	The Company	32	PRC	41880919	2020.08.21-2030.08.20
75	DEKON GROUP	The Company	31	PRC	41881639	2020.08.21-2030.08.20
76	DEKON GROUP	The Company	36	PRC	41882472	2020.08.21-2030.08.20
77	DEKON GROUP	The Company	44	PRC	41886840	2020.08.21-2030.08.20
78	DEKON GROUP	The Company	33	PRC	41888818	2020.08.21-2030.08.20
79	DEKON GROUP	The Company	37	PRC	41892806	2020.08.21-2030.08.20
80	DEKON GROUP	The Company	38	PRC	41892827	2020.08.21-2030.08.20
81	DEKON GROUP	The Company	39	PRC	41896935	2020.08.21-2030.08.20
82	DEKON GROUP	The Company	12	PRC	41847637	2020.08.28-2030.08.27
83	DEKON GROUP	The Company	43	PRC	41875871	2020.08.28-2030.08.27
84	DEKON GROUP	The Company	34	PRC	41870612	2020.08.28-2030.08.27
85	DEKON GROUP	The Company	41	PRC	41872022	2020.08.28-2030.08.27

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
86	DEKON GROUP	The Company	40	PRC	41876531	2020.09.07-2030.09.06
87	DEKON GROUP	The Company	11	PRC	41848596	2020.09.14-2030.09.13
88	DEKON GROUP	The Company	7	PRC	41851557	2020.10.07-2030.10.06
89	DEKON GROUP	The Company	9	PRC	41862231	2020.10.07-2030.10.06
90	DEKON GROUP	The Company	42	PRC	41867338	2020.11.07-2030.11.06
91	德康农牧集团 DEKON LIVESTOCK GROUP	The Company	40	PRC	11635406	2014.07.07-2024.07.06
92	德康农牧集团 DEKON LIVESTOCK GROUP	The Company	31	PRC	11629783	2014.05.28-2024.05.27
93		The Company	44	PRC	11629542	2014.06.21-2024.06.20
94		The Company	40	PRC	11629515	2014.05.14-2024.05.13
95		The Company	31	PRC	11629491	2014.04.28-2024.04.27
96		The Company	29	PRC	11629422	2014.07.28-2024.07.27
97		The Company	31	PRC	41888278	2020.08.21-2030.08.20
98		The Company	40	PRC	41880088	2020.08.21-2030.08.20
99		The Company	5	PRC	41838069	2020.10.07-2030.10.06
100		The Company	17	PRC	41841991	2020.10.07-2030.10.06

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
101		The Company	20	PRC	41842391	2020.10.07-2030.10.06
102		The Company	9	PRC	41844509	2020.10.07-2030.10.06
103		The Company	30	PRC	41850259	2020.10.07-2030.10.06
104		The Company	6	PRC	41851460	2020.10.07-2030.10.06
105		The Company	11	PRC	41855383	2020.10.07-2030.10.06
106		The Company	26	PRC	41860018	2020.10.07-2030.10.06
107		The Company	8	PRC	41862164	2020.10.07-2030.10.06
108		The Company	24	PRC	41864588	2020.10.07-2030.10.06
109		The Company	12	PRC	41865274	2020.10.07-2030.10.06
110		The Company	29	PRC	41865534	2020.10.07-2030.10.06
111		The Company	1	PRC	41861000	2020.10.14-2030.10.13
112		The Company	21	PRC	41865460	2020.10.28-2030.10.27
113		The Company	34	PRC	41868924	2020.10.28-2030.10.27
114		The Company	19	PRC	41841465	2020.11.07-2030.11.06
115		The Company	37	PRC	41872208	2020.11.07-2030.11.06

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
116		The Company	43	PRC	41875865	2020.11.07-2030.11.06
117		The Company	39	PRC	41882501	2020.11.21-2030.11.20
118		The Company	35	PRC	41885084	2020.11.21-2030.11.20
119		The Company	7	PRC	41851613	2020.11.28-2030.11.27
120		The Company	40	PRC	46252719	2021.02.21-2031.02.20
121		The Company	31	PRC	46261042	2021.02.21-2031.02.20
122		The Company	28	PRC	41840670	2021.06.07-2031.06.06
123	德乡	The Company	31	PRC	11529182	2014.02.28-2024.02.27
124	德乡	The Company	40	PRC	11529081	2014.02.28-2024.02.27
125	德乡	The Company	40	PRC	46276190	2020.12.28-2030.12.27
126	德乡	The Company	31	PRC	46142241	2021.02.21-2031.02.20
127	德康集团	The Company	42	PRC	41891970	2020.10.14-2030.10.13
128	德康集团	The Company	40	PRC	41885629	2020.10.28-2030.10.27
129	德康集团	The Company	35	PRC	41868500	2020.11.07-2030.11.06
130	德康集团	The Company	43	PRC	41880387	2020.11.07-2030.11.06
131	德康集团	The Company	31	PRC	41891847	2020.11.07-2030.11.06
132	德康集团	The Company	44	PRC	41870086	2020.11.28-2030.11.27

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
133	德康集团	The Company	29	PRC	41871587	2020.11.28-2030.11.27
134	德康集团	The Company	41	PRC	41885644	2020.11.28-2030.11.27
135	德康集团	The Company	30	PRC	41894626	2020.11.28-2030.11.27
136	德康集团	The Company	35	PRC	41873076	2020.10.28-2030.10.27
137	德康集团	The Company	41	PRC	41876886	2020.10.28-2030.10.27
138	德康集团	The Company	40	PRC	41882369	2020.11.07-2030.11.06
139	德康集团	The Company	44	PRC	41890151	2020.11.07-2030.11.06
140	德康集团	The Company	30	PRC	41894622	2020.11.07-2030.11.06
141	德康集团	The Company	29	PRC	41896994	2020.11.07-2030.11.06
142	德康集团	The Company	43	PRC	41870057	2020.11.21-2030.11.20
143	德康集团	The Company	42	PRC	41890119	2020.11.28-2030.11.27
144	德小康	The Company	29	PRC	48445012	2021.04.07-2031.04.06
145	德小康	The Company	30	PRC	48452683	2021.04.07-2031.04.06
146	德小康	The Company	31	PRC	48446633	2021.04.07-2031.04.06
147	德小康	The Company	32	PRC	48461235	2021.04.07-2031.04.06
148	德小康	The Company	33	PRC	48460709	2021.04.07-2031.04.06
149	德小康	The Company	35	PRC	48453790	2021.04.07-2031.04.06
150	德小康	The Company	40	PRC	48464741	2021.04.07-2031.04.06
151	德小康	The Company	41	PRC	48442664	2021.04.07-2031.04.06
152	德小康	The Company	43	PRC	48468263	2021.04.21-2031.04.20

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
153	德小康	The Company	44	PRC	48459336	2021.04.07-2031.04.06
154	又新麻	The Company	29	PRC	48876247	2021.03.21-2031.03.20
155	又新麻	The Company	30	PRC	48867125	2021.03.21-2031.03.20
156	又新麻	The Company	31	PRC	48878404	2021.03.21-2031.03.20
157	又新麻	The Company	35	PRC	48864831	2021.03.21-2031.03.20
158	又新麻	The Company	40	PRC	48882608	2021.03.21-2031.03.20
159	又新麻	The Company	43	PRC	48877680	2021.03.21-2031.03.20
160	又新麻	The Company	44	PRC	48874256	2021.03.21-2031.03.20
161	德康农牧集团 DEKON LIVESTOCK GROUP	The Company	31	PRC	46261029	2021.04.21-2031.04.20
162	德康农牧集团 DEKON LIVESTOCK GROUP	The Company	40	PRC	46271564	2021.03.21-2031.03.20
163		The Company	44	PRC	46268060	2021.04.21-2031.04.20
164		The Company	41	PRC	41889355	2021.06.28-2031.06.27
165		The Company	42	PRC	41892853	2022.02.07-2032.02.06
166		The Company	36	PRC	41872156	2021.10.28-2031.10.27
167		The Company	45	PRC	41868794	2021.06.28-2031.06.27
168		The Company	16	PRC	41852800	2021.07.21-2031.07.20
169		The Company	25	PRC	41840554	2021.07.21-2031.07.20
170	德 康	The Company	31	PRC	50196824A	2021.08.21-2031.08.20
171	德 康	The Company	41	PRC	50235831	2021.10.07-2031.10.06
172	德 康	The Company	40	PRC	50230723	2021.07.21-2031.07.20
173	德 康	The Company	30	PRC	50222183	2021.10.21-2031.10.20

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
174	德康集団	The Company	31	PRC	41876832	2021.06.28-2031.06.27
175	定制皇	The Company	40	PRC	56233158	2021.11.28-2031.11.27
176	定制皇	The Company	29	PRC	56230340	2021.11.28-2031.11.27
177	定制皇	The Company	44	PRC	56229514	2021.11.28-2031.11.27
178	定制皇	The Company	35	PRC	56228626	2021.11.28-2031.11.27
179	定制皇	The Company	31	PRC	56218085	2021.11.28-2031.11.27
180	定制皇	The Company	43	PRC	56208398	2021.12.28-2031.12.27
181	云山红	The Company	29	PRC	54800365	2022.09.07-2032.09.06
182	云山红	The Company	31	PRC	54696776	2022.10.28-2032.10.27
183	云山红	The Company	40	PRC	54695295	2021.10.28-2031.10.27
184	云山红	The Company	35	PRC	54681778	2021.12.28-2031.12.27
185	云山红	The Company	44	PRC	54678952	2021.10.28-2031.10.27
186	云山红	The Company	43	PRC	54674586	2021.10.28-2031.10.27
187	WIZ	Guangdong Wizagricultural Science & Technology Co., Ltd. (廣東智威農業科技股份有限公司) ("Guangdong Wizagricultural")	31	PRC	3708541	2015.04.14-2025.04.13
188	WIZ	Guangdong Wizagricultural	29	PRC	3708544	2015.10.14-2025.10.13
189	WIZ	Guangdong Wizagricultural	7	PRC	3708546	2015.11.14-2025.11.13
190	WIZ	Guangdong Wizagricultural	29	PRC	3708543	2015.10.21-2025.10.20

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
191	WIZ	Guangdong Wizagricultural	40	PRC	3708540	2015.11.14-2025.11.13
192	WIZ	Guangdong Wizagricultural	44	PRC	3708538	2015.10.28-2025.10.27
193	岭南黄	Guangdong Wizagricultural	29	PRC	1482349	2020.11.28-2030.11.27
194	岭南黄	Guangdong Wizagricultural	31	PRC	1478916	2020.11.21-2030.11.20
195	金鸡王	Kaiping Jinjiwang Poultry Co., Ltd. (開平金雞王禽業有限公司) ("Kaiping Jinjiwang")	31	PRC	27623128	2019.01.14-2029.01.13
196	御品凰	Kaiping Jinjiwang	29	PRC	21150219A	2017.11.21-2027.11.20
197	御品凰	Kaiping Jinjiwang	29	PRC	12992411	2014.12.21-2024.12.20
198	御品凰	Kaiping Jinjiwang	31	PRC	12992349	2014.12.14-2024.12.13
199	德香凤	Kaiping Jinjiwang	31	PRC	54187643	2021.10.07-2031.10.06
200	德香凤	Kaiping Jinjiwang	35	PRC	54192204	2021.10.07-2031.10.06
201	香粤麻	Guangdong Zhicheng Food Co., Ltd. (廣東智成食品有限公司) ("Guangdong Zhicheng")	31	PRC	30562638	2019.04.14-2029.04.13
202	香粤麻	Guangdong Zhicheng	29	PRC	30555264	2019.06.14-2029.06.13
203	知晟	Guangdong Zhicheng	31	PRC	9346250	2022.08.14-2032.08.13
204	凤鲜知	Deyang Dekon Poultry Breeding Co., Ltd. (德陽德康家禽養殖有限公司) ("Deyang Dekon")	9	PRC	48791530	2021.04.14-2031.04.13

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
205	凤鲜知	Deyang Dekon	16	PRC	48801130	2021.04.14-2031.04.13
206	凤鲜知	Deyang Dekon	29	PRC	48813302	2021.04.14-2031.04.13
207	凤鲜知	Deyang Dekon	31	PRC	48804455	2021.04.14-2031.04.13
208	凤鲜知	Deyang Dekon	35	PRC	48804453	2021.04.21-2031.04.20
209	凤鲜知	Deyang Dekon	38	PRC	48791531	2021.04.14-2031.04.13
210	凤鲜知	Deyang Dekon	42	PRC	48813899	2021.04.14-2031.04.13
211	又新土鸡	Chengdu Tiantian Agriculture Co., Ltd. (成都天添農牧有限公司)	31	PRC	47269507	2021.05.07-2031.05.06
212	岭南黄	Guangdong Wizagricultural	35	PRC	65882455	2023.02.13-2033.02.12
213	岭南黄	Guangdong Wizagricultural	1	PRC	65878752	2023.02.27-2033.02.26
214	岭南黄	Guangdong Wizagricultural	16	PRC	65888328	2023.02.13-2033.02.12
215	岭南黄	Guangdong Wizagricultural	44	PRC	65877927	2023.02.13-2033.02.12
216	岭南黄	Guangdong Wizagricultural	42	PRC	65872106	2023.02.06-2033.02.05
217	岭南黄	Guangdong Wizagricultural	40	PRC	65881366	2023.02.27-2033.02.26
218	溪里香	Guangdong Wizagricultural	31	PRC	9658975	2022.07.28-2032.07.27
219	溪里香	Guangdong Wizagricultural	29	PRC	9659386	2022.07.28-2032.07.27
220	溪里香	Guangdong Wizagricultural	35	PRC	9659498	2022.07.28-2032.07.27
221	德康集团	The Company	25, 29, 30, 31, 39, 40, 43, 44	Hong Kong	305579119	2021.03.30-2031.03.29
222		The Company	25, 29, 30, 31, 35, 39, 40, 43, 44	Hong Kong	305579128	2021.03.30-2031.03.29

No.	Trademark	Registered Owner	Type and Class	Place of Registration	Registration Number	Expiration Date
223	DEKON GROUP	The Company	25, 29, 30, 31, 35, 39, 40, 43, 44	Hong Kong	305579137	2021.03.30-2031.03.29

(b) Patents

As at the Latest Practicable Date, the Group had registered the following patents which, in the opinion of the Directors, are material to the business:

No.	Patent Number	Patent Name	Patent Holder	Patent Type	Place of Registration	Patent Application Date
1	ZL201610160898.8	A type of systematic selection and cultivation method for core group of purely bred sows	The Company	Invention	PRC	2016.03.21
2	ZL201720705017.6	A type of constant temperature water supply system for pens	The Company	Utility model	PRC	2017.06.16
3	ZL202020615756.8	A type of hatchery room negative pressure dust reduction fresh air system	The Company	Utility model	PRC	2020.11.10
4	ZL201810444559.1	Chinese herbal feed for young piglets	Xishui Dekon	Invention	PRC	2018.05.10
5	ZL201510712465.4	A type of feed and preparation method for piglets aged 7 days to 30 days and cultivation method	Songtao Dekon Agriculture and Animal Husbandry Co., Ltd. ("Songtao Dekon")	Invention	PRC	2015.10.28
6	ZL201410251519.7	A type of pregnant sow rearing management method	Songtao Dekon	Invention	PRC	2014.06.09
7	ZL201510111907.X	A type of molecular detecting method and its application and kit for differentiating chicken feed utilisation ratio	Guangdong Wizagricultural	Invention	PRC	2015.03.13
8	ZL201510030339.0	A type of storage method for improving hatching rate of Wuzong gooses with long egg storage time	Guangdong Wizagricultural	Invention	PRC	2015.01.21

No.	Patent Number	Patent Name	Patent Holder	Patent Type	Place of Registration	Patent Application Date
9	ZL201310714390.4	A molecular marker related to antibody level of Newcastle disease virus and identification method and application thereof	Guangdong Wizagricultural	Invention	PRC	2013.12.20
10	ZL201210246014.2	A type of method for obtaining purebred offspring when mating a hen and different roosters	Guangdong Wizagricultural	Invention	PRC	2012.07.16
11	ZL201010557295.4	A type of method for detecting gene mutation	Guangdong Wizagricultural	Invention	PRC	2010.11.24
12	ZL201010531819.2	A type of molecular marker relevant to chicken skin colour and authentication method and application thereof	Guangdong Wizagricultural	Invention	PRC	2010.11.04
13	ZL200910038749.4	A type of utilisation method for dominant beard gene label	Guangdong Wizagricultural	Invention	PRC	2009.04.17
14	ZL200910038750.7	A type of production method for indigenous chicken and utilisation thereof	Guangdong Wizagricultural	Invention	PRC	2009.04.17
15	ZL201320809032.7	A type of breeding hen feed evener with function of cleaning trough	Guangdong Wizagricultural	Utility model	PRC	2013.12.10
16	ZL202222614602.9	An automatic sterilizing hatching system	Guangdong Wizagricultural	Utility model	PRC	2022.09.30
17	ZL202222500721.1	A gas circulation recovery heating system for hatching equipment	Guangdong Wizagricultural	Utility model	PRC	2022.09.21
18	ZL201730553137.4	Ring (foot ring)	Kaiping Jinjiwang	Design	PRC	2017.11.10
19	ZL202130386365.3	Foot ring	Kaiping Jinjiwang	Design	PRC	2021.06.22
20	ZL202230689332.0	Packaging bag (pig essence)	The Company	Design	PRC	2022.10.19
21	ZL202210866329.0	A liquid feeding method for fattening pigs	The Company	Invention	PRC	2022.07.22

(c) Copyrights

As at the Latest Practicable Date, our Group had registered the following computer software copyrights in the PRC which, in the opinion of our Directors, are material to our business:

No.	Registration Number	Name of Copyright	Copyright Owner	Registration Date
1	2011SR053930	Feed mill production and management system	Guangdong Wizagricultural	2011.08.02
2	2011SR053705	Hatchery production and management system	Guangdong Wizagricultural	2011.08.02
3	2011SR053830	Comprehensive management system for company and farm integrated breeding	Guangdong Wizagricultural	2011.08.02
4	2011SR053907	Quality broiler breeding data management and analysis system	Guangdong Wizagricultural	2011.08.02
5	2017SR529988	Anaerobic waste liquid ecological cycle treatment and utilisation system for livestock and poultry farms	Guiyang Dekon	2017.09.20
6	2017SR529858	Stepped wall electric biodegradation system for livestock and poultry farming sewage treatment	Guiyang Dekon	2017.09.20
7	2017SR529853	Environmental control system for livestock and poultry farming houses	Guiyang Dekon	2017.09.20
8	2017SR529849	Waste water treatment system for livestock and poultry farming	Guiyang Dekon	2017.09.20

As at the Latest Practicable Date, our Group had registered the following copyright of works in the PRC which, in the opinion of our Directors, is material to our business:

No.	Registration Number	Name of Copyright	Owner	Completion Date	Registration Date
1	Guo Zuo Deng Zi-2014-F-00135905	Phoenix (pictogram)	Chongqing Dekon	2008.08.21	2014.05.05
2	Guo Zuo Deng Zi-2019-F-00890861	Logo of Dekon Food and Agriculture Group	The Company	2014.04.12	2019.12.06
3	Chuan Zuo Deng Zi-2012-F-00000045	Great man's hometown, excellent quality	Yuechi Dekon Poultry	2012.01.30	2012.01.30

(d) Domain name

As at the Latest Practicable Date, our Group owned the following domain names in the PRC which, in the opinion of our Directors, are material to our business:

No.	Domain Name	Expiration Date	Registered Owner
1	dekongroup.cn	2030.08.15	The Company
2	dekanggroup.com.cn	2030.08.15	The Company
3	dekanggroup.cn	2030.08.15	The Company
4	dekanggroup.com	2030.08.15	The Company

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the interest and short position of each of our Directors, Supervisors and chief executive in our Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed

Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

Interest in our Company

Director/Supervisor	Nature of Interest	Description of Shares held after the [REDACTED]	Number of Shares held immediately after the [REDACTED](1)	Approximate percentage of shareholding in Domestic Shares/H Shares (as appropriate) immediately after the [REDACTED](2)	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED](3)
Mr. Wang Degen	Beneficial owner	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interests of controlled corporations	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wang Dehui	Beneficial owner	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interests of controlled corporations(4)	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Yao Hailong	Beneficial owner	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interests in the Employee Shareholding Platforms	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Hu Wei	Beneficial owner	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zeng Min	Interests in the Employee Shareholding Platforms	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Zhu Hui	Interests in the Employee Shareholding Platforms	Domestic Shares	[REDACTED]	[REDACTED]	[REDACTED]

Director/Supervisor	Nature of Interest	Description of Shares held after the [REDACTED]	Number of Shares held immediately after the [REDACTED][(1)]	Approximate percentage of shareholding in Domestic Shares/H Shares (as appropriate) immediately after the [REDACTED][(2)]	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED][(3)]
Ms. Gong Shuang	Interests in the Employee Shareholding Platforms	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Ms. Zhou Zhexu	Interests in the Employee Shareholding Platforms	Domestic Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) The calculation is based on the percentage of shareholding in Domestic Shares after the [**REDACTED**].

(3) The calculation is based on the total number of [**REDACTED**] Shares in issue after the [**REDACTED**].

(4) Sichuan Dinghui Ronghe Enterprise Management Co., Ltd. (四川鼎輝榮和企業管理有限公司), which is wholly-owned by Mr. Wang Dehui, is the general partner of the Employee Shareholding Platforms Zhongcheng Jinyi and Tongchuang Deheng, which held 9,469,072 Shares and 1,723,413 Shares, respectively, as at the Latest Practicable Date, and he exercises his voting rights uniformly to exercise the voting rights of the shares of the Company.

2. Substantial Shareholders

Save as disclosed in "Substantial Shareholders", our Directors are not aware of any other person who will, immediately following the [**REDACTED**], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company.

3. Further Information about Our Directors and Supervisors

(a) Particulars of service contracts and letters of appointment

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a service contract or letter of appointment with our Company in respect of, among other things, (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of our Directors or Supervisors has entered, or is proposed to enter a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(b) Remuneration of Directors and Supervisors

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, Share-based payments and retirement scheme contributions) paid to our Directors and Supervisors for each of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023 was RMB7.5 million, RMB9.3 million, RMB7.4 million, RMB2.4 million and RMB2.5 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by the Group to the Directors and Supervisors in respect of the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director or Supervisor during the current financial year.

According to the currently effective arrangements, the Directors and Supervisors will be entitled to receive an aggregate remuneration (including salaries, allowances, benefits in kind, discretionary bonuses, Share-based payments and retirement scheme contributions) of RMB8.0 million for the year ending 31 December 2023.

Each of the Directors and Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

4. Agency Fees or Commissions Received

None of our Directors, Supervisors or the experts whose names are listed in the section headed "– Other Information – 7. Qualification of Experts" in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this document.

5. Employee Incentive Scheme

We have adopted an employee incentive scheme on 10 April 2019 and 15 November 2019 (the "**Employee Incentive Scheme**"). The following is a summary of the principal terms of the Employee Incentive Scheme. The Employee Incentive Scheme does not involve the grant of options or awards by our Company after the [**REDACTED**]. Given the underlying Shares under the Employee Incentive Scheme had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the Shares under the Employee Incentive Scheme.

As of the Latest Practicable Date, the Company had established two Employee Shareholding Platforms, namely Zhongcheng Jinyi and Tongchuang Deheng, which held approximately [**REDACTED**]% and [**REDACTED**]% of the issued share capital of our Company, respectively, upon completion of the [**REDACTED**] and Conversion of Domestic Shares into H Shares, assuming the [**REDACTED**] is not exercised. For the details of the Employee Shareholding Platforms, see "History and Corporate Structure – The Corporate Development of Our Company – Employee Shareholding Platforms".

(a) Objectives

The purpose of the equity incentive plan is to stimulate employees' partnership awareness and entrepreneurial spirit, to achieve the long-term strategic development of the Company, and to motivate and retain key management talents.

(b) Grant of Awards

Participants of the Employee Incentive Scheme (the "**Participants**") are granted limited partnership interests (the "**Award**") in the Employee Shareholding Platforms and are each a limited partner of the Employee Shareholding Platforms upon grant of the Award. Upon becoming the limited partner of the Employee Shareholding Platforms, the Participant indirectly receives economic interest in the pro rata portion of the underlying Shares held by the Employee Shareholding Platforms.

(c) Eligibility

The Participants include the directors, supervisors, senior management members and key technical staff of the Group. A combination of factors, including job classification, years of services and performance appraisal results, will be considered when determining eligible participants of the Employee Incentive Scheme. The chairman of the Board of Directors may, at his discretion, grant the Award to any employees who have contributed or will contribute to our Group significantly.

(d) Unlocking arrangement

The unlocking periods (each an "**Unlocking Period**") in relation to the underlying Shares granted under the Employee Incentive Scheme are as follows:

	Unlocking Period	Proportion of unlocking
First Unlocking Period	From the next day after 12 months from the date on which the Participant was admitted into the relevant Employee Shareholding Platforms	33%
Second Unlocking Period	From the next day after 24 months from the date on which the Participant was admitted into the relevant Employee Shareholding Platforms	33%
Third Unlocking Period	From the next day after 36 months from the date on which the Participant was admitted into the relevant Employee Shareholding Platforms	34%

(e) Rights attached to awards

The general partner of the Employee Shareholding Platforms shall exercise voting rights on behalf of the Participants in respect of the Shares underlying the Awards. The Participants have the rights to any dividends or distributions from any Shares underlying the Award.

Except for circumstances specified under the terms of the Employee Incentive Scheme, no Participant shall in any way transfer his or her partnership interest under the Employee Incentive Scheme.

(f) Exit from Employee Shareholding Platforms

Where the Participant (i) has died or been declared dead according to law; or (ii) has retired or become incapacitated, withdrawal settlement shall be made as follows:

- With respect to the locked underlying Shares granted under the Employee Incentive Scheme, the withdrawal settlement shall be made by reference to the lower of: (i) the latest valuation of the Company's Shares at the time of the termination of employment; and (ii) the sum of the grant price and benchmark loan interest of PBOC during the same period.

- With respect to the unlocked underlying Shares granted under the Employee Incentive Scheme, (i) where the termination of employment occurs before the [**REDACTED**], the withdrawal settlement shall be made by reference to the higher of: (a) the latest valuation of the Company's Shares at the time of the termination of employment; and (b) the sum of the grant price and benchmark loan interest of PBOC during the same period; (ii) where the termination of employment occurs after the [**REDACTED**], the withdrawal settlement shall be made in cash through shareholding reduction in the secondary market or through the transfer of the underlying Shares to the stock account of the Participant.

Where (i) the Participant resigns voluntarily without having material adverse impact to our Company; (ii) the termination of employment is due to expiration of labour contract; or (iii) the termination of employment is due to non-renewal of labour contract by the Company, withdrawal settlement shall be made as follows:

- With respect to the locked underlying Shares granted under the Employee Incentive Scheme, the withdrawal settlement shall be made by reference to the lower of: (i) the latest valuation of the Company's Shares at the time of the termination of employment; and (ii) the sum of the grant price and benchmark loan interest of PBOC during the same period.

- With respect to the unlocked underlying Shares granted under the Employee Incentive Scheme, (i) where the termination of employment occurs before the [**REDACTED**], the withdrawal settlement shall be made by reference to the sum of the grant price and the difference between the audited net assets per share in the most recent year at the time of resignation and the audited net assets per share in the most recent year at the time of admission into the Employee Shareholding Platforms; (ii) where the termination of employment occurs after the [**REDACTED**], the withdrawal settlement shall be made in cash through shareholding reduction in the secondary market or through the transfer of the underlying Shares to the stock account of the Participant.

Where the Participant (i) resigns voluntarily resulting in material adverse impact to our Company; (ii) is dismissed by the Company due to substandard performance; or (iii) has seriously violated the policies of the Company, withdrawal settlement shall be made as follows:

- With respect to the locked underlying Shares granted under the Employee Incentive Scheme, the withdrawal settlement shall be made by reference to the lower of: (i) the latest valuation of the Company's Shares at the time of the termination of employment; and (ii) the grant price.

- With respect to the unlocked underlying Shares granted under the Employee Incentive Scheme, (i) where the termination of employment occurs before the [**REDACTED**], the withdrawal settlement shall be made by reference to the lower of: (i) the latest valuation of the Company's Shares at the time of the termination of employment; and (ii) the grant price; (ii) where the termination of employment occurs after the [**REDACTED**], the withdrawal settlement shall be made in cash through shareholding reduction in the secondary market or through the transfer of the underlying Shares to the stock account of the Participant.

(g) Details of interests in the Employee Shareholding Platforms

As of the Latest Practicable Date, the aggregate number of Shares underlying the awards granted to the Directors, Supervisors and senior management members amounted to approximately 4,679,046 Shares representing 1.29% of our Company's total issued share capital immediately prior to the [**REDACTED**] and all of such awards have been fully vested.

Details of the Shares underlying the awards granted as of the Latest Practicable Date pursuant to the Employee Incentive Scheme to our Directors, Supervisors and senior management members are set out below:

Name of Directors, Supervisors or senior management	Roles with our Company	Relevant Employee Shareholding Platforms	Economic interests in the relevant Employee Shareholding Platforms	Date of grant	Number of Shares underlying the Awards granted under the Employee Incentive Scheme (as of the Latest Practicable Date)
Mr. Wang Dehui	Chairman of the Board and Executive Director	Zhongcheng Jinyi	10.30%	30 April 2019	975,570
		Tongchuang Deheng	24.03%	25 December 2019	414,150
Mr. Yao Hailong	Executive Director and general manager	Zhongcheng Jinyi	18.19%	30 April 2019	1,722,320
		Tongchuang Deheng	13.55%	25 December 2019	233,438
Mr. Zeng Min	Executive Director and secretary to the Board	Zhongcheng Jinyi	2.22%	30 April 2019	210,365
Ms. Zhu Hui	Chairman of the Board of Supervisors	Zhongcheng Jinyi	0.99%	30 April 2019	93,498
Ms. Gong Shuang	Supervisor	Zhongcheng Jinyi	2.10%	30 April 2019	199,296
Ms. Zhou Zhexu	Employee representative Supervisor	Zhongcheng Jinyi	1.17%	30 April 2019	110,722
Mr. Wu Chengli	Deputy general manager	Zhongcheng Jinyi	4.96%	30 April 2019	469,950
Mr. Jiang Yongjun	Chief financial officer	Zhongcheng Jinyi	2.64%	30 April 2019	249,737

6. Disclaimers

Save as disclosed in this document:

(a) without taking into account any Shares which may be taken up under the [**REDACTED**], none of our Directors knows of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following completion of the [**REDACTED**], have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(b) none of our Directors, Supervisors or members of senior management of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are [**REDACTED**] on the Stock Exchange;

(c) none of our Directors, Supervisors or the experts named in "– Other Information – 7. Qualification of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this document, or which are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors, Supervisors or the experts named in "– Other Information – 7. Qualification of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(e) save for the [**REDACTED**], none of the parties listed in "– Other Information – 7. Qualification of Experts" in this Appendix:

  (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or

  (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;

(f) so far as is known to our Directors, as at the Latest Practicable Date, none of our Directors, Supervisors, their respective close associates or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

(g) none of the Directors or Supervisors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business.

OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

2. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed "Business – Legal Proceedings and Compliance" in this document, no member of our Group was engaged in any outstanding material litigation or arbitration which may have material and adverse effect on the [**REDACTED**] and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, the Joint Sponsors, satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee for the [**REDACTED**] of, and permission to [**REDACTED**], H Shares to be issued as set out in this document (including any H Shares which may be issued pursuant to the exercise of [**REDACTED**]) and the H Shares to be converted from Domestic Shares, on the Main Board of the Hong Kong Stock Exchange.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, we have agreed to pay the Joint Sponsors a fee in the total amount of USD1.6 million to act as the sponsors of our Company in connection with the proposed [**REDACTED**] on the Hong Kong Stock Exchange.

4. Compliance Adviser

We have appointed Maxa Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

6. Promoter

Our promoters are Desheng Ronghe, Mr. Chen Yuxin, Ms. Song Fuxian, CEL Maiming, Mr. Tang Jianyuan, Mr. Peng Benping, Mr. Wang Degen, Mr. Hu Wei, Ms. Song Yuanfang, Chengdu Jiakun, Mr. Wang Dehui, Mr. Liu Guofeng, Mr. Chen Yuhe, Mr. Yao Hailong, Mr. Xu Wei, Mr. Tang Xiaoping.

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the [**REDACTED**] or the related transactions described in this document.

7. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Jingtian & Gongcheng	PRC legal adviser
Frost & Sullivan	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent biological assets valuer

8. Consents of Experts

Each of the experts named in the section headed "– 7. Qualification of Experts" in this appendix above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of the Company, including in circumstances where such transaction is effect on the Hong Kong Stock Exchange. A stamp duty of 0.26% is currently payable on a typical sale and purchase transaction involving the Shares. For further information in relation to taxation, please refer to the section headed "Taxation and Foreign Exchange" in Appendix III to this document.

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 May 2023.

12. Related Party Transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in Note 38 to the Accountants' Report as set out in Appendix I to this document.

13. Miscellaneous

(a) Save as otherwise disclosed in this document, within two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions of any Share in our Company or any of our subsidiaries; and

(iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) there is no arrangement under which future dividends are waived or agreed to be waived;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) all necessary arrangements have been made to enable the H Shares to be admitted to [**REDACTED**] for clearing and settlement;

(e) there are no founder, management or deferred shares in our Company or any of its subsidiaries;

(f) our Company has no outstanding convertible debt securities or debentures;

(g) none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(h) our Company is a joint stock limited company and is subject to the PRC Company Law.

14. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration include:

(a) a copy of the [**REDACTED**];

(b) the written consents referred to in the section headed "Statutory and General Information – Other Information – 8. Consents of Experts" in Appendix VI to this document; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – Further Information about our Business – 1. Summary of Material Contracts" in Appendix VI to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.dekanggroup.com up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this document;

(c) the report from KPMG in respect of the [**REDACTED**], the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the financial years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023;

(e) the material contracts referred to in the section headed "Statutory and General Information – Further Information about our Business – 1. Summary of Material Contracts" in Appendix VI to this document;

(f) the service contracts referred to in the section headed "Statutory and General Information – Further Information about our Directors, Supervisors and Substantial Shareholders – 3. Further Information about our Directors and Supervisors – (a) Particulars of service contracts and letters of appointment" in Appendix VI to this document;

(g) the written consents referred to in the section headed "Statutory and General Information – Other Information – 8. Consents of Experts" in Appendix VI to this document;

(h) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser, in respect of certain aspects of our Group and the property interests of our Group;

(i) the valuation report considering the fair values of biological assets belonging to our Group prepared by JLL;

(j) the industry report issued by Frost & Sullivan; and

(k) copies of the following PRC laws, together with the unofficial English translations thereof:

    (i) the PRC Company Law;

    (ii) the PRC Securities Law;

    (iii) the Trial Measures; and

    (iv) the Guidelines for Articles of Association.