凤祥食品

山東鳳祥股份有限公司
Shandong Fengxiang Co., Ltd.*

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

Stock Code：9977

GLOBAL OFFERING

Sole Sponsor

西證國際 SOUTHWEST SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)

農銀國際 ABC INTERNATIONAL
中國銀河國際 CHINA GALAXY INTERNATIONAL
中信建投國際 CHINA SECURITIES INTERNATIONAL
海通國際 HAITONG
西證國際 SOUTHWEST SECURITIES

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

源盛證券 BRADBURY SECURITIES
建银国际 CCB International
中國通海證券 CHINA TONGHAI SECURITIES
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CROSBY
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廣發証券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED
香江金融 HEUNGKONG FINANCIAL
华泰国际 HUATAI INTERNATIONAL
ICBC 工银国际
UOBKayHian

*For identification purpose only

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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SHANDONG FENGXIANG CO., LTD.*

山東鳳祥股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**355,000,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**35,500,000 H Shares (subject to reallocation)**
Number of International Offer Shares	:	**319,500,000 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$5.10 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock Code	:	**9977**

Sole Sponsor

西證國際 SOUTHWEST SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)

農銀國際 ABC INTERNATIONAL　中國銀河國際 CHINA GALAXY INTERNATIONAL　中信建投國際 CHINA SECURITIES INTERNATIONAL　海通國際 HAITONG　西證國際 SOUTHWEST SECURITIES

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

源盛證券 BRADBURY SECURITIES　建银国际 CCB International　中國通海證券 CHINA TONGHAI SECURITIES　招银国际 CMB INTERNATIONAL　CROSBY　富途證券

廣發証券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED　香江金融 HEUNGKONG FINANCIAL　华泰国际 HUATAI INTERNATIONAL　ICBC 工银国际　UOBKayHian

Joint Lead Managers (in alphabetical order)

東興證券(香港) DONGXING SECURITIES (HONG KONG)　EDDID　六福金融 LUKFOOK FINANCIAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or about Tuesday, 7 July 2020 and, in any event not later than Friday, 10 July 2020. The Offer Price will not be more than HK$5.10 per H Share and is expected to be not less than HK$3.33 per H Share, unless otherwise announced.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the Company's consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.fengxiang.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated business. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of the Company. Such differences and risk factors are set out in "Risk Factors", "Appendix V — Summary of Certain Legal and Regulatory Matters" and "Appendix VI — Summary of Articles of Association".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting — Hong Kong Public Offering — Grounds for Termination".

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the US Securities Act.

30 June 2020

* *For identification purpose only*

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Tuesday, 30 June 2020
Latest time for completing electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, 7 July 2020
Application lists open[3]	11:45 a.m. on Tuesday, 7 July 2020
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC	12:00 noon on Tuesday, 7 July 2020
Application lists close[3]	12:00 noon on Tuesday, 7 July 2020
Expected Price Determination Date[4]	Tuesday, 7 July 2020
(1) Announcement of (a) the Offer Price, (b) the level of indications of interest in the International Offering, (c) the level of applications in the Hong Kong Public Offering and (d) the basis of allocation of the Hong Kong Offer Shares on or before	Wednesday, 15 July 2020
(2) Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares — Publication of Results" from	Wednesday, 15 July 2020
(3) Announcement containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at **www.fengxiang.com** and **www.hkexnews.hk** from	Wednesday, 15 July 2020
Despatch of H Share certificates or deposit of H Share certificates into CCASS and White Form e-Refund payment instructions/refund cheques on or before[5][6]	Wednesday, 15 July 2020
Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Thursday, 16 July 2020

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications, if you have already submitted your application and process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a “black” rainstorm warning signal and/or “extreme conditions” caused by a super typhoon (“**Extreme Conditions**”) is announced by the Hong Kong government according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019 and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 7 July 2020, the application lists will not open and close on that day. See “How to Apply for Hong Kong Offer Shares” for further details.

(4) The Price Determination Date is expected to be on or around Tuesday, 7 July 2020, or such other date as agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company. If, for any reason, the Offer Price is not agreed by the parties to the Price Determination Agreement by Friday, 10 July 2020, or such other date as agreed by such parties, the Global Offering will not proceed and will lapse accordingly.

(5) The H Share certificate will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Thursday, 16 July 2020, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who traded H Shares on the basis of publicly available allocation details or prior to the receipt of the H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

(6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

For details of the structure of the Global Offering, including its conditions, the procedures for applications for Hong Kong Offer Shares, see “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares”.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Shandong Fengxiang Co., Ltd. solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. Information contained on the Company's website at www.fengxiang.com does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in "Definitions and Glossary".

OVERVIEW

We are the second largest fully integrated white-feathered broiler producer in the PRC in terms of commercial broiler production volume in 2019 with a market share of 3.1% according to the Frost & Sullivan Report. With track record of exporting both raw and processed white-feathered broilers products overseas, we are also the largest fully integrated white-feathered broiler meat exporter in the PRC in terms of export revenue and export volume in 2018 with a market share of 8.6% and 10.4%, respectively, according to the Frost & Sullivan Report. Our market share in the total production of white-feathered broilers and yellow-feathered broilers in the PRC in 2019 is 1.7% in terms of number of birds produced and 1.4% in terms of tonnes produced, according to the Frost & Sullivan Report.

We are principally based in Shandong in the PRC. We produce our chicken meat products substantially from white-feathered broilers. We also manufacture and market a wide range of processed chicken meat products. Our main products include (1) chicken meat products, which mainly consist of raw chicken meat products and processed chicken meat products; and (2) chicken breeds. For the four years ended 31 December 2016, 2017, 2018 and 2019, our raw chicken meat products contributed to approximately 62.4%, 54.7%, 53.8% and 48.1% of our total revenue, respectively, and our processed chicken meat products contributed to approximately 26.7%, 37.4%, 37.0% and 36.5% of our total revenue, respectively. We also produce a small portion of chicken meat products from Sichuan Mountain Black Bone Chicken bred in Sichuan in the PRC, in which part of our production facilities are based, with their sales amounting to approximately nil, 0.03%, 0.12% and 0.22% of our total revenue for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

Apart from our leading domestic market position in the PRC, we have an established and growing export business supplying a wide range of premium quality chicken meat products to overseas customers in Japan, Malaysia, the European Union, Korea, Mongolia and Singapore. Our white-feathered chicken meat products are halal certified by adopting Islamic slaughter rituals. Our major domestic and overseas customers include internationally renowned food processors and traders as well as sizeable fast food restaurant chains operators (and their poultry meat suppliers and sourcing agents). Throughout the Track Record Period, the proportion of revenue generated from domestic sales was approximately 70% and overseas sales was approximately 30%.

We adopt an integrated "*poultry to plate*" model which enables us to control every stage of the poultry lifecycle, allowing us to effectively manage quality and cost throughout the process starting from the breeding of broilers to the distribution and sale of chicken meat products. As at the Latest Practicable Date, we had 22 breeder farms, three hatcheries, 45 broiler farms (11 of which have been modified from cage-free systems into battery cage systems), eight slaughtering and processing plants, two feedmills and one organic fertiliser plant.

Our poultry business encompasses three divisions: (i) chicken breeding; (ii) slaughtering and processing; and (iii) sales of chicken meat products, chicken breeds and other products (including certain non-poultry products). For the four years ended 31 December 2016, 2017, 2018 and 2019, the total number of white-feathered broilers we bred was approximately 111.6 million, 111.4 million, 103.8 million and 101.7 million, respectively. Our slaughtering and processing division includes chicken slaughtering and production of raw and processed chicken meat products. For the four years ended 31 December 2016, 2017, 2018 and 2019, the total volume of white-feathered broilers we processed was approximately 177,000 tonnes, 184,000 tonnes, 174,000 tonnes and 174,000 tonnes, respectively. Our sales division is responsible for our domestic and overseas sales of our chicken meat products, chicken breeds and other products.

We produce a wide range of raw and processed chicken meat products and sell them through both business-to-business (B2B) and business-to-consumer (B2C) models. Our products are sold under B2B sales model through direct sales and distributors to our domestic and overseas customers, mainly include (i) foodservice or industrial customers; (ii) quick service restaurants; and (iii) retail groceries. For our B2C sales model, we sell and market our chicken meat products under our brands, including "鳳祥食品 (Fovo Foods)" and "優形 (iShape)" brands through online and offline sales platforms within the PRC. We intend to further develop our B2C business model through advertising and promotion campaign and through expansion of our sales platforms, in particular, e-commerce channels, to increase our brand awareness in the processed chicken meat market. In addition, we sell chicken breeds to local chicken farmers and other poultry business operators, who are independent third parties.

Our revenue has an increasing growth trend at a CAGR of 18.6% from approximately RMB2,354.1 million in 2016 to approximately RMB3,926.2 million in 2019. Our profit decreased from approximately RMB119.8 million in 2016 to approximately RMB37.1 million in 2017, but edged up to approximately RMB136.6 million in 2018. Our profit significantly increased to approximately RMB837.4 million in 2019, which was mainly attributable to the increase in the market price of chicken meat products and chicken breeds and partially attributable to the decrease in the average purchase cost of the raw materials in 2019, such as, soybean meal.

The table below sets forth our revenue (after elimination of inter-segment transactions) by product segments for the years indicated.

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Raw chicken meat products	1,469,917	62.4	1,330,977	54.7	1,719,278	53.8	1,887,398	48.1
Processed chicken meat products	627,971	26.7	910,018	37.4	1,183,568	37.0	1,433,227	36.5
Chicken breeds	149,367	6.3	69,875	2.9	172,110	5.4	426,448	10.9
Others	106,849	4.6	123,522	5.0	122,143	3.8	179,144	4.5
Total	2,354,104	100.0	2,434,392	100.0	3,197,099	100.0	3,926,217	100.0

The table below sets forth our sales volume, average selling price and gross profit by product segments for the years indicated.

	For the year ended 31 December											
	2016			2017			2018			2019		
Product segment[(4)]	Sales volume[(1)]	Average selling price[(2)]	Gross profit[(3)]	Sales volume[(1)]	Average selling price[(2)]	Gross profit[(3)]	Sales volume[(1)]	Average selling price[(2)]	Gross profit[(3)]	Sales volume[(1)]	Average selling price[(2)]	Gross profit[(3)]
	('000)	(RMB)	(RMB)	('000)	(RMB)	(RMB)	('000)	(RMB)	(RMB)	('000)	(RMB)	(RMB)
Raw chicken meat products	169,884	8.7	1.2	158,603	8.4	0.9	173,267	9.9	1.1	159,901	11.8	3.5
Processed chicken meat products	31,857	19.7	3.5	47,726	19.1	3.3	61,192	19.3	2.7	69,566	20.6	4.7
Chicken breeds	47,892	3.1	1.6	47,446	1.5	-0.2	46,666	3.7	1.9	60,446	7.1	5.2

Notes:

(1) Per kg for raw chicken meat products and processed chicken meat products segments, and per bird for chicken breeds segment.

(2) RMB/kg for raw chicken meat products and processed chicken meat products segments, and RMB/bird for chicken breeds segment. The average selling price has been rounded to one decimal place.

(3) RMB/kg for raw chicken meat products and processed chicken meat products segments, and RMB/bird for chicken breeds segment. For details of the gross profit and gross profit margins of our product segments during the Track Record Period, see "Financial Information — Results of Our Operations".

(4) The "others" product segment comprises a variety of different products with different measurement basis and average selling prices. Accordingly, sales volume and average price for the "others" product segment is not available.

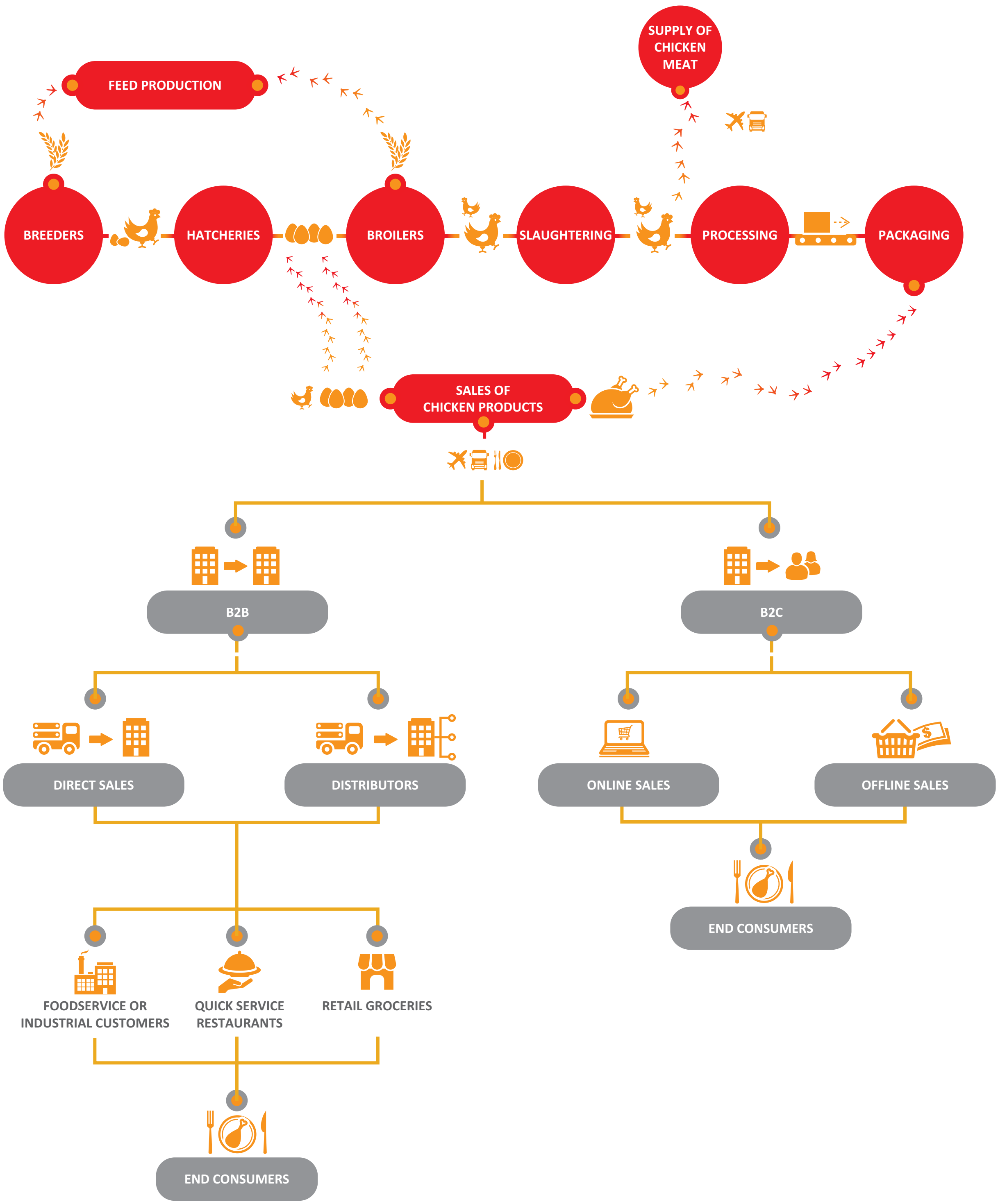
The average selling prices of our raw chicken meat products and chicken breeds increased by approximately 19.2% and 91.9%, respectively, from the year ended 31 December 2018 to the year ended 31 December 2019 due to the outbreak of African Swine Fever in August 2018, which led to an increase in consumption demand for chicken meat to compensate for the abrupt drop in pork consumption.

The white-feathered broiler and broiler meat products industry in the PRC have historically been affected by certain factors that demonstrate cyclicality, including outbreaks of avian influenza, African Swine Fever or similar diseases that occurred from time to time as well as the level of pork consumption and pork prices which is a cyclical industry. For instance, the occurrence of H7N9 avian influenza in 2013 to 2014 and 2017 affected broiler production volume and prices in general, and the occurrence of African Swine Fever in 2018 increased the consumption demand for and average prices of white-feathered broiler from RMB9.2 per kg in 2017 to RMB10.4 per kg in 2018 to compensate for the abrupt drop in pork consumption. Nevertheless, the average prices of white-feathered broilers and processed white-feather broiler meat products in the PRC realised an overall growth at a CAGR of approximately 7.2% and 2.4% between 2015 and 2019, respectively. As such, the Company's business has benefited from the market growth between 2015 and 2019 based on the historical actual average prices. For details of the factors that may affect the selling prices of our chicken meat products and the industry in general, see "Risk Factors — Risks Relating to Our Business — Our results of operations are substantially affected by the selling prices of our poultry products, which affect our revenue, and by fluctuations in the purchase prices of raw materials or interruption in the supply of raw materials, which affect our costs" and "Industry Overview — Future Trend in China Broiler Market".

According to the Frost & Sullivan Report, it is projected that the annual average price of white-feathered broiler meat products in China will continue to gradually increase, as a result of the following factors which would increase the demand for white-feathered broiler meat products going forward: (i) distribution method modernisation and increasing popularity of e-commerce; (ii) the declining consumption of pork as another major protein source due to its higher prices; (iii) increasing urbanisation in the PRC both through e-commerce platforms and offline channels; and (iv) increasing diversification of processed broiler meat products. However, as a result of the cyclicality factors set out above, when large scale outbreaks of avian influenza or similar diseases occur in the future, the price of our raw and processed chicken meat products may be adversely affected.

OUR BUSINESS MODEL AND BUSINESS SEGMENTS

Our vertically integrated business model extends across the entire poultry industry value chain including feed production, chicken breeding, slaughtering and processing, distribution and sale of poultry products. Our vertically integrated "*poultry to plate*" business model helps us to ensure food safety and the quality of our products and allows us to capture value across the entire poultry industry value chain. Our business model is summarised below.



Note: We also sell chicken breeds to local chicken farmers and other poultry business operators, who are independent third parties.

OUR COMPETITIVE STRENGTHS

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

- Our vertically integrated business model allows us to (1) enhance our production efficiency and (2) possess a strong capability and flexibility in adapting to and capturing different customers' demands;
- We have established a stable and diversified customer base with major renowned customers in local and overseas markets;
- We have established a strict and comprehensive food safety and hygiene system and quality control system to effectively ensure high standards of product quality and safety;
- We have mature and advanced production technology and market-oriented research and development capabilities, which allow us to meet increasing market demand for safe and high-quality chicken meat products; and
- We have an experienced management team and professional working team.

OUR BUSINESS STRATEGIES

We plan to further implement the following strategies:

- Expand our production capacities for white-feathered broilers production to further enhance our vertically integrated business model;
- Continue to expand our sales and distribution network and tap into new markets;
- Continue to expand and diversify our product portfolio with a focus on processed chicken meat products;
- Strengthen our research and development capacities to diversify our product portfolio and to improve our expertise and technical knowhow; and
- Pursue appropriate strategic alliance, joint ventures or other acquisition opportunities.

MARKET AND COMPETITION

The chicken meat production industry has a high entry barrier for potential market players and is capital-intensive in nature. The market players have to place significant amount of resources on food safety and hygiene and this industry requires crucial human capital. White-feathered broiler production industry in China was relatively scattered with top five producers taking a market share of 19.9% in terms of production volume in 2019, where the leading fully integrated white-feathered broiler producer had an annual production of roughly 505.2 million birds, representing a market share of 9.5%, followed by the Group who had an annual production of approximately 162.3 million birds, representing a market share of 3.1%. The market size of white-feathered broiler meat by sales revenue increased from RMB69.2 billion in 2015 to RMB83.1 billion in 2019, realised an CAGR of 4.7% over the past five years. In the long term, the market is projected to increase with a CAGR of 10.1% from 2019 to 2024 with the increased demand and recovery of domestic production. The product categories of exported broiler meat products comprises raw broiler meat and processed broiler meat. Among the fully-integrated broiler meat exporters, the Group ranked the first among its competitors in China in terms of export revenue and export volume in 2018, with a market share of 8.6% and 10.4%, respectively. The top five players accounted for an aggregate market share of 29.9% and 28.7% in terms of export revenue and export volume, respectively. See "Industry Overview" for details.

PRODUCTION FACILITIES

We have our own production facilities for our white-feathered broilers, which are located in Shandong, the PRC. We are capable of (i) breeding approximately 113 million broilers per year; (ii) slaughtering approximately 120 million broilers per year; and (iii) processing approximately 230,000 tonnes of chicken meats per year. As at the Latest Practicable Date, our production team comprised 6,923 employees. The following table sets out the details of our production facilities for our white-feathered broilers as at the Latest Practicable Date:

Existing facility	Function and description	Number	Aggregate site area (sq.m.) *(approx.)*
Breeder farm	Breeding of Parent Stock Day-old Chicks into breeders	21	973,756.7
Hatchery	Incubation of broiler eggs laid by breeders	2	45,295.2
Broiler farm	Breeding of chicken breeds into white-feathered broilers	45	3,451,903.9
Slaughtering and processing plant	Broiler slaughtering and production of our chicken meat products	7	435,711.5
Feedmill	Production of animal feeds for our breeders and broilers	2	71,210.0
Organic fertiliser plant	Fermentation of chicken manure and production of fertilisers	1	158,000.0

SALES

We sell our products through B2B and B2C sales models. The following table sets out the breakdown of revenue by our sales models, each expressed as an absolute amount and as a percentage of our total revenue during the Track Record Period:

	Year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
B2B Model								
Direct sales	2,262,568	96.1	2,332,044	95.8	3,045,870	95.3	3,631,310	92.5
Domestic market	1,712,264	72.7	1,670,705	68.6	2,085,225	65.2	2,664,871	67.9
Overseas market	550,304	23.4	661,339	27.2	960,645	30.1	966,439	24.6
Distributors	45,027	1.9	53,740	2.2	45,043	1.4	42,401	1.1
Sub-total	**2,307,595**	**98.0**	**2,385,784**	**98.0**	**3,090,913**	**96.7**	**3,673,711**	**93.6**
B2C Model								
Online sales	7,344	0.3	11,597	0.5	72,825	2.3	168,679	4.3
Offline sales	39,165	1.7	37,011	1.5	33,361	1.0	83,827	2.1
Sub-total	**46,509**	**2.0**	**48,608**	**2.0**	**106,186**	**3.3**	**252,506**	**6.4**
TOTAL	**2,354,104**	**100.0**	**2,434,392**	**100.0**	**3,197,099**	**100.0**	**3,926,217**	**100.0**

Our revenue from online sales arrangements under our B2C sales model increased substantially by approximately 527.6% from approximately RMB11.6 million in 2017 to approximately RMB72.8 million in 2018 and by approximately 131.6% to approximately RMB168.7 million in 2019 due to our enhanced advertising and promotional efforts in marketing our chicken meat products under our brands through online sales platforms within the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

During the Track Record Period, we had a diversified customer base of over 3,000 customers globally, including internationally renowned food processors and traders as well as fast food restaurant chains (and their poultry meat suppliers and sourcing agents). We exported to countries including Japan, Malaysia, the European Union, Korea, Mongolia and Singapore. We also sell our products to our distributors whose designated sales regions are all within the PRC. During the Track Record Period, sales to our distributors represented approximately 2.0% of our total revenue. For each of the four years ended 31 December 2016, 2017, 2018 and 2019, our single largest customer accounted for approximately 19.1%, 20.6%, 16.8% and 13.5% of our total revenue, respectively, and our sales to our five largest customers represented approximately 35.8%, 40.0%, 37.7% and 28.9% of our total revenue, respectively. Our top five customers during the Track Record Period were independent third parties.

Major suppliers

During the Track Record Period, we procured (i) raw materials for the production of our animal feeds, including corn, soybean meal, soybean oil and wheat, and (ii) Parent Stock Day-old Chicks for the production of our chicken meat products in the PRC. We also procured raw chicken meat products from third party suppliers domestically as well as from overseas (generally from Brazil) for producing our processed chicken meat products in order to meet customers' growing demand. During the Track Record Period, we have entered into hedging activities in relation to the commodity prices of soybean meal, corn and soybean oil. For the four years ended 31 December 2016, 2017, 2018 and 2019, our single largest supplier, who is a fellow subsidiary of the Company, accounted for approximately 17.7%, 15.7%, 16.5% and 6.1% of our total purchases in terms of total purchases, respectively. Our five largest suppliers together accounted for approximately 29.8%, 25.4%, 24.1% and 19.1% of our total purchases, respectively, and all of them (except for our single largest supplier) are independent third parties.

Pricing Policy

Our products are generally not subject to any price control or regulations by the PRC governmental authorities. Generally, we adopt a cost-plus model where we determine the price of our products by taking into account various factors such as the cost of raw materials, customer relationships, competitive landscape, the positioning of our brand, market circumstances and our business strategy to be adopted from time to time. We may also make price adjustments depending on different sales channels and target geographical markets.

RISK FACTORS

Our business and the Global Offering involve certain risks, which are set out in "Risk Factors". You should read that section in its entirety before you decide to invest in the Offer Shares. Some of the major risks we face include:

- Our results of operations are substantially affected by the selling prices of our poultry products, which affect our revenue, and by fluctuations in the purchase prices of raw materials or interruption in the supply of raw materials, which affect our costs;
- Any perceived or actual food safety or health problems related to our raw materials, products, operations, or China's food industry in general or real or perceived quality issues caused by medicines and/or vaccines applied to the broilers could adversely affect our

reputation, our ability to sell our products and our financial performance, and subject us to liability claims and regulatory actions;

- Any safety problems relating to our chicken meat products procured from third party suppliers could adversely affect our reputation, our ability to sell our products and our financial performance;
- Ongoing epidemic of coronavirus disease (COVID-19) could significantly affect our production, demand for our products and our business;
- Outbreaks of diseases among or attributed to chicken and adverse publicity of these types of diseases can significantly affect our production, supply of Parent Stock Day-old Chicks, demand for our products and our business;
- The fair value of our biological assets may fluctuate significantly from period to period, causing our results of operations to be highly volatile;
- We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all. In addition, our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position;
- We recorded net current liabilities during the Track Record Period;
- We rely on limited suppliers of Parent Stock Day-old Chicks and do not enter into long-term supply contracts with our other suppliers; and
- We are subject to risks associated with managing future growth and expansion.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, through GMK Holdings, Fengxiang Group, Fengxiang Investment, Guangdong Hengqin, Xizang Xinfengxiang and Xinfengxiang Guangming, will together control 74.64% of the Company's issued share capital and will be considered as a group of the Controlling Shareholders upon Listing for the purpose of the Listing Rules.

CONNECTED TRANSACTIONS

The Group has entered into certain transactions with its connected persons which will continue after the Listing, namely (i) receiving financial assistance by guaranteed loans and loan facilities; (ii) sharing of administrative services; (iii) sales of substandard chicken feed and purchase of pork; (iv) procurement of health check services; (v) procurement of raw materials; (vi) purchase of natural gas and electricity; (vii) procurement of merchandise on our online marketplaces; (viii) sales of poultry products and by-products; (ix) procurement of logistic services; (x) deposit of funds; and (xi) receiving financial assistance by the discounting of commercial bills. Such transactions as listed in (i) to (vii) will constitute fully exempt continuing connected transactions and in (viii) to (xi) will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. See "Connected Transactions" for details.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth the selected financial and operating data from our consolidated financial information for the years indicated below. For more details on the financial information, see "Financial Information" and the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information was prepared in accordance with the IFRSs.

Selected Consolidated Statements of Comprehensive Income

The following table sets forth our selected consolidated statements of comprehensive income for the years indicated:

	Year ended 31 December			
	2016	2017	2018	2019
	Total RMB'000	Total RMB'000	Total RMB'000	Total RMB'000
Revenue	2,354,104	2,434,392	3,197,099	3,926,217
Gross profit (before biological assets fair value adjustments)	392,127	293,226	461,947	1,221,460
Gross profit (after biological assets fair value adjustments)	68,246	37,099	178,004	428,415
Profit before income tax	120,790	36,816	137,414	838,719
Profit for the year	119,848	37,119	136,611	837,381

Our gross profit represents our revenue less cost of sales. Our cost of sales is adjusted by changes in fair values of our biological assets[1].

As the Group carries out agricultural activity, the accounting standard IAS 41 is applicable to us. The objective of IAS 41 is to establish standards of accounting for agricultural activity — the management of biological transformation of biological assets (that is, breeders, broilers and broiler eggs for the Group) to agricultural produce (that is, chicken carcass for the Group). IAS 41 requires that the biological assets to be measured at fair value less costs to sell. This method should be used when initially measuring the biological assets and then at every balance sheet dates. Biological assets are measured at fair value in order to allow users to gain more timely information; for example, they are able to assess the value of their investment and efforts of management over the period to accrete value to the biological assets.

Accordingly, as required by IAS 41, we measure our biological assets at their fair values less costs to sell[2]. We also measure our agricultural produces (that is, the chicken carcass) harvested from the biological assets at their fair values less costs to sell at the point of harvest[3]. Such measurement is the cost at that date when applying IAS 2 Inventories. In this connection, when we sell our biological assets and agricultural produces, our cost of sales is adjusted, with fair value gains increasing our cost of sales and fair value losses decreasing our cost of sales. We recognised fair value gains during the Track Record Period. As such, fair value adjustments led to an increase in our cost of sales, which in turn led to a reduction in our gross profit, during the Track Record Period.

Our gross profit (after biological assets fair value adjustments), profit before income tax and net profit decreased from 2016 to 2017, primarily due to (i) the decrease in average selling prices of our main product segments, in particular, chicken breeds, (ii) a decrease in feed costs and direct labour costs, and (iii) an increase in aggregate fair value adjustments increasing our profit as a result of increases in market prices of chicken breeds and live broilers in 2019, as compared to the same period in 2018.

[1] "Biological asset" is defined as a living animal or plant under IAS 41, in our case refers to breeders, broilers and broiler eggs.

[2] "Costs to sell" is defined as incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes under IAS 41.

[3] "Harvest" is defined as the detachment of produce from a biological assets or the cessation of a biological asset's life processes under IAS 41. As such, the point of harvest for the Group's biological assets is at the time of slaughtering of live broilers.

Reconciliation of gross profit before and after biological assets fair value adjustments

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Gross profit (before biological assets fair value adjustments)	392,127	293,226	461,947	1,221,460
Biological assets fair value adjustments	(323,881)	(256,127)	(283,943)	(793,045)
Gross profit (after biological assets fair value adjustments)	68,246	37,099	178,004	428,415

Our revenue increased by 31.3% from approximately RMB2,434.4 million in 2017 to approximately RMB3,197.1 million in 2018, primarily as a result of increases in sales of our raw chicken meat products, processed chicken meat products and chicken breeds segments.

Our revenue from chicken breeds segment increased by approximately 147.8% from approximately RMB172.1 million in 2018 to approximately RMB426.4 million in 2019, primarily due to a significant increase of approximately 91.9% in average selling prices in chicken breeds from 2018 to 2019.

Our effective tax rates were 0.8%, (0.8)%, 0.6% and 0.2% for 2016, 2017, 2018 and 2019, respectively. Our effective tax rates during the Track Record Period were lower than the EIT rate of 25% primarily due to the tax exemptions granted to certain of our operations (for example, live chicken production and slaughtering of chicken). We had a negative effective tax rate of 0.8% in 2017, mainly derived from the recognition of deferred tax assets related to government grants received but not yet recognised as income.

Selected Consolidated Statements of Financial Position Items

The following table sets forth a summary of our selected consolidated statements of financial position items as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	2,108,732	2,517,977	2,558,461	2,690,993
Total current assets	1,226,631	1,171,201	1,361,037	1,740,055
Total current liabilities	1,871,947	2,179,833	2,227,428	1,858,299
Net current liabilities	(645,316)	(1,008,632)	(866,391)	(118,244)
Total assets less current liabilities	1,463,416	1,509,345	1,692,070	2,572,749
Total non-current liabilities	222,429	198,986	265,875	309,109
Net assets	1,240,987	1,310,359	1,426,195	2,263,640

Our net current liabilities as at end of the years during the Track Record Period were primarily due to our borrowings, most of which are short-term bank borrowings. The current portion of our borrowings accounted for approximately 71.5%, 76.9%, 63.7% and 68.1% of our total current liabilities as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. Our borrowings were primarily utilised for construction of our production facility, acquisition of property, plant and equipment and for general working capital purposes.

Our net current liabilities were particularly high as at 31 December 2017 as we incurred additional short-term borrowings for construction of our new processing plant in 2017. Our net current liabilities gradually improved after 2017 as we completed the construction of our new processing plant in the first half of 2018 and our operating cash inflow increased.

With an aim to improve our liquidity position in 2018, we utilised bills payable to settle certain of our amounts due to our major supplier, Yanggu Dafeng, in 2018, resulting in an increase of our bills payable as at 31 December 2018. As our liquidity position gradually improved, our bills payable gradually decreased after 2018.

We expect our net current liabilities position will improve in the future after the Listing as (i) we lessen the use of borrowings for our production facility expansion or upgrades, and (ii) our business expands and operating cash inflow increases.

Selected Consolidated Statements of Cash Flows

The following table sets forth a summary of our selected consolidated statements of cash flows for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash inflows before movements in working capital	308,242	236,898	378,304	1,097,278
Changes in working capital	(89,797)	(150,842)	406,471	(371,909)
Income tax paid	(1,562)	(1,616)	(1,881)	(1,856)
Net cash flows generated from operating activities	216,883	84,440	782,894	723,513
Net cash flows used in investing activities	(127,317)	(464,047)	(387,343)	(177,768)
Net cash flows generated/(used in) from financing activities	6,487	273,910	(308,141)	(231,104)
Net increase/(decrease) in cash and cash equivalents	96,053	(105,697)	87,410	314,641
Cash and cash equivalents at beginning of the year	170,958	267,011	161,314	248,724
Cash and cash equivalents at end of the year	267,011	161,314	248,724	563,365

Our operating cash inflows before movements in working capital increased by approximately 190.1% from RMB378.3 million for the year ended 31 December 2018 to RMB1,097.3 million for the year ended 31 December 2019, primarily due to an increase in our profit before income tax in 2019.

The Group recorded a net decrease in cash and cash equivalents in 2017, which was mainly due to the cash outflow for the construction and setup of our new processing plant in 2017.

Our net cash flows generated from operating activities increased by approximately 827.6% from RMB84.4 million for the year ended 31 December 2017 to approximately RMB782.9 million for the year ended 31 December 2018. The increase was primarily due to a 59.7% increase in operating cash inflows before movement in working capital, as a result of our increased sales in 2018, and net cash inflows relating to movements in working capital in the amount of approximately RMB406.5 million. Our net cash flows generated from operating activities decreased by approximately 7.6% from RMB782.9 million in 2018 to RMB723.5 million in 2019, primarily due to (i) an increase in inventories as a result of our increased import of raw chicken meat to meet our production volume, and (ii) a decrease in trade and bills payables mainly as a result of a decrease in bills payable as our cash flow position improved. See "Financial Information — Liquidity and Capital Resources — Cash Flow" for details.

Major Cost Components

During the Track Record Period, direct raw materials and direct labour cost were the major components of our total cost of sales. Our direct raw materials accounted for approximately 57.5%, 58.1%, 59.6% and 52.6% and our direct labour cost accounted for approximately 11.6%, 13.6% , 13.2%, and 9.9% of our total cost of sales for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. For the four years ended 31 December 2016, 2017, 2018 and 2019, the average purchase price of raw chicken meat products procured from independent third party suppliers was approximately RMB12,000, RMB12,000, RMB14,000 and RMB15,000 per tonne and the purchase volume was approximately 14,000 tonnes, 12,000 tonnes, 31,000 tonnes and 45,000 tonnes, respectively. The percentage of cost of raw chicken meat procured to total cost of sales increased from approximately 4.0% for the year ended 31 December 2016 to approximately 15.7% for the year ended 31 December 2019, which was mainly due to an increase in demand of raw chicken meat for the Group's processed chicken meat products and an increase in average procurement cost of such raw chicken meat. Our cost of sales are adjusted for changes in biological assets fair value adjustments, which accounted for approximately 14.2%, 10.7%, 9.4% and 22.7% of our total cost of sales for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. See "Financial Information — Description of Selected Statement of Comprehensive Income Items — Cost of Sales" and "Financial Information — Principal Factors Affecting Our Results of Operations — Biological assets fair value adjustments" for further details on the breakdown of our cost of sales and biological assets fair value adjustments.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents gross profit as a percentage of revenue. Our cost of sales is adjusted by changes in fair values of our biological assets.

See "— Summary Historical Financial Information — Selected Consolidated Statements of Comprehensive Income" in this section and "Financial Information — Principal Factors Affecting Our Results of Operations — Biological Assets Fair Value Adjustments" for further details on the biological assets fair value adjustments.

Our gross profit after biological assets fair value adjustments was RMB68.2 million, RMB37.1 million, RMB178.0 million and RMB428.4 million in 2016, 2017, 2018 and 2019, respectively. Our gross profit margin after biological assets fair value adjustments was 2.9%, 1.5%, 5.6% and 10.9% in the corresponding years.

Our gross profit before biological assets fair value adjustments was RMB392.1 million, RMB293.2 million, RMB461.9 million and RMB1,221.5 million in 2016, 2017, 2018 and 2019, respectively. Our gross profit margin before biological assets fair value adjustments was 16.7%, 12.0%, 14.4% and 31.1% in the corresponding years.

The table below sets forth our gross profit and gross profit margin (before biological assets fair value adjustments) by product segments for the years indicated.

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	% of total gross profit	RMB'000	% of total gross profit	RMB'000	% of total gross profit	RMB'000	% of total gross profit
Raw chicken meat products	195,448	49.8	134,798	46.0	195,370	42.3	557,356	45.6
Processed chicken meat products	109,971	28.1	157,194	53.6	163,016	35.2	325,572	26.7
Chicken breeds	74,578	19.0	(10,801)	(3.7)	90,780	19.7	314,318	25.7
Others	12,130	3.1	12,035	4.1	12,781	2.8	24,214	2.0
Total	392,127	100.0	293,226	100.0	461,947	100.0	1,221,460	100.0

	For the year ended 31 December			
	2016	2017	2018	2019
	%	%	%	%
Gross profit margin				
Raw chicken meat products	13.3	10.1	11.4	29.5
Processed chicken meat products	17.5	17.3	13.8	22.7
Chicken breeds	49.9	(15.5)	52.7	73.7
Others	11.4	9.7	10.5	13.5
Overall	16.7	12.0	14.4	31.1

Our gross profit before biological assets fair value adjustments increased by 164.5% from RMB461.9 million for the year ended 31 December 2018 to RMB1,221.5 million for the year ended 31 December 2019, primarily due to (i) an increase in average selling prices across our raw and processed chicken meat products segments, (ii) an increase in average selling prices of chicken breeds of 91.9%, and (iii) a decrease in feed costs across the period. Our gross profit margin before fair value adjustments for biological assets (which are included in our total cost of sales) were 14.4% and 31.1% for the two years ended 31 December 2018 and 2019, respectively.

Key Financial Data and Ratios

The following table sets forth our key financial data and ratios as at the dates or for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
Gross profit (RMB'000)	68,246	37,099	178,004	428,415
Gross profit margin after biological assets fair value adjustments	2.9%	1.5%	5.6%	10.9%
Gross profit before biological assets fair value adjustments (RMB'000)	392,127	293,226	461,947	1,221,460
Gross profit margin before biological assets fair value adjustments	16.7%	12.0%	14.4%	31.1%
Net profit (RMB'000)	119,848	37,119	136,611	837,381
Net profit margin	5.1%	1.5%	4.3%	21.3%
Net profit before biological assets fair value adjustments (RMB'000)	114,586	28,421	118,469	833,935
Net profit margin before biological assets fair value adjustments	4.9%	1.2%	3.7%	21.2%
Return on equity (before biological assets fair value adjustments)	9.2%	2.2%	8.3%	36.8%
Return on equity (after biological assets fair value adjustments)	9.7%	2.8%	9.6%	37.0%
Return on assets (before biological assets fair value adjustments)	3.4%	0.8%	3.0%	18.8%
Return on assets (after biological assets fair value adjustments)	3.6%	1.0%	3.5%	18.9%
Interest coverage ratio (times)	2.7	1.5	2.4	10.4

	As at 31 December			
	2016	2017	2018	2019
Current ratio (times)	0.66	0.54	0.61	0.94
Net debt-to-equity ratio	89.9%	117.0%	87.0%	35.7%
Gearing ratio	111.0%	127.9%	104.2%	60.4%

See "Financial Information — Key Financial Data and Ratios" for a description of the calculations of the ratios above.

Biological assets

Our biological assets represent breeders, broilers and broiler eggs. We measure biological assets on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce harvested from the biological assets are measured at their 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.

The following table sets out the breakdown of our biological assets at the end of each of the years indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Biological assets comprise:				
— Breeders	113,187	110,866	126,956	157,877
— Broilers and broiler eggs	112,494	120,669	138,422	141,873
	225,681	231,535	265,378	299,750
Non-current portion	113,187	110,866	126,956	157,877
Current portion	112,494	120,669	138,422	141,873
	225,681	231,535	265,378	299,750

We determine the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, costs incurred and professional valuation. The fair value of our biological assets as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 was RMB225.7 million, RMB231.5 million, RMB265.4 million and RMB299.8 million, respectively.

The fair value of our biological assets increased by approximately 2.6% from RMB225.7 million as at 31 December 2016 to RMB231.5 million as at 31 December 2017, primarily due to an increase in market prices assumptions of our key biological assets valuation input, namely, white-feathered broiler chicken breeds, white-feathered mature broilers, white-feathered breeder chicken breeds, culled white-feathered hens, culled white-feathered cocks and broiler eggs, as at the end of 2017. The fair value of our biological assets further increased by approximately 14.6% from RMB231.5 million as at 31 December 2017 to RMB265.4 million as at 31 December 2018, primarily due to a significant increase in market prices of broiler eggs as at the end of 2018. The fair value of our biological assets increased by approximately 13.0% from RMB265.4 million as at 31 December 2018 to RMB299.8 million as at 31 December 2019, primarily due to an increase in the quantity of our broilers and broiler eggs and an increase in market prices of white-feathered broiler chicken breeds, white-feathered breeder chicken breeds and broiler eggs as at 31 December 2019.

Reconciliation of the carrying amount of biological assets

	Breeders	Broilers and broiler eggs	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	85,277	92,057	177,334
Increase due to purchases/raising	116,520	1,702,506	1,819,026
Gain arising from changes in fair value less estimated costs to sell	2,310	2,952	5,262
Transfer to inventories at the point of harvest	—	(1,399,807)	(1,399,807)
Decrease due to culling	(83,216)	—	(83,216)
Decrease due to sales	(7,704)	(285,214)	(292,918)

	Breeders	Broilers and broiler eggs	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2016 and 1 January 2017	113,187	112,494	225,681
Increase due to purchases/raising	101,707	1,693,898	1,795,605
Gain arising from changes in fair value less estimated costs to sell	5,364	3,334	8,698
Transfer to inventories at the point of harvest	—	(1,411,023)	(1,411,023)
Decrease due to culling	(86,570)	—	(86,570)
Decrease due to sales	(22,822)	(278,034)	(300,856)
At 31 December 2017 and 1 January 2018	110,866	120,669	231,535
Increase due to purchases/raising	122,056	1,642,521	1,764,577
(Loss)/gain arising from changes in fair value less estimated costs to sell	(10,706)	28,848	18,142
Transfer to inventories at the point of harvest	—	(1,377,062)	(1,377,062)
Decrease due to culling	(82,342)	—	(82,342)
Decrease due to sales	(12,918)	(276,554)	(289,472)
At 31 December 2018 and 1 January 2019	126,956	138,422	265,378
Increase due to purchases/raising	131,774	3,014,342	3,146,116
Gain/(loss) arising from changes in fair value less estimated costs to sell	14,249	(10,803)	3,446
Transfer to inventories at the point of harvest	—	(2,696,716)	(2,696,716)
Decrease due to culling	(101,275)	—	(101,275)
Decrease due to sales	(13,827)	(303,372)	(317,199)
At 31 December 2019	157,877	141,873	299,750

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, the fair value of our biological assets represented approximately 18.2%, 17.7%, 18.6% and 13.2% of our net asset value, respectively.

OFFERING STATISTICS

All statistics in the following table are based on the assumption that the Over-allotment Option is not exercised:

	Based on an Offer Price of HK$3.33	Based on an Offer Price of HK$5.10
Market capitalisation of H Shares[1]	HK$1,182.2 million	HK$1,810.5 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[2]	HK$2.55	HK$2.99

Notes:

(1) The calculation of market capitalisation of H Shares is based on 355,000,000 H Shares expected to be in issue immediately upon completion of the Global Offering. For illustrative purpose only, based on 1,400,000,000 Shares in issue immediately upon completion of the Global Offering (including 1,045,000,000 Domestic Shares and 355,000,000 H Shares) and assuming the market value of the Domestic Shares is extrapolated from the Offer Price of H Shares, the market capitalisation of the Shares is HK$4,662.0 million and HK$7,140.0 million based on an Offer Price of HK$3.33 and HK$5.10, respectively.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" and on the basis that 1,400,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2019.

DIVIDEND POLICY

During the Track Record Period and up to the Latest Practicable Date, we did not declare or distribute any dividend. After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means that we consider appropriate. The Company has implemented a three-year dividend plan, pursuant to which, in the absence of certain special circumstances, if the Company records profit for the year and its accumulated undistributed profit is positive, and is capable of meeting the actual demand for distribution, the Company shall distribute dividends in cash, and the aggregate profits distributed in cash for such three years shall not be less than 30% of the total distributable profits realised for the latest three years as set out in the Company's consolidated financial statements and the dividends to be distributed in each particular year shall be decided by the Board. Any proposed distribution of dividends shall be formulated by the Board and will be subject to approval at the Shareholders' meeting. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that the Board may consider important. The Articles of Association stipulate that the Company may distribute dividends by means of cash, stock or a combination of cash and stock. After completion of the Global Offering, dividends may be paid out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. The major difference between PRC GAAP and IFRS is the biological assets fair value adjustments in determining the amount of the Company's distributable profits under PRC GAAP, which may affect the Group's future decision to declare or pay any dividends. See "Financial Information — Dividend Policy" and "Financial Information — Difference in Biological Assets Fair Value Adjustments under IFRS and PRC GAAP" for details of our dividend policy and the nature of GAAP difference on fair value adjustments on biological assets between IFRS and PRC GAAP, respectively.

LISTING EXPENSE

Our listing expenses mainly include underwriting commissions and professional fees in relation to the Listing and the Global Offering. The total listing expenses for the Listing of our H Shares (assuming an Offer Price of HK$4.21 per H Share, being the mid-point of the proposed Offer Price range, and the Over-allotment Option is not exercised) are estimated to be approximately HK$99.5 million (equivalent to approximately RMB90.7 million), among which approximately HK$82.7 million (equivalent to approximately RMB75.4 million) is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the Listing, and approximately HK$14.3 million (equivalent to approximately RMB13.0 million) was/will be charged to our consolidated statement of comprehensive income. During the Track Record Period, we settled listing expenses of approximately HK$35.9 million (or RMB32.4 million), of which approximately HK$24.8 million (or RMB22.4 million) was included in prepayments and will be subsequently charged to equity upon completion of the Listing and approximately HK$11.1 million (or RMB10.0 million) was charged to consolidated statement of comprehensive income.

The listing expenses above are the latest practicable estimates and are provided for reference only, and the actual amounts may differ. The Directors do not expect listing expenses to be incurred after the Track Record Period to have a material and adverse impact on our financial results for the year ending 31 December 2020.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,395.1 million (or RMB1,271.7 million) (after deducting the underwriting fees and commissions and other estimated fees and expenses paid and payable by us in connection with the Global Offering and assuming full payment of the discretionary incentive fee), assuming that the Over-allotment Option is not exercised and an Offer Price of HK$4.21 per H Share, being the mid-point of the indicative Offer Price range of HK$3.33 to HK$5.10 per H Share.

We intend to use the net proceeds we receive from the Global Offering for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 45.0%, or HK$627.8 million, will be invested in the expansion of our breeding and production capacities of white-feathered broilers through the procurement of facilities necessary for broiler farms with battery cage systems, slaughtering and processing plant, breeder farms, hatchery, feedmill and organic fertiliser plant;
- approximately 42.5%, or HK$592.9 million, will be used in repaying the existing borrowings to improve our financial position, gearing and liquidity;
- approximately 10.0%, or HK$139.5 million, will be invested in the brand development and penetration of our existing B2C processed chicken meat products sales channels (both online and offline) through targeted sales and marketing campaigns; and
- approximately 2.5%, or HK$34.9 million, will be invested in strengthening our research and development capabilities to strengthen our competitiveness in the market.

In the event that the net proceeds we receive from the Global Offering are higher or lower than the estimated amounts stated above, we will increase or decrease the intended allocation of the net proceeds for the above purpose on a pro rata basis. See “Future Plans and Use of Proceeds”.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, there was no litigation or arbitration pending or threatened against the Group or any of the Directors which could have a material adverse effect on the Group’s financial condition or results of operations. We are subject to regulatory inspections conducted by various PRC governmental authorities. We were not aware of any inspections or audits conducted by them that would materially adversely affect our business. During the Track Record Period, we failed to make social insurance fund contributions and housing provident fund contributions in full in the PRC. As at the Latest Practicable Date, we had taken remedial measures to rectify the non-compliance incidents. See “Business — Regulatory Compliance” for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We continued to expand and diversify our product portfolio with a focus on processed chicken meat products and launched 41 new products (including new flavours, new packaging and product upgrades) subsequent to the Track Record Period and up to the Latest Practicable Date.

In April 2020, the Company entered into a cooperation agreement with the People’s Government of Xingwen County (興文縣人民政府), pursuant to which the People’s Government of Xingwen County would, among other things, offer financial assistance up to RMB20 million to Xingwen Tianyang in relation to the breeding of Sichuan Mountain Black Bone Chicken over a term of six years.

The Company conditionally adopted the Share Award Scheme on 4 June 2020. On 26 June 2020, a total of 2,050,000 Awarded Shares were granted to 18 selected participants under the Share Award Scheme. For details, see "Appendix VII — Statutory and General Information — F. Share Award Scheme — (q) Details of the Awards granted under the Share Award Scheme".

Based on the unaudited management accounts of the Group for the four months ended 30 April 2020, (i) our revenue increased as compared to the corresponding period in 2019, which was primarily due to an increase in sales volume of our white-feathered chicken products, in particular, the raw and processed chicken meat products by approximately 33.8% and 14.3%, respectively, as compared to the corresponding period in 2019; and (ii) our gross profit margin and net profit margin (both before biological assets fair value adjustments) decreased as compared to the corresponding period in 2019. Such decrease in our gross profit margin was mainly attributable to the decrease in the average selling price of chicken breeds which led to a decrease in its gross profit margin.

The average selling prices of our raw and processed chicken meat products remained relatively stable for the four months ended 30 April 2020, which were approximately RMB11.7 per kg and RMB22.0 per kg, respectively. The average selling prices of our raw and processed chicken meat products were approximately RMB9.8 per kg and RMB21.6 per kg in May 2020, respectively, representing a decrease of approximately 11.7% and 2.3% as compared to April 2020, respectively. The average selling price of chicken breeds was approximately RMB3.6 per bird for the four months ended 30 April 2020, representing a decrease of approximately 51.2% as compared to the corresponding period in 2019. The average selling price of chicken breeds per bird in May 2020 decreased as compared to April 2020. As such, the Company reduced the sales volume of chicken breeds during the period and increased the number of chicken breeds bred due to its lower profitability. The Group recorded a slight decrease in revenue generated from our white-feathered chicken products in May 2020 as compared to April 2020.

Subsequent to the Track Record Period, the average purchase prices of corn and soybean meal, being our major raw materials, were relatively stable, which was RMB2.0 per kg and RMB3.1 per kg, respectively, for the four months ended 30 April 2020. The average purchase price of the Parent Stock Day-old Chicks was approximately RMB54.4 per set for the four months ended 30 April 2020, which remained relatively stable, as compared to the corresponding period in 2019. The average purchase price of chicken meat products was approximately RMB13.8 per kg for the four months ended 30 April 2020, which remained relatively stable, as compared to the corresponding period in 2019.

Due to the uncertainties brought about by the coronavirus disease outbreak as set out below and its potential further impact on the global economy as a whole, we cannot guarantee that our business operations and results of operations including revenue and profitability during the four months ended 30 April 2020 could be maintained throughout the year ending 31 December 2020, and it might turn out to be lower than the Company's results of operations for the year ended 31 December 2019. Our profitability may also be potentially impacted by, among other things, (i) the lower average selling price of chicken breeds during the year as compared to the year ended 31 December 2019 that may lead to a decrease in gross profit margin; and (ii) the execution of our expansion plan, including allocating more resources to its sales and marketing activities. See also "Our results of operations are substantially affected by the selling prices of our poultry products, which affect our revenue, and by fluctuations in the purchase prices of raw materials or interruption in the supply of raw materials, which affect our cost" and "The implementation of our expansion plan may lead to an increase in operating expenses and higher depreciation expenses, which may adversely affect our profit margin and results of operations" under "Risk Factors — Risks Relating to Our

Business". Nevertheless, the Directors are of the view that we will have sufficient working capital for our present requirements covering at least 12 months from the date of this prospectus.

Impact of Coronavirus Disease

The coronavirus disease (COVID-19) was first emerged in late 2019 and has spread within the PRC and globally. Draconian measures including travel restrictions have gradually been imposed on cities in the PRC, as well as other countries and territories, in an effort to contain the coronavirus disease. The World Health Organization is closely monitoring and evaluating the situation. The outbreak was declared a public health emergency of international concern and a global pandemic by the World Health Organisation on 30 January 2020 and on 11 March 2020, respectively.

In view of the ongoing epidemic of the coronavirus disease since January 2020 and the PRC Government's advice to avoid crowds and gatherings to facilitate better anti-epidemic prevention and control, it is expected that the restaurant and food processing industries in the PRC would be affected by the coronavirus disease in the short-term. The Company also noted that a number of food corporations have temporarily suspended their restaurant operations or production at food processing plants in the PRC as anti-epidemic measures to ensure the health and safety of their employees and customers. The outbreak of coronavirus disease, which is expected to result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people and the economy in the PRC and globally.

To ensure the breeding, supply and smooth delivery of agricultural products, poultry and animal feeds amid the outbreak of the coronavirus disease, the General Office of the Ministry of Agriculture and Rural Affairs of the PRC, the General Office of the Ministry of Transport of the PRC, the General Office of the Ministry of Public Security of the PRC and the General Office of the National Development and Reform Commission have issued notices on 30 January 2020, 4 February 2020, 15 February 2020 and 18 March 2020, which provide, among other things, that, (i) local authorities shall ensure companies involved in feed production, livestock breeding and poultry slaughtering to resume work as soon as possible and overcome disruptions caused by the coronavirus disease outbreak; (ii) upon implementing necessary anti-epidemic prevention and control measures, animal feeds production and poultry slaughtering corporations shall maintain effective supply of livestock and poultry products to meet the market demand; (iii) the "green channel" policy shall be strictly implemented to ensure smooth and swift delivery of agricultural products, roads leading to key locations including breeder and broiler farms, processing and slaughtering plants and the market should be clear, and unauthorised roadblocks for trucks carrying animal feeds and poultry products are banned; (iv) tax refunds, loans at low interest rates and other financial assistance shall be provided to support the companies engaged in feed production and poultry slaughtering; (v) market information and market demand would be closely monitored to ensure effective supply at stable prices; and (vi) the increase in production and supply of poultry products shall be encouraged to ensure sustainable development of the poultry industry.

Impact on our business operations and sales to customers

The Company expects that it is able to discharge its obligations under all existing contracts as at the Latest Practicable Date, given that (i) the Group had been maintaining sufficient inventory levels of raw materials and chicken meat products; (ii) the production plants of the Group had resumed operations since 27 January 2020 in light of governmental policies to encourage poultry industries to resume work as soon as possible; and (iii) the Group did not experience material disruption to its supply of raw materials, and as such, the Company had not identified circumstances that would affect its ability to discharge its obligations under existing contracts as at the Latest Practicable Date.

Based on unaudited management accounts of the Company, the revenue generated from its B2B and B2C customers for the four months ended 30 April 2020 decreased by approximately 1.5% and increased by over 500% as compared to the corresponding period in 2019, respectively. The increase in revenue under the B2C sales model was significantly higher for the four months ended 30 April 2020 primarily as a result of certain food corporations temporarily suspending their restaurant operations or production at food processing plants, and more customers resorting to purchase food products through online sales platforms to practise social distancing in order to curb the spread of the coronavirus disease. As such shift in spending pattern may continue under current circumstance, the Group has been adjusting its sales plan to cater the anticipated short-term impact on its domestic customers' demand, which is also in line with one of our business strategies to expand our B2C sales and distribution network. In particular, (i) to meet the sharp increase in demand from B2C customers through third-party online sales platforms as a result of reduced human mobility, the Group sold raw and processed chicken meat products that were intended to be sold to certain B2B customers to such B2C customers through repackaging of products, which accelerates its inventory turnover; (ii) the Group rented temporary freezer storage rooms since February 2020 to store the additional processed chicken meat products inventory and actively monitored the inventory levels and storage utilisation rates; and (iii) the Group has been maintaining its business relationships with its existing customers. The Group entered into short-term leases to rent temporary freezer storage rooms for a term of less than a year in anticipation of the impact of the coronavirus disease on the domestic demand of the Company's chicken meat products. The Group typically stored chicken meat products with a quicker inventory turnover rate that are ready to be sold at such the temporary storage rooms to reduce its rental costs. The storage fees of the products stored were charged by the warehouse operators on a per-tonne basis at RMB2 per tonne per day and RMB15 per tonne as handling fees, and is payable by the Group on a monthly basis. The rental costs incurred were approximately RMB515,000 (including handling fees) between February 2020 and May 2020.

Based on the latest communications with overseas customers and the sales orders placed by them up to the Latest Practicable Date, (i) the Directors have not identified any indications reflecting objectively any material decrease in the orders from overseas customers at this stage for the five months ended 31 May 2020 as compared with the corresponding period in 2019; (ii) no overseas customers had cancelled any existing orders as at the Latest Practicable Date; and (iii) the Group's sales volume to and revenue received from overseas customers for the four months ended 30 April 2020 were higher than as compared to the corresponding period in 2019. The Directors confirmed that since the end of the Track Record Period and up to the Latest Practicable Date, the Company had not experienced any cancellation of orders or loss of overseas customers that would have had a material adverse impact on our business operations and financial condition in general. As such, the Directors believe that the coronavirus disease would not have material adverse impact on the Group's overseas sales.

Impact on supply of raw materials

As at the Latest Practicable Date, the Parent Stock Day-old Chicks suppliers of the Group had been able to supply us with Parent Stock Day-old Chicks based on pre-determined delivery schedules, and had not been materially disrupted by the outbreak of the coronavirus disease. Based on the discussion with its Parent Stock Day-old Chicks suppliers, such suppliers were of the view that there had been minimal impact on the import of Grandparent Stock Chicks, and the possibility of such import being affected is minimal.

As at the Latest Practicable Date, the import of chicken meat products by the Group had not been affected by the outbreak of the coronavirus disease, and no suppliers of chicken meat products had failed to supply products to the Group based on pre-determined delivery schedules. In the unlikely event that the import of chicken meat products by the Group is affected which would in turn disrupt the Group's production of chicken meat products, the Company would source chicken meat products from alternate suppliers in the PRC of comparable quality and services in a timely manner. Since we currently rely on the stable and adequate supply of chicken meat products at competitive prices from sizable suppliers overseas, sourcing chicken meat products from PRC suppliers could result in additional costs to us which may lead to a reduction in our gross profit margin to the extent that we are unable to pass on such additional costs to our customers. The Company does not expect material adverse impact on the Group's operations and financial performance if it were to procure all its chicken meat products from PRC suppliers.

The Group has also maintained sufficient inventory levels for its raw materials to sustain its own production process, and has not encountered and does not expect to encounter supply chain disruption or shortage that would materially affect the Group's business operation due to the impact of the coronavirus disease. The Group expects its inventory level for the chicken meat products would increase in the short-term due to (i) the decrease in demand from customers who may be food corporations that have temporarily suspended their restaurant operations or food processing plants in the PRC due to the coronavirus disease; and (ii) the Group's typical measure to accumulate inventories of raw materials and processed chicken meat products before Chinese New Year in preparation for its sales orders immediately after Chinese New Year. Since the frozen and chilled processed chicken meat products generally have a shelf life of 24 months, the Directors believe the temporary increase in inventory level would not affect the quality of the Group's products or have a material adverse impact on the financial performance of the Group as at the Latest Practicable Date.

In light of the "green channel" policy initiated by the PRC Government to ensure steady domestic supply of livestock and the Group's inventory levels maintained for its raw materials, we applied for permits for our trucks such that the delivery of our raw materials would not be delayed at checkpoints and toll booths. As such, the Directors do not expect any material difficulties for the Group to maintain its production level to meet its existing customers' demands. As at the Latest Practicable Date, the Directors had not experienced and did not foresee any material disruption in delivery of the Group's raw materials and chicken meat products.

Contingency plan and precautionary measures

In view of the outbreak of the coronavirus disease, the Company has established an epidemic prevention and containment team led by Mr. Xiao Dongsheng, an executive Director, to organise and manage the adoption of preventive measures in relation to quarantine and treatment, supply sourcing, staff arrangement and education. The Group has adopted additional stringent control standards and procedures in view of the outbreak of the coronavirus disease. The abovementioned measures, control standards and procedures include:

- *Active monitoring and recordkeeping.* To closely track the health status of the Group's employees, a station is set up at the entrances of the Group's production facilities to measure the body temperature of its staff twice daily prior and after their duties. The Group would arrange any staff showing symptoms to seek medical treatment, and any other staff in close contact would be required to be self-quarantined at home for 14 days. Vehicles entering facilities are required to undergo a disinfection process and be logged.
- *Hygiene measures.* All staff are required to put on a mask during their transit to and from work, and are required to change into specialised masks that were used when entering the production facilities. Certain staff are also required to wear goggles.

- *Sterilisation and disinfection.* The Group ensures uniforms are changed, washed and sterilised on a daily basis, and require its staff to wash their hands and disinfect production equipment every two hours. Production facilities of the Group are thoroughly clean and disinfect twice a day.
- *Sufficient supplies.* The Group conducts physical inventory counts and place orders based on its anticipated needs with suppliers to ensure there is a sufficient supply of epidemic prevention supplies such as masks, alcohol, disinfectants and thermometers to carry out preventive and control measures. As at the Latest Practicable Date, the Directors do not foresee material difficulties in procuring sufficient epidemic prevention supplies for the Group's employees.

There had been no reports on confirmed or suspected cases of coronavirus disease regarding the Group's employees as at the Latest Practicable Date.

Our financial performance and viability

The coronavirus disease outbreak is still ongoing and there is no guarantee that the situation will not deteriorate or the outbreak shall come to an end in the near future. There is no assurance that there will not be any direct or indirect adverse impact on our business operations arising from any effect on the PRC economy or other parts of the world as a result of the continuance of coronavirus disease outbreak. The coronavirus disease outbreak may possibly bring material disruption to our business operations in the future as a result of other measures to control the spread of the coronavirus disease that may be imposed by the governments in different affected countries and regions from time to time. See "Risk Factors — Risks Relating to Our Business — Ongoing epidemic of coronavirus disease (COVID-19) could significantly affect our production, demand for our products and our business".

Considering (i) the Group did not encounter and is not expected to encounter supply chain disruption since the outbreak of coronavirus disease; (ii) none of the Group's customers cancelled any existing orders as at the Latest Practicable Date; (iii) the production plants of the Group have resumed operations since 27 January 2020; (iv) the favourable policies initiated by the PRC Government and how the Group benefited from such policies as set out above; (v) the Group has obtained term loans of RMB200 million from a state-owned commercial bank according to the finance support policies promulgated by the PRC Government for a term of one year at relatively lower interest rates between 3.2% and 3.4% for financing its raw materials procurement for the production of chicken meat products; (vi) contribution of social insurance and housing provident fund contributions have temporarily been reduced between February and June 2020; and (vii) the effectiveness of the Group's enhanced quality control measures to date, whilst the Group's business may be impacted in the short-term due to the possible decrease in domestic demand from certain customers who may be food corporations that have temporarily suspended their restaurant operations or production at food processing plants, the Directors do not expect the coronavirus disease to have a material adverse impact on both the Group's business operation and financial results as a whole in the long term.

The Directors will continue to pay great attention to the status and development of the coronavirus disease, and keep a close communication with local governments, and actively and properly carry out preventive and containment measures to ensure personnel safety. However, given the uncertainties in the development of the coronavirus disease, the Directors cannot assure that the coronavirus disease will not materially and adversely affect the Group's business, financial condition and operations.

Impact of H5N1 and H5N6 Virus

In February 2020, China reported an outbreak of avian influenza caused by H5N1 virus in Hunan and H5N6 virus in Sichuan, respectively, and around 20,000 poultry in the affected farms in Hunan and Sichuan has been culled at local poultry farms. Being named an "area with broilers lacking highly pathogenic avian influenza" (肉雞無高致病性禽流感小區) by the Ministry of Agriculture and Rural Affairs of the PRC in May 2019, the Directors confirmed that no infected case of the said H5N1 virus in Hunan and H5N6 virus in Sichuan was found in the Group's breeder and broiler farms and that the recent outbreak of avian influenza caused by H5N1 and H5N6 virus did not have any material adverse impact on the Group's results of operations and financial condition as at the Latest Practicable Date.

No Material Adverse Change

After due and careful consideration, the Directors confirm that there had not been any material adverse change in our financial, operational or trading position since 31 December 2019 and up to the date of this prospectus, and there is no event since 31 December 2019 that would materially affect the information as set out in the Accountants' Report.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association"	the articles of association of the Company, conditionally adopted on 8 August 2019 and as amended from time to time, a summary of which is set out in "Appendix VI — Summary of Articles of Association"
"Board" or "Board of Directors"	the board of directors of the Company established pursuant to the PRC Company Law, as described in "Directors, Supervisors and Senior Management"
"Board of Supervisors"	the board of supervisors of the Company established pursuant to the PRC Company Law, as described in "Directors, Supervisors and Senior Management"
"business day"	a day (other than a Saturday, Sunday or public holiday) on which licenced banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"CBIRC"	the China Banking and Insurance Regulatory Commission
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only, except where the context requires, reference in this prospectus to PRC or China exclude Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
"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"	Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司), a joint stock company established in the PRC with limited liability on 17 December 2010, if context requires, includes its predecessor
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in case of the Company, means Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG, Mr. Liu ZM, GMK Holdings, Fengxiang Group, Fengxiang Investment, Guangdong Hengqin, Xizang Xinfengxiang and Xinfengxiang Guangming
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company and "**Director**" shall be construed accordingly as a director of the Company
"Domestic Share(s)"	ordinary share in our capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities
"EIT"	the PRC enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law, issued on 16 March 2007 and effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively
"EIT Rules"	the Rules for Implementation of the PRC Enterprise Income Tax Law, issued on 28 November 2007 and effective on 1 January 2008 and amended on 23 April 2019
"European Union" or "EU"	the European Union, including the United Kingdom under the Brexit transition period up to 31 December 2020
"Fengxiang Food"	Fengxiang Food Co., Ltd. (鳳祥食品有限公司), a company established in the PRC with limited liability on 18 November 2015 and a wholly-owned subsidiary of the Company

"Fengxiang Food Development"	Shandong Fengxiang Food Development Co., Ltd. (山東鳳祥食品發展有限公司), formerly known as L.D.C Fengxiang Food Co., Ltd. (山東愛迪西—鳳祥食品有限公司), a company established in the PRC with limited liability on 22 April 1997 and a wholly-owned subsidiary of the Company
"Fengxiang Group"	Shandong Fengxiang (Group) Co., Ltd. (山東鳳祥(集團)有限責任公司), a company established in the PRC with limited liability on 30 June 1994, a wholly-owned subsidiary of GMK Holdings, one of the Controlling Shareholders
"Fengxiang Industrial"	Shandong Fengxiang Industrial Co., Ltd. (山東鳳祥實業有限公司) also known as Shandong Fambros Industrial Co., Ltd., a company established in the PRC with limited liability on 20 December 2011 and a wholly-owned subsidiary of the Company
"Fengxiang Investment"	Shandong Fengxiang Investment Co., Ltd. (山東鳳祥投資有限公司), a company established in the PRC with limited liability on 15 September 2000, a wholly-owned subsidiary of GMK Holdings, one of the Controlling Shareholders and one of the Promoters
"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 Global Offering
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GMK Finance**"	GMK Finance Co., Ltd. (新鳳祥財務有限公司), a company established in the PRC with limited liability on 26 June 2015, a financial institution that is under the supervision of the Shandong Office of CBIRC (中國銀保監會山東監管局) and a non-wholly owned subsidiary of GMK Holdings
"GMK Holdings"	GMK Holdings Group Co., Ltd. (新鳳祥控股集團有限責任公司), a company established in the PRC with limited liability on 29 October 2009, which is owned as to 51%, 9%, 20% and 20% by Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, respectively, and one of the Controlling Shareholders and one of the Promoters
"GREEN Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group"	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, its present subsidiaries and the business operated by such subsidiaries

"Guangdong Hengqin"	Guangdong Hengqin Fengxiang Equity Investment Centre (Limited Partnership) (廣東橫琴鳳祥股權投資中心(有限合夥)), formerly known as Xizang Fengxiang Food Industry Investment Centre (Limited Partnership) (西藏鳳祥食品產業投資中心(有限合夥)) a limited partnership established in the PRC on 13 April 2015, which is owned as to 99% by Xizang Xinfengxiang and 1% by Xinfengxiang Guangming, respectively, and one of the Controlling Shareholders
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.0 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 35,500,000 H Shares (subject to reallocation) being offered by the Company for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in "Structure of the Global Offering"
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 June 2020 relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Hong Kong Underwriters, the covenantors named therein and the Company, as further described in "Underwriting — Underwriting Arrangements, Commissions and Expenses — Hong Kong Public Offering"
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"IIT"	the PRC individual income tax

"IIT Law"	the PRC Individual Income Tax Law, issued and effective on 10 September 1980, and amended on 31 August 2018 and effective on 1 January 2019
"independent third party(ies)"	any party who is not connected (within the meaning of the Listing Rules) with any director, chief executive or substantial shareholder of the Company or any of their respective subsidiaries or an associate of any of them
"International Offer Shares"	the 319,500,000 H Shares offered by the Company pursuant to the International Offering (subject to reallocation), together with, where relevant, up to an additional 53,250,000 H Shares to be sold pursuant to any exercise of the Over-allotment Option)
"International Offering"	the conditional placing by the International Underwriters of the International Offer Shares outside the United States to institutional and professional investors in offshore transactions as defined in and in accordance with Regulation S, as further described in "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and to be entered into by, among others, the Joint Global Coordinators, the International Underwriters, the covenantors named therein and the Company on or about the Price Determination Date, as further described in "Underwriting — Underwriting Arrangements, Commissions and Expenses — International Offering"
"Japan Fengxiang"	Fengxiang Foods (Japan) Co., Ltd. (鳳祥食品株式會社) a joint stock corporation incorporated in Japan with limited liability on 28 December 2017 and a wholly-owned subsidiary of the Company
"Japanese Legal Advisers"	Mori Hamada & Matsumoto, legal advisers to the Company as to the Japanese laws in connection with the Global Offering
"Joint Bookrunners"	ABCI Capital Limited, Bradbury Securities Limited, CCB International Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Securities (International) Corporate Finance Company Limited, China Tonghai Securities Limited, CMB International Capital Limited, Crosby Securities Limited, Futu Securities International (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited, Haitong International Securities Company Limited, HeungKong Securities Limited, Huatai Financial

	Holdings (Hong Kong) Limited, ICBC International Capital Limited, Southwest Securities (HK) Brokerage Limited, UOB Kay Hian (Hong Kong) Limited
"Joint Global Coordinators"	ABCI Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Securities (International) Corporate Finance Company Limited, Haitong International Securities Company Limited and Southwest Securities (HK) Brokerage Limited
"Joint Lead Managers"	ABCI Securities Company Limited, Bradbury Securities Limited, CCB International Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Securities (International) Corporate Finance Company Limited, China Tonghai Securities Limited, CMB International Capital Limited, Crosby Securities Limited, Dongxing Securities (Hong Kong) Company Limited, Eddid Securities and Futures Limited, Futu Securities International (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited, Haitong International Securities Company Limited, HeungKong Securities Limited, Huatai Financial Holdings (Hong Kong) Limited, ICBC International Securities Limited, Luk Fook Securities (HK) Limited, Southwest Securities (HK) Brokerage Limited and UOB Kay Hian (Hong Kong) Limited
"JPY"	the lawful currency for the time being in Japan
"Korea"	the Republic of Korea
"Latest Practicable Date"	21 June 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on 16 July 2020, on which dealings in the H Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Liu Family"	Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong

	Kong), which were promulgated by the former Securities Commission of the State Counsel and the former State Commission for Restructuring the Economic Systems on 27 August 1994
"Ministry of Finance"	the Ministry of Finance of the PRC
"MOFCOM"	the Ministry of Commerce of the PRC
"Mr. Liu XJ"	Mr. Liu Xuejing (劉學景), our founder, non-executive Director, one of the Controlling Shareholders, spouse of Ms. Zhang XY and father of Mr. Liu ZG and Mr. Liu ZM
"Mr. Liu ZG"	Mr. Liu Zhiguang (劉志光), chairman of the Board, executive Director, one of the Controlling Shareholders, son of Mr. Liu XJ and Ms. Zhang XY and elder brother of Mr. Liu ZM
"Mr. Liu ZM"	Mr. Liu Zhiming (劉志明), one of the Controlling Shareholders, son of Mr. Liu XJ and Ms. Zhang XY and younger brother of Mr. Liu ZG
"Ms. Zhang XY"	Ms. Zhang Xiuying (張秀英), one of the Controlling Shareholders, spouse of Mr. Liu XJ and mother of Mr. Liu ZG and Mr. Liu ZM
"National Bureau of Statistics"	the National Bureau of Statistics of the PRC
"NDRC"	the National Development and Reform Commission of the PRC
"Non-competition Undertaking"	the non-competition undertaking dated 24 June 2020 entered into by the Controlling Shareholders with the Company as referred to in "Relationship with Controlling Shareholders — Non-Competition Undertaking"
"NPC"	the National People's Congress of the PRC
"Offer Price"	the final Hong Kong dollar price per H Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed pursuant to the Global Offering
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H Shares sold pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the Joint Global Coordinators on behalf of the International Underwriters under the International Underwriting Agreement pursuant to which the Company may be required to sell up to an

	additional aggregate of 53,250,000 H Shares (in aggregate representing 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price
"PBOC"	the People's Bank of China, the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC, issued on 29 December 1993 and effective on 1 July 1994 and amended on 28 December 2013 and effective on 1 March 2014
"PRC GAAP"	the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organisations of such government or, as the context requires, any of them
"PRC Legal Advisers"	JunHe LLP, legal advisers to the Company as to the PRC laws in connection with the Global Offering
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Tuesday, 7 July 2020 and, in any event not later than Friday, 10 July 2020, on which the Offer Price is fixed for the purposes of the Global Offering
"Promoter(s)"	the promoters that established the Company on 6 December 2010, which are GMK Holdings and Fengxiang Investment
"Regulation S"	Regulation S under the US Securities Act
"Relevant Persons"	the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, or any of their respective directors, agents, employees, affiliates or advisers or any other parties involved in the Global Offering
"Renminbi" or "RMB"	the lawful currency for the time being of the PRC
"RM"	Ringgit, the lawful currency of Malaysia
"SAFE"	the State Administration of Foreign Exchange of the PRC
"SAIC"	the State Administration for Industry & Commerce of the PRC
"SAT"	the State Administration of Taxation of the PRC

"Securities Law"	the Securities Law of the PRC, issued on 29 December 1998 and last amended and newly effective on 31 August 2014
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	Domestic Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Share Award Scheme"	the share award scheme conditionally adopted by our Company on 4 June 2020, the principal terms of which are summarised in "Appendix VII — Statutory and General Information — F. Share Award Scheme"
"Sole Sponsor"	Southwest Securities (HK) Capital Limited
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies, which were passed at the 22nd Standing Committee Meeting of the State Council on 4 July 1994 and promulgated and implemented on 4 August 1994
"Stabilising Manager"	China Galaxy International Securities (Hong Kong) Co., Limited, a licenced corporation under the SFO to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
"State Council"	the State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisors of the Company and "**Supervisor**" shall be construed accordingly as a supervisor of the Company
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the four financial years ended 31 December 2016, 2017, 2018 and 2019
"Undertaking of Indemnity"	the undertaking of indemnity dated 24 June 2020 entered into by the Controlling Shareholders with the Company as referred to in "Appendix VII — Statutory and General Information — G. Other Information — 7. Tax and Other Indemnities"
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollar"	the lawful currency of the US
"US Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"WHITE Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name
"**WHITE Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Xinfengxiang Guangming"	Xinfengxiang Guangming Investment Management Co., Ltd. (新鳳祥光明投資管理有限公司), a company established in the PRC on 26 March 2015, general partner of Guangdong Hengqin, which is owned as to 50% and 50% by Mr. Liu ZG and Mr. Liu ZM, respectively, and one of the Controlling Shareholders
"Xingwen Tianyang"	Xingwen Tianyang Jishi Food Development Co., Ltd. (興文天養極食食品發展有限公司), formerly known as Xingwen Fengxiang Mountain Black Bone Chicken Development Co., Ltd. (興文鳳祥山地烏骨雞發展有限公司), a company established in the PRC with limited liability on 26 May 2016 and a non-wholly owned subsidiary of the Company which is owned as to 90% by the Company and 10% by an independent third party
"Xizang Xinfengxiang"	Guangdong Hengqin Xinfengxiang Guangming Investment Limited Partnership (廣東橫琴新鳳祥光明投資合夥企業(有限合夥)), formerly known as Xizang Xinfengxiang Bright Investment Limited Partnership (西藏新鳳祥光明投資合夥企業(有限合夥)), a limited partnership established in the PRC on 27 March 2015, owned as to 49.5%, 49.5% and 1% by Mr. Liu ZG, Mr. Liu ZM and Xinfengxiang Guangming, and one of the Controlling Shareholders
"Yanggu Xiangyu Organic Fertiliser"	Yanggu Xiangyu Organic Fertiliser Co., Ltd. (陽穀祥雨有機肥有限公司), formerly known as Shandong Yufeng Organic

	Fertiliser Co., Ltd. (山東鈺豐有機肥有限公司), a company established in the PRC with limited liability on 9 October 2014 and a wholly-owned subsidiary of the Company
"YELLOW Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yucheng Fengming"	Yucheng Fengming Food Co., Ltd. (禹城鳳鳴食品有限公司), a company established in the PRC with limited liability on 18 August 2017 and a wholly-owned subsidiary of the Company

In this prospectus:

- "our", "we" and "us" refer to the Group or where the context refers to any time prior to the Company's establishment, Fengxiang Group and its then subsidiaries and the business carried on by them; and
- the term "associate(s)", "close associate(s)", "connected person(s)", "controlling shareholder(s)", "core connected person(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, under the context otherwise requires.

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with the Group and the Group's business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

"B2B"	business-to-business sales model, where processors sell their products to business customers, mainly corporations. The business customers would have a value-adding process such as further processing the products, and sell such products under their own name, branding and/or packaging
"B2C"	business-to-consumer sales model, where processors sell their products to end consumers under the company's own brand name and packaging directly or through cooperation with third parties
"battery cage systems"	housing systems that are used to breed broilers, with similarly-looking cages being arranged in rows and columns that are closely knitted together, with cages divided from each other using the walls of the cages like the cells of a battery
"breeder(s)"	collectively, the immature and mature breeders
"broiler(s)"	the mature chickens which are grown from chicken breeds. It takes approximately 30 to 42 days to raise a chicken breed into a broiler. A broiler is a type of chicken bred for the production of chicken meat 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
"broiler egg(s)"	the fertilised eggs laid by breeders, which are incubated for approximately 21 days and hatched into chicken breeds. Broilers eggs are more expensive than normal unfertilised eggs
"chicken breed(s)"	the chicks hatched from broiler eggs, which will then be delivered to broiler farms for breeding into broilers
"Contract Farmers"	the farmers who enter into contracts with us for the growing of chicken breeds of Sichuan Mountain Black Bone Chicken as mentioned in "Business", all of whom being independent third parties
"Contract Farming"	the mechanism used by the Group to procure live broilers by entering into contracts with the Contract Farmers, pursuant to which the Group will supply chicken breeds of Sichuan Mountain Black Bone Chicken to the Contract Farmers for growing in accordance with the terms of the contracts and thereafter repurchase grown broilers from such Contract Farmers

"Contract Farms"	the farms on which Contract Farming takes place
"European Production Index"	the European Production Index is liveability at market age multiplied by average pre-slaughter live weight, divided by feed conversion rate and number of feeding days, and multiplied by 10,000. Liveability at market age is the number of pre-slaughter broiler divided by the number of day-old chicks, multiplied by 100%. Average pre-slaughter live weight is the total pre-slaughter live weight divided by total number of pre-slaughter broilers after the broilers leave the farms and before they are slaughtered. Feed conversion rate is total feed consumed divided by the total pre-slaughter live weight
"Grandparent Stock Chick(s)"	Chickens that are bred for the purpose of laying eggs that produce Parent Stock Day-old Chicks
"immature breeder(s)"	the chickens of less than 24 weeks old which are grown from Parent Stock Day-old Chicks for the purpose of laying broiler eggs
"**KOL(s)"**	key opinion leaders, often being brand or product advocates that have a professional or expert status that elevates their opinions in the eyes of consumers
"mature breeder(s)"	the mature chickens of 24 weeks old or more which are grown from Parent Stock Day-old Chicks and used for laying broiler eggs. Such mature breeders will usually start to lay eggs from approximately the 25th week to the 65th week after their birth. After the 65th week, mature breeders will be sold and will not be used for the production of chicken meat products
"mu"	the traditional Chinese unit of area (畝), one mu is equivalent to approximately 666.67 sq.m.
"Parent Stock Day-old Chick(s)"	the day-old chicks that are bred for the purpose of laying broiler eggs
"**PwC Report**"	a report commissioned by us and independently prepared by PricewaterhouseCoopers ("**PwC**") in connection with the calculation of unit cost of production per kilogramme and European Production Index of certain chicken farms for the period from 1 September 2018 to 31 May 2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by The Hong Kong Institute of Certified Public Accountants. The procedures performed by PwC cannot guarantee identification of misstatements resulting from fraud, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Accordingly, errors or irregularities may occur and may not be detected. Furthermore, PwC's conclusion is based on historical information of certain chicken farms for the identified period and they cannot represent or project similar results to other chicken farms of the Group due to different characteristics of each farm, seasonal and other factors. Therefore, any information or conclusions, contained in PwC Report or attachment to the report, cannot represent or project to any other chicken farms of the Group or any future periods

"sq.m."	square metres
"°C"	Degree Celsius
"%"	per cent

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe(s)", "aim(s)", "estimate(s)", "plan(s)", "project(s)", "anticipate(s)", "expect(s)", "going forward", "intend(s)", "may", "might", "seek(s)", "can", "could", "ought to", "potential", "will" or "should" or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to "estimate(s)" only refer to situations where best estimates have been adopted by the management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- our operations and business prospects;
- our ability to maintain and enhance our market position;
- the effects of competition in the industries or markets we operate and its potential impact on our business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practises 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 manage 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 necessary 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;
- fluctuations in inflation, interest rates and exchange rates;
- changes in the availability of, or new requirements, for financing; and

- our success in accurately identifying future risks to our business and managing the risks of the aforementioned factors.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this prospectus reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this prospectus, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable law, we undertake no obligation to revise any forward-looking statements that appear in this prospectus to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this prospectus. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all the information in this prospectus, including the risks and uncertainties described below and our financial statements and the related notes, prior to investing in the H Shares. The risk factors relating to our business, industry and the PRC may not typically be associated with investing in equity securities of similar companies from other jurisdictions. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks. The trading price of the H Shares could decrease due to any of these risks and you may lose all or part of your investment.

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; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

Our results of operations are substantially affected by the selling prices of our poultry products, which affect our revenue, and by fluctuations in the purchase prices of raw materials or interruption in the supply of raw materials, which affect our costs.

Our results of operations are significantly affected by the selling prices of our poultry products, which affect our revenue, and by the purchase prices of animal feed ingredients, which are our primary raw materials and affect our costs. All of these prices are determined by constantly changing and volatile market forces of supply and demand as well as other factors, over which we have little or no control. These factors include:

- economic conditions;
- government regulations and actions, in particular with regards to government intervention into broiler price and environmental protection;
- competition;
- livestock diseases (such as avian influenza), crop diseases and pests;
- weather conditions, including the impact of weather on water supply, and the availability and pricing of grains;
- import restrictions imposed by PRC Government such as trade barriers resulting from, among other things, food safety concerns and developments in international relations;
- competing demand for corn, for use in the manufacture of ethanol and other alternative fuels; and
- transportation and storage costs.

Poultry product prices typically move cyclically over time, reflecting changes in market demand and supply. These fluctuations can be significant, as shown in recent years, with the average wholesale price of whole chicken dropping to RMB14.0 per kg in 2017 due to the emergence of H7N9 avian influenza. Albeit the market price fluctuations in the past decade, the average wholesale price of whole chicken increased from RMB14.9 per kg in 2015 to RMB16.5 per kg in 2019.

Prices of Parent Stock Day-old Chicks experienced fluctuations over the past years. Since 2015, the importation of Grandparent Stock Chicks was banned from major countries by the PRC Government (such as the United States and France), leading to a reduced supply of broilers. Due to the insufficient introduction of Grandparent Stock Chicks, the price of Parent Stock Day-old Chicks rose in 2016. In 2017, due to the impact of H7N9 avian influenza, the price of chicken breeds declined, thus breeding enterprises reduced the purchase of Parent Stock Day-old Chicks, which led to a decline in the price of Parent Stock Day-old Chicks. In 2018, the price of chicken breeds has been gradually recovered and the market confidence increased. As a result and coupled with the shortage in supply, the price of the Parent Stock Day-old Chicks rose and reached RMB66.2 per set in 2019 and would increase to RMB71.1 per set in 2020 according to the Frost & Sullivan Report. It is expected that in the short-term, with the outbreak of African Swine Fever, the price of Parent Stock Day-old Chicks will remain high and stable. After which, with the emergence of domestic Grandparent Stock Chicks breeders, the price is expected to fall in the future.

Soybean meal and corn, which are the primary raw materials for producing our animal feeds, have experienced volatility due to various factors such as the policies of the PRC Government and changes in consumers demand and supply of such commodities in the global markets. In particular, the prices of soybean meal had increased sharply in the first half of 2016 due to reduction of output in the United States and Brazil, which has in turn increased the cost of production of the Group. Our results of operation are subject to such price volatility of raw materials in the future.

For the four years ended 31 December 2016, 2017, 2018 and 2019, the cost of the aforesaid raw materials were approximately RMB985.4 million, RMB971.8 million, RMB1,037.0 million and RMB926.4 million, respectively, representing approximately 50.2%, 45.4%, 37.9% and 34.3% of our cost of sales (before biological assets fair value adjustments) during the same period, respectively. There is no assurance that our suppliers will not significantly adjust the prices of our raw materials including raw chicken meat procured from other third party suppliers, in particular, when the market prices of or the market demand for such raw materials increase. We will continue to be exposed to price volatility of raw materials in the future, and any significant increase in the prices of the raw materials will increase the operation costs and have an adverse impact on the profitability of our business. We cannot assure you that we will be able 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. There is also no assurance that our suppliers will continue to supply raw materials for us with desired quality and in required quantities and on terms commercially acceptable to us. If any supplier terminates its business relationship with us or if there were unfavourable changes to the current business arrangements, we may not be able to locate suitable alternative suppliers in a timely manner to supply raw materials with comparable quality and on terms and prices better than or equivalent to the current arrangement. Any of the above may adversely affect our result, business operations and financial performance.

Any perceived or actual food safety or health problems related to our raw materials, products, operations, or China’s food industry in general or real or perceived quality issues caused by medicines and/or vaccines applied to the broilers could adversely affect our reputation, our ability to sell our products and our financial performance, and subject us to liability claims and regulatory actions.

We are subject to risks affecting China’s 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.

Also, there can be no assurance that contamination of our raw materials or products will not occur during the transportation, production, sales and distribution processes due to reasons unknown to us, out of our control or otherwise. If our raw materials or 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, any of which could result in lower demand and prices for our products, increased costs and interruption of our operations. Any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

During the course of breeding the breeders and broilers, we (and our Contract Farmers) apply medicines and vaccines to the breeders and broilers. Although we procure those medicines and vaccines from suppliers who possess valid certifications, we cannot guarantee that we will be fully aware of the side effects of such medicines and vaccines on the breeders, broilers and the chicken meat products that we produce. In the event that any of our chicken meat products is affected by such medicines and/or vaccines resulting in any human health, food safety or quality issues, we may face product liability claims from our customers and/or the end consumers of our chicken meat products. 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 strain on our administrative and financial resources. Such incidents will also affect the confidence of the consumers in our chicken meat products, which will in turn adversely affect the sales of our chicken meat products and our business.

In addition to risks related to our processing operations and the subsequent handling of products, we may encounter similar risks if a third party were to tamper with our products. We may be required to recall certain of our products in the event of contamination or adverse test results. Any product contamination could also subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs, and any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations or business prospects.

Any safety problems relating to our chicken meat products procured from third party suppliers could adversely affect our reputation, our ability to sell our products and our financial performance.

We have procured and will continue to procure certain chicken meat products from third party suppliers which satisfy our internal control requirements for our further processing. The quality of our products could be adversely affected if those procured chicken meat products are spoiled or contaminated. Contamination of the procured chicken meat products may occur during their production, transportation or distribution due to reasons unknown to us or out of our control. The procured chicken meat products may also contain harmful chemicals or substances of which we are not aware of or cannot detect. Unfit chicken meat products may not be suitable for human consumption and may cause undesirable side effects to our consumers. During the Track Record Period, we have imported certain chicken meat products from overseas and generally from Brazil. In March 2017, China and the European Union curtailed meat imports from Brazil due to the scandal regarding sales of rotten and salmonella-tainted meats, and such temporary import ban on all meat imports was uplifted in China in the same month. According to publicly available information, there were 21 meat processing units in Brazil involved in this incident, and one of which supplied chicken meat products to us in 2017 when the scandal occurred.

We have measures in place to control the quality of the procured chicken meat products, however, we cannot assure you that we will be able to detect defective procured chicken meat products in every circumstance. For further details of our quality control measures on our raw materials, see "Business — Quality Assurance — Quality Control over Raw Materials". Any failure to detect defective procured chicken meat products could adversely affect the quality of our products. We could be required to recall certain of our products and subject to product liability claims, adverse publicity, and investigation and imposition against us of penalties by relevant authorities, resulting in increased costs. Any of these events could have a material and adverse impact on our reputation, brands' image, business, financial condition, results of operations or business prospects.

Ongoing epidemic of coronavirus disease (COVID-19) could significantly affect our production, demand for our products and our business.

The ongoing epidemic of the coronavirus disease (COVID-19) since late 2019 has caused significant disruption to the PRC and world-wide economic activities. The PRC Government has urged the public to avoid crowds and gatherings to facilitate better anti-epidemic prevention and control, which could affect consumer activities in the affected areas. The outbreak was also declared a public health emergency of international concern and a global pandemic by the World Health Organisation, which is expected to result in a high number of fatalities is likely to have an adverse impact on the livelihood of the people and the global economy. Meanwhile, the nature and origins of this coronavirus disease, ways of transmission and methods of preventing and controlling the coronavirus disease have not been fully discovered. As at the Latest Practicable Date, there remained substantial uncertainties as to how this epidemic would develop and the Company cannot yet fully ascertain the expected impact.

We are uncertain as to when the outbreak of the coronavirus disease will be constrained. A continuing spread or future recurrence of the coronavirus disease in the PRC or any other parts of the world may cause disruption to regional or national economic activity, including temporary suspension of restaurant operations and production at food processing plants in the PRC as anti-epidemic measures to ensure the health and safety of their employees and customers, which may affect consumer activities in the affected areas and, therefore, reduce demand for our chicken meat products. Given the uncertainties in the development of the coronavirus disease and its effects on the global economy, we cannot assure you that the coronavirus disease will not materially and adversely affect our business, financial condition and operations. The coronavirus disease may also result in limitations on and potential delays in transportation and delivery of our chicken meat products as well as disruption of raw material supplies, affecting the Group's inability to fulfil its customers' orders. Frequent or prolonged occurrences of any of these events could have an adverse effect on our business, financial condition, results of operations and prospects. The time required to rectify such problems may be lengthy, and may result in significant increases in costs or reduction in sales.

Outbreaks of diseases among or attributed to chicken and adverse publicity of these types of diseases can significantly affect our production, supply of Parent Stock Day-old Chicks, demand for our products and our business.

We take precautions to ensure that our white-feathered chicken are healthy and that our breeder farms, hatcheries, broiler farms, slaughtering and processing plants 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.

A lot of countries have encountered animal diseases, including but not limited to, foot-and-mouth disease, avian influenza and other animal diseases. 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. The outbreak of avian influenza in the past few years, particularly in 2016 and 2017, caused considerable damage to the national and local economies in the PRC and some other Asian countries. During past outbreaks of avian influenza in the PRC during the Track Record Period, a large number of poultry were exterminated, and the sales of chicken meat products in the PRC dropped significantly due to the general fear of H5N1 virus and H7N9 virus in the public. 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. Furthermore, in order to prevent the spread of certain infectious diseases, the PRC Government may order a mass slaughter of animals in the affected areas, which could result in the loss of healthy breeders and broilers in our breeder and broiler farms located in neighbouring areas.

In February 2020, China reported an outbreak of the avian influenza at two local poultry farms caused by H5N1 virus in Hunan and H5N6 virus in Sichuan, respectively, and around 20,000 poultry in the affected farms in Hunan and Sichuan had been culled. The Directors confirmed that no infected case of the said H5N1 virus in Hunan and H5N6 virus in Sichuan was found in the Group's breeder and broiler farms and that the recent outbreak of avian influenza caused by the H5N1 and H5N6 virus did not have any material and adverse impact on the Group's results of operations and financial condition as at the Latest Practicable Date.

Further, we procure our Parent Stock Day-old Chicks from a limited number of suppliers domestically. The Grandparent Stock Chicks, which are used by our suppliers to lay eggs for the Parent Stock Day-old Chicks, are imported from overseas. In the event that there is any animal diseases in the source of origin of the Grandparent Stock Chicks, the supply of the Grandparent Stock Chicks may be interrupted, which will in turn adversely affect the supply of Parent Stock Day-old Chicks by our suppliers, which in turn will affect our supply of Parent Stock Day-old Chicks.

We had not experienced any material outbreak of diseases among or attributed to chicken at our production facilities during the Track Record Period and up to the Latest Practicable Date. If there is an outbreak of avian influenza or other animal diseases, particularly in neighbouring areas of the Group's production facilities, we may be required to suspend our business operations temporarily. We or our suppliers may be required to exterminate large quantities or all of the poultry if any of our broilers is suspected to be carrying avian influenza or other animal diseases. Further, since usually over ten thousands of broilers are bred in each broiler shed, cross infection between broilers may easily occur. In the event that any one broiler in a broiler shed is found to be infected, we may have to exterminate all the broilers in the same broiler shed or even the farm, which will in turn cause significant loss to the Group. The countries to we export our chicken meat products may also impose a blanket ban to ban the import of poultry products from China in cases of material outbreak of avian influenza among or attributed to chicken or other animal diseases. Recurrence of an outbreak of avian influenza or any other similar epidemic could also materially affect the confidence and interest of the consumers about our chicken meat products, which will in turn adversely affect the sales of our chicken products and disrupt our production activities. There is no assurance that there will be no recurrence of outbreaks of animal diseases in China or overseas. If we experience any outbreaks of animal diseases, our business, results of operations and financial condition may be adversely and materially affected.

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

We have significant biological assets, primarily consisting of breeders, broilers and broiler eggs, which we record at fair value less costs to sell at each reporting date in accordance with IFRSs. In addition, we recognise gains or losses arising from agricultural produce at fair value less costs to sell at the point of harvest in profit or loss during the operating period. Fair value gains or losses with respect to our biological assets, which are non-cash in nature, are attributable to changes in the physical characteristics of the biological assets (for example, growth from chicken breeds to finishing broilers) or changes in market prices for biological assets.

The fair values of our biological assets at each reporting date during the Track Record Period were determined by an independent professional 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 independent 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 market price of biological assets, as well as future trends in political, legal and economic conditions in China. See "Financial Information — Valuation of Biological Assets" 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 poultry farming industry. Market 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 market prices for biological assets will increase or reduce our revenue, total cost of sales, gains or losses arising from agricultural produce at fair value less costs to sell at the point of harvest and gains or losses arising from changes in fair value less costs to sell of biological assets, which makes our reported profit more volatile. For the four years ended 31 December 2016, 2017, 2018 and 2019, our total cost of sales was increased by biological assets fair value adjustments of approximately RMB323.9 million, RMB256.1 million, RMB283.9 million and RMB793.0 million, respectively. In these respective periods, the net biological assets fair value adjustments that affected our profit or loss were positive of approximately RMB5.3 million, RMB8.7 million, RMB18.1 million and RMB3.4 million.

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. See "Financial Information — Principal Factors Affecting Our Results of Operations — Biological assets fair value adjustments" for details.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all. In addition, 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 April 2020, being the most recent practicable date for liquidity disclosure in this prospectus, we had outstanding indebtedness (including bank and other borrowings and loans) of approximately RMB1,849.5 million, which included outstanding borrowings from the Controlling Shareholders' finance arm of approximately RMB150.0 million. See "Financial Information — Liquidity and Capital Resources — Indebtedness" for details regarding our bank borrowings, borrowings from the Controlling Shareholders' finance arm and other indebtedness. To finance our ongoing operations, existing and future capital expenditure requirements, renewal of current bank borrowings, acquisition and investment plans and other funding requirements, we may need to obtain financing from external sources to supplement our internal sources of liquidity. Our ability to obtain external financing is subject to a variety of uncertainties, including, among other things, (i) our future financial condition, results of operations and cash flows; (ii) general market conditions for capital raising and debt financing activities; and (iii) economic, political and other conditions in China and elsewhere.

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 prospectus.

Any future bank borrowings or other debt financing that we obtain may contain covenants that may, among other things, restrict our ability to pay dividends, obtain additional financing, create liens and encumbrances, merge, dissolve, liquidate or consolidate, and dispose of or transfer assets and may result in higher leverage and finance costs. Servicing these types of debt obligations and complying with their covenants could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of their covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

We recorded net current liabilities during the Track Record Period.

We had net current liabilities of approximately RMB645.3 million, RMB1,008.6 million, RMB866.4 million and RMB118.2 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. Our net current liabilities as at end of the years during the Track Record Period was primarily due to our borrowings, most of which are short-term bank borrowings. Our borrowings were primarily utilised for construction of our production facilities, acquisition of property, plant and equipment and for general working capital purposes. Our net current liabilities was particularly high as at 31 December 2017 as we incurred additional short-term borrowings for construction of our new processing plant in 2017. See "Financial Information — Liquidity and Capital Resources — Net Current Liabilities/Assets" for further information on our net current liabilities position during the Track Record Period.

Going forward, we cannot guarantee that we will not continue to have a net current liabilities position, which would expose us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. There can be no assurance that we will be able to renew existing bank facilities or obtain other sources of financing. In the event that we continue to have net current liabilities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow, renew existing bank loans or facilities, or obtain additional financing to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

We rely on limited suppliers of Parent Stock Day-old Chicks and do not enter into long-term supply contracts with our other suppliers.

The Group does not usually enter into long-term supply contracts with our suppliers of raw materials, Parent Stock Day-old Chicks or Sichuan Mountain Black Bone Chicken. We generally engage them on contract-by-contract or purchase order basis except for one of our Parent Stock Day-old Chick suppliers with whom we have entered into a supply framework contract for a term of five years since 2016. During the Track Record Period, we procured Parent Stock Day-old Chicks from five Parent Stock Day-old Chicks suppliers which we had commercial relationships for approximately four to 16 years as at the Latest Practicable Date. See "Business — Production — Procurement of Parent Stock Day-old Chicks and Breeder Farms" and "Business — Top Suppliers — Suppliers of Parent Stock Day-old Chicks". Since the Group is currently specialised in breeding one type of broilers, it is preferable to limit the number of suppliers of Parent Stock Day-Old Chicks in order to achieve better traceability of the broilers and ultimately the chicken meat products that we produce. The Group had never experienced any shortage of supply during the Track Record Period. If any of our key Parent Stock Day-old Chicks suppliers cease to supply or significantly reduce the supply of the Parent Stock Day-Old Chicks to us, we may require additional time to select alternative suppliers with comparable quality and services, and our business and production process may be affected.

Our sales of chicken meat products are subject to change of consumer tastes and preferences.

For the four years ended 31 December 2016, 2017, 2018 and 2019, approximately 89.1%, 92.1%, 90.8% and 84.6% of the Group's total revenue, respectively, were derived from the sales of chicken meat products. The chicken meat products industry in which we operate is susceptible to factors which may affect the level and pattern of consumer spending in China. Such factors include consumer preferences and tastes, consumer confidence, consumer incomes and consumer perceptions of the safety and quality of our products. If the market demand for our chicken meat products decreases, our sales and revenue of the same will also be adversely affected. Accordingly, continued and increasing market acceptance of our chicken meat products is crucial to our results of operations and financial conditions.

However, consumer tastes and preferences as well as dietary habits may change from time to time. As the standard and way of living of the people in the PRC are changing from time to time, demand for different types of food products, such as convenience food products, ready-to-eat food products, fast food products and frozen food products, may also change from time to time. Further, consumers in the PRC have also become increasingly conscious of food safety, food quality and impact on health. Media coverage regarding the safety or quality of, or diet or health issues relating to, poultry products or additives that are used or involved in the manufacturing process thereof may also damage consumer confidence in these products. 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 sales performance, our profitability, as well as our business, results of operations and financial position.

One of our business strategies is to expand and diversify our product portfolio by widening our product range, new product development and product enhancements, which can be expensive. We cannot assure you that our new or improved products will gain market acceptance, meet the particular tastes or preferences of consumers or generate acceptable margins. We may expend substantial resources developing and marketing new and improved products which may not achieve expected sales levels. If we are not able to effectively gauge the direction of our markets and successfully identify and develop new or improved products in these changing markets, our financial results and our competitive position may suffer.

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, our brands and products may be materially and adversely affected.

We rely on the strength of our reputation and brands, including "鳳祥食品 (Fovo Foods)" and "優形 (iShape)", in marketing and selling our chicken meat products. Our reputation and brands could be harmed by product defects, ineffective customer service, product liability claims, consumer complaints, or negative publicity or media reports.

Any claim against us, even if meritless or unsuccessful, could divert our management's attention and resources from other business concerns, 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 long-term demand for our products and therefore lead consumers to opt for other meat products that are perceived to be safer, even if the regulatory or legal action is unfounded or immaterial to our operations.

Additionally, China's poultry industry has experienced significant problems relating to food safety, such as the use of meats that are no longer fit for human consumption or the use of food additives, food colouring or dyes (such as Sudan dyes) that are harmful to human health in chicken meat production by certain industry participants. While these events may not have any direct connection to us, these types of problems may cause consumers to lose confidence in the safety and quality of chicken meat products generally and lead them to opt for other meat products that are perceived to be safer. Even if these events do not involve our products or operations, they could adversely affect our results of operations.

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

Our future growth may depend on establishing new production facilities, expanding our production capacity, increasing our production efficiency, ramping up the production of our existing and new production facilities, introducing new products, expanding our sales and distribution network, and entering new markets or new sales channels. Our business plans set forth in ''Business — Business Strategies'' and ''Future Plans and Use of Proceeds'' are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. Our ability to achieve growth will be subject to a range of factors, including:

- competing effectively with other companies in the poultry industry;
- exercising effective quality control and maintaining high safety standards;
- expanding our sales network and strengthening our existing relationships with customers;
- enhancing our research and development capabilities;
- hiring and training qualified personnel;
- controlling our costs of operations;
- prioritising our operational, financial and management controls and systems in an efficient and effective manner;

- acquiring land parcels of suitable size and location for our operations, in particular poultry breeding, slaughtering and processing; and
- managing our various suppliers and leveraging our purchasing power.

Expansion into new geographic markets and new sales channels which we have limited operating experience and brand recognition may present operating and marketing challenges that are different from those we currently face in our existing markets and sales channels. New markets and sales channels may have different competitive dynamics, consumer preferences and discretionary spending patterns compared to 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. We may find it more difficult in new markets to hire, train and retain qualified employees. As a result, any products we introduce in new markets may be more expensive to produce and distribute and may take longer to reach expected sales and profit levels than in our existing markets, which in turn could affect the viabilities of these new operations and our overall profitability.

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 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. In addition, as we expand our operations, we may encounter regulatory, cultural and other difficulties that may also increase our cost of operations.

Our efforts to enhance production capabilities are subject to risks and uncertainties.

In order to achieve the economies of scale we desire in our operations to enable us to continue to increase the production of our chicken meat products in response to the needs of our customers, we intend to continue to expand our production capacity and enhance our operational efficiency. See "Business — Business Strategies — Expand our production capacities for white-feathered broilers production to further enhance our vertically integrated business model". Our expansion plans and business growth require significant capital expenditure and dedicated attention of our management. We intend to fund such expansion from part of the net proceeds of the Global Offering. Nevertheless, we may require additional financing to achieve 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. We may be subject to unexpected delays and cost overruns resulting from a number of factors, many of which may be beyond our control, including increases in the prices and availability of raw materials and production equipment, shortages of skilled employees, disputes with customers or suppliers as well as equipment malfunctions. In addition, our efforts to enhance our production capabilities may not achieve the expected benefits. If the demand for our chicken meat products is weaker than anticipated, we may experience problems associated with overcapacity and under-utilisation of personnel and other resources, which may have an adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with the increasing adoption of broiler farms with battery cage systems.

We are subject to risks associated with the increasing adoption of broiler farms with battery cage systems. As at the Latest Practicable Date, we had 45 broiler farms, of which 11 had been converted into battery cage systems. The European Union prohibits the use of battery cages for breeding hens for welfare reasons. Hence, broilers bred in our broiler farms adopting battery cage systems may not be exported to the European Union. There is no assurance that other countries to which we currently or will export to will never prohibit the use of battery cages for breeding broilers for welfare reasons. There is also no assurance that our existing customers will continue to purchase chicken meat products bred in broiler farms with battery cage systems, and certain of our customers also disallow the supply of chicken meat products that are produced from broilers bred using battery cage systems. If any or all of our exporting countries impose a ban on the import of chicken meat products bred in broilers farms adopting battery cage system or if our major customers have preferences in purchasing broilers bred in broilers farms adopting cage-free method, our business, results of operations and financial condition may be adversely and materially affected.

The implementation of our expansion plan may lead to an increase in operating expenses and higher depreciation expenses, which may adversely affect our profit margin and results of operations.

It is one of our business strategies to expand our production capacities for white-feathered broilers production to further enhance our vertically integrated business model by utilising 45.0% of net proceeds from the Global Offering to procure facilities necessary for broiler farms adopting battery cage systems, slaughtering and processing plant, breeder farms, hatchery, feedmill and organic fertiliser plant. See "Business — Business Strategies — Expand our production capacities for white-feathered broilers production to further enhance our vertically integrated business model" and "Business – Our Expansion Plan" for details.

It is expected that the implementation of our expansion plan and the procurement of facilities in the future may lead to higher operating expenses (including depreciation expenses and labour costs) compared with those during the Track Record Period. If we cannot implement our business strategies effectively and expand our production capacities as planned, we may not be able to enjoy the full economic benefit brought from such expansion plan and offset the higher operating expenses and our financial performance and operating results may be affected as a result.

Our environmental-related costs may increase if PRC environmental protection laws and regulations become more onerous.

Our business is subject to extensive and increasingly stringent PRC environmental protection laws and regulations. These laws and regulations require us to adopt measures to effectively control and properly dispose of dead chicken, manure, waste gases, wastewater, noise and other environmental waste materials. Failure to comply with these laws and regulations may result in significant consequences to us, including administrative, civil and criminal penalties, liability for damages and negative publicity. In case of a serious breach, the PRC Government may suspend or close any operation. See "Business — Environmental Protection" for further discussion of our regulatory compliance as it relates to environmental risk.

We have incurred environmental costs, including wastewater treatment costs and costs relating to greening to comply with environmental protection laws. We incurred total environmental costs for the four years ended 31 December 2016, 2017, 2018 and 2019 of approximately RMB5.2 million, RMB4.4 million, RMB4.9 million and RMB10.3 million, respectively. We will continue to incur costs to comply with environmental protection laws and regulations. In addition, new environmental issues could arise and lead to currently unanticipated investigations, assessments or costs. If we fail to comply, or are alleged to fail to comply, with the relevant PRC laws, regulations or government policies on environmental protection, we may be involved in costly litigation or subject to penalty imposed by the relevant judicial or governmental authorities. There can also be no assurance that the PRC Government will not change existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may require us to incur significant costs and capital expenditures and as a result materially and adversely affect our financial condition and results of operations.

Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin.

For the four years ended 31 December 2016, 2017, 2018 and 2019, our revenue was approximately RMB2,354.1 million, RMB2,434.4 million, RMB3,197.1 million and RMB3,926.2 million, respectively. For the four years ended 31 December 2016, 2017, 2018 and 2019, our gross profit was approximately RMB68.2 million, RMB37.1 million, RMB178.0 million and RMB428.4 million, respectively, whereas our gross profit margin for the same years was approximately 2.9%, 1.5%, 5.6% and 10.9%, respectively. For the same years, our profit for the year was approximately RMB119.8 million, RMB37.1 million, RMB136.6 million and RMB837.4 million, respectively. For discussions on our results of operations, see "Financial Information — Results of Our Operations".

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 under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market conditions of the poultry industry in the key markets we operate, intensification of competition among our competitors and other unforeseen factors such as deterioration in general economic conditions, which reduce the sales volume of our products and/or reduce the profit margin of our products. There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

We engage third-party distributors to sell our products, and we have limited control over our distributors.

We engage third-party distributors to sell some of our chicken meat products. As at 31 December 2019, we had seven distributors. For the four years ended 31 December 2016, 2017, 2018 and 2019, our revenue from sales of chicken meat products to distributors accounted for approximately 1.9%, 2.2%, 1.4% and 1.1% of our total revenue, respectively. As at the Latest Practicable Date, we co-operated with seven distributors, all of which are independent third parties, and we have not entered into any long-term distributorship agreements with these distributors, details of which are set out in "Business — Sales — B2B Sales Model — Sales to Domestic Customers — Sales to distributors".

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 of our large distributors;
- failure to renew distribution agreements and maintain relationships with our existing distributors;
- failure to establish relationships with new distributors on favourable terms;
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors; and

- breach of distribution agreements by our distributors, including prohibitions on sales by our distributors of our competitors' chicken meat products.

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 distributors with more favourable arrangements. We cannot assure you that we will not lose any of our distributors to our competitors, which could cause us to lose some or all of our favourable arrangements with such distributors and may result in reductions in the coverage of our distribution network or decreases in our sales volume. In addition, we may not be able to successfully manage our distributors and the cost of any expansion of our distribution and sales network may exceed the revenue generated from these efforts. There can be no assurance that we will be successful in detecting any non-compliance by our distributors with the provisions of their distribution agreements. Non-compliance by our distributors could, among other things, negatively affect our brand, demand for our products and our relationships with other distributors. Furthermore, we have limited control over our distributors and may not be able to monitor our distributors' inventory level in the event that our distributors decide to accumulate our chicken meat products as inventory. We cannot assure you that all our chicken meat products sold to distributors are subsequently sold to consumers and the sales of our chicken meat products truly reflect the market demands. In addition, if there is a decline in demand from end consumers, our distributors may not place orders for new products from us or may reduce the quantity of their usual orders. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

We face inherent risks of managing our export business and are subject to economic downturns, political instability, changes in societal opinion or other risks associated with export and import regulations and foreign exchange rates.

During the Track Record Period and as at the Latest Practicable Date, we exported certain of our chicken meat products to overseas customers in Japan, Malaysia, the European Union, Korea, Mongolia and Singapore. For the four years ended 31 December 2016, 2017, 2018 and 2019, our overseas sales accounted for approximately 23.4%, 27.2%, 30.0% and 24.6% of our total revenue, respectively. We face inherent risks in maintaining and expanding our business overseas, including but not limited to, differences in legal and regulatory requirements on technical, hygienic, environmental or other requirements relating to export, distribution and sale of our products, currency exchange rates, economic sanctions and changes in political and economic conditions, all of which could materially and adversely affect our business.

In addition to requirements imposed by the PRC Government, other countries may also require us to export our products to obtain various approvals, certificates, registrations or other documentation to conduct our export sales. Although during the Track Record Period we had, in all material respects, complied with all laws and regulations in the PRC and in export countries applicable to us and relevant to our export sales by completing all necessary procedures to obtain all relevant approvals, certificates, registrations or any other legally required documentation from the relevant PRC Government authorities and in the destination countries with respect to the relevant exported products, we depend on our overseas customers to complete our export sales, and they are responsible for complying with other aspects of the relevant PRC and foreign laws and regulations. As such, we cannot assure you that all our overseas customers or any other entities are in compliance with all other aspects of PRC or foreign laws and regulations relevant to our export sales, or that they can meet the relevant standards or obtain the approvals, certificates, registrations or other documentation necessary to our export sales. If we fail to satisfy the relevant standards adopted by the PRC or the destination countries, or if our overseas customers fail to obtain the requisite approvals, certificates, registrations or other documentation now or in the future for importing our products to destination countries, our ability to export to these markets could be materially and adversely affected. We may also face regulatory actions or claims for significant damages, which may in turn have a material adverse effect on our business, results of operations and financial position.

In addition, our results of operations may be adversely affected by factors in the countries to which we export chicken meat products, including outbreaks of animal diseases, international economic and political conditions, export restrictions, import quotas or trade tariffs imposed by various foreign countries (such as the importation suspension previously imposed by the Malaysian government and Mongolian government in 2016 and early 2020, respectively), different regulatory structures and unexpected changes in regulatory environments, foreign taxation and potentially negative consequences from changes in tax laws, hostilities, acts of terrorism, disruptions in shipping or reduced availability of freight transportation. The PRC Government's and foreign governments' policies, such as tariffs, duties and export restrictions, may also significantly affect our ability to export chicken meat products or adversely affect the supply and demand for, and prices of, our exported chicken meat products. This in turn may have a material adverse impact on our business, financial condition and results of operations.

We intend to continue to develop our overseas customer base. We face risks in expanding and maintaining our business in overseas markets, including, but not limited to:

- the burden of complying with a variety of foreign laws and regulations and with unexpected changes in the legal and regulatory environment, including changes to import and export regulations or any trade restrictions, trade tariffs and economic sanctions;
- reduced protection for intellectual property rights in some jurisdictions;
- difficulties in entering new markets and establishing brand recognition, including reliance on local distributors for our sales and marketing;
- changes in political and economic conditions; and
- fluctuations in currency exchange rates.

Any failure to adequately manage these risks may result in a material adverse impact on our business, financial condition and results of operations.

The preferential tax treatment, government grants and economic 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 certain preferential tax treatment in relation to certain portions of our operations. Our subsidiaries that carry out primary processing of agricultural products (for example, slaughtering of chickens) are exempt from EIT on income derived from that business. Our effective tax rates were lower than the EIT rate of 25% at 0.8%, (0.8)%, 0.6% and 0.2% and the effect of tax exemptions granted to certain operations of the Group were approximately RMB56.0 million, RMB38.3 million, RMB38.5 million and RMB209.7 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. For details, see "Financial Information — Principal Factors Affecting Our Results of Operations — Taxation and Government Grants", "Financial Information — Description of Selected Statement of Comprehensive Income Items — Income Tax Expense" and Note 13 to the Accountants' Report in Appendix I. Additionally, we enjoy a number of government grants in China, including financial subsidies we received from local governments in connection with the industry that we operate in and from in support of our industry's development. For the four years ended 31 December

2016, 2017, 2018 and 2019, total government grants we recognised amounted to approximately RMB4.0 million, RMB4.9 million, RMB6.6 million and RMB10.2 million, respectively. There can be no assurance that the preferential tax treatment, government grants and economic incentives that we enjoy will not be altered or terminated. Any alteration or termination of our current preferential tax treatments, government grants or economic incentives could have a material adverse effect on our business, financial condition, results of operations and prospects.

We do not have long-term contracts with our major customers and 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 approximately 35.8%, 40.0%, 37.7% and 28.9% of our total revenue for the four years ended 31 December 2016, 2017, 2018 and 2019, 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. Moreover, consolidation in China's retail industry is likely to continue, including among hypermarkets, supermarkets, wet markets, restaurants, canteens, food processors and food distributors, which is likely to result in us having a more concentrated retail base and increased credit exposure to certain customers. Furthermore, as China's retail-branded food and foodservice industries continue to consolidate, our large customers may seek to use their position to improve their profitability through improved inventory efficiency, lower pricing, increased promotional programmes and increased emphasis on private label products. If we are unable to use our competitive strengths, marketing expertise, product innovation capabilities and brand recognition to respond quickly and effectively to these market trends, our profitability and sales volume growth could be negatively affected. To the extent we provide concessions or trade terms that are more favourable to our large customers, our 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.

Our sales and reputation may be adversely affected by delays in delivery or poor handling by third-party logistics service providers.

We engage logistics service providers to deliver our products to our customers. There are various factors beyond our control that could result in delays in delivery, including natural disasters and extreme weather conditions, labour strikes, traffic accidents and road maintenance constructions. Delays in delivery could reduce the shelf life of our products and in turn adversely affect our results of operations. If our products are not delivered on time, we may breach our sales agreements and have to pay damages to our customers accordingly. More importantly, this may adversely affect our reputation and further cause loss of customers and market share, which could adversely affect our results of operations.

We require our logistics service providers to provide a suitable environment and maintain sanitation standards in the vehicles used to deliver our products. As we do not have direct control over our logistics service providers, we cannot guarantee their quality of services, in particular, the quality of their vehicles or warehouses. If third-party logistics service providers cause any damage to or loss of our products, we may lose customers and experience lower sales and our brand image may be tarnished.

Additionally, disputes with or termination of our contractual relationships with one or more of our logistics service providers could delay deliveries of our products, increase costs, disrupt our supply to customers or cause customer dissatisfaction. There can be no assurance that we can continue or extend relationships with our current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers to ensure timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers, our ability to deliver products in sufficient quantities on a timely basis or at acceptable prices may be harmed. We cannot guarantee that no interruptions will occur, which could materially and adversely affect our business, prospects or results of operations.

Our operations may be interrupted by production difficulties due to mechanical failures, utility shortages or explosions, fires, acts of God, occurrence of epidemics 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 materially 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 machineries or equipment. Any of these factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our production and operations depend on a continuous and adequate supply of utilities, such as electricity, water and gas. If there are any shortages of power, water, gas or other utilities in regions where our production facilities are located, the local authorities may require our production facilities to be shut down. Any disruption in the supply of electricity, water or gas at our production facilities would disrupt 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 disrupt our transportation channels, any one of which could significantly disrupt our operations. Outbreaks of health epidemics such as coronavirus disease (COVID-19), the severe acute respiratory syndrome ("**SARS**"), Middle East Respiratory Syndrome ("**MERS**") as well as the Ebola virus could also materially and adversely affect our business 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 steps 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.

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.

During the Track Record Period, the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser, Fengxiang Food, Yucheng Fengming and Xingwen Tianyang did not fully make contribution to the social insurance fund for all of their respective employees in compliance with the provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), and did not fully make housing provident fund contributions for all of their respective employees in compliance with the Regulations on the Administration of Housing Provident Fund of the PRC (《住房公積金管理條例》). See "Business — Regulatory Compliance" for details of our historical non-compliances.

We cannot assure you that employees of the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser, Fengxiang Food, Yucheng Fengming and Xingwen Tianyang, who have consented not to make contribution to the social insurance fund and/or the housing provident fund, may within the statutory limitation period lodge complaints with the relevant authorities against the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser, Fengxiang Food, Yucheng Fengming and Xingwen Tianyang in respect of our failure to make contribution to the social insurance fund and/or the housing provident fund, or initiate a claim against or disputes with the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser, Fengxiang Food, Yucheng Fengming and Xingwen Tianyang.

If the relevant authorities impose any fine and/or penalty on us for any of our non-compliance incidents, or demands us to take any remedial steps which may lead to the incurrence of substantial expenses, our financial condition and results may be materially and adversely affected. In addition, in the event that the relevant authorities later strengthen the enforcement of the relevant laws and regulations on social insurance and housing provident funds in respect of the enterprises within its jurisdiction and accordingly considers it necessary to make retrospective contribution to social insurance and housing provident fund contributions, or if provisions are required to be made, the amount of which may be significant, our business, financial condition and results of operation may be materially and adversely affected.

We are subject to potential adverse consequences due to our lack of building ownership certificates in respect of certain owned properties in the PRC.

As at the Latest Practicable Date, we had not obtained building ownership certificates for four parcels of land in the PRC with a total gross floor area of approximately 1,144.72 sq.m., representing an aggregate of approximately 0.4% of the total gross floor area of our owned properties. These properties are mainly non-production facilities that are temporary in nature. The PRC Legal Advisers advised us that the Group may not legally transfer, mortgage or otherwise dispose of the such properties before we obtain the relevant building ownership certificates, and where such buildings are delivered for use without completing practical completion checks, the Group may be ordered to rectify such non-compliance, and may be imposed a fine of not less than 2% but not exceeding 4% of the total contractual construction cost of the relevant buildings.

We cannot assure you that we will be able to obtain the title certificates for these land or properties. We also cannot assure you that our use and occupation of the relevant land and properties for which we have not obtained title certificates will not be challenged. If our legal right to use or occupy the relevant properties is challenged, we may have to find alternative properties, and there is no assurance that we will be able to secure alternative properties for our business if we are required to relocate. We may also incur additional relocation and other costs, and our business operations may be disrupted. Any of the above factors may have an 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.

The price of soybean meal, being one of the major raw materials for our production, is mainly affected by prices of soybean meal from major producing areas abroad and experienced fluctuations. For instance, in the first half of 2016, domestic prices of soybean meal increased sharply due to reduction of output in the US and Brazil. As such, we use certain hedging instruments to limit exposure to future soybean meal price changes. Our primary hedging method is to purchase soybean meal futures when we believe the prices are favourable to mitigate the impact of rising commodity prices on us. During the Track Record Period, we also conducted hedging activities in relation to the commodity prices of corn and soybean oil.

While these contracts reduce our exposure to changes in prices for commodity products, the use of such 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 market 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. The maximum financial exposure on the outstanding positions of our raw materials futures contracts as at each of the year end date during the Track Record Period would be the deposit amount for raw materials futures contracts we held at the respective date. 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 conditions, results of operations and prospects.

Our success depends on our ability to retain our key management team.

Our future business performance and prospects depend significantly on our key management team, in particular, the executive Directors namely, Mr. Liu ZG, Mr. Xiao Dongsheng, Mr. Ow Weng Cheong and Mr. Wang Jinsheng, and members of senior management as they are in charge of the overall planning, development and execution of our business and operations. If any of the executive 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 operation.

Our business is labour intensive, and our success depends on our ability to hire, train, retain and motivate our employees. As at the Latest Practicable Date, we had 7,880 employees. We consider favourable labour relations as a significant 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, and with it significant increases in labour costs. Our employee benefit expenses were approximately RMB474.4 million, RMB553.2 million, RMB634.9 million and RMB605.4 million for the four years ended 31 December 2016, 2017, 2018 and 2019, 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 the availability of labour, any material increases in our staff costs or any deterioration in employee relations may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to effectively manage increase in inventory while we grow our business.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, the balance of our inventory was approximately RMB497.2 million, RMB508.8 million, RMB347.5 million and RMB485.0 million, respectively. Further information on the components of our inventory is set forth in "Financial Information — Analysis of Selected Statement of Financial Position Items — Inventories". For the four years ended 31 December 2016, 2017, 2018 and 2019, our average inventory turnover days were 73.6 days, 76.6 days, 51.8 days and 43.4 days, respectively. As at 30 April 2020, approximately RMB434.5 million, accounting for approximately 89.6% of our inventories for the year ended 31 December 2019, was consumed or sold. This level of inventory may result in obsolescence if we over-estimate the demand level or if there is a sudden change in customer preference. If we cannot manage increases in our inventory, our business and financial conditions and operating results could be adversely affected.

We may be exposed to credit risks resulting from delays and/or defaults in payments by our customers which would adversely affect our business, financial condition and results of operations.

We typically offer our customers a credit period of 30 to 60 days after the product delivery date to our overseas customers and our major domestic customers and are therefore subject to credit risks of our customers. Our liquidity depends on our customers making prompt payments to us. See "Business — Sales — Credit Policy" for details.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, our trade receivables amounted to approximately RMB80.7 million, RMB106.7 million, RMB188.6 million and RMB206.6 million, respectively, and our trade receivables turnover days were 12.0 days, 14.0 days, 16.9 days and 18.4 days, respectively. See "Financial Information — Analysis of Selected Statement of Financial Position Items — Trade Receivables" for details.

If our customers delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables. This in turn may materially and adversely affect our business, financial condition and results of operation.

We are uncertain about the recoverability of our VAT and other recoverable, which may affect our financial positions in the future.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, our VAT and other recoverable amounted to approximately RMB95.0 million, RMB154.9 million, RMB101.4 million and RMB85.1 million, respectively, which mainly represented VAT recoverable related to our purchases of property, plant and equipment for the construction of our new production facility for processed chicken meat products in accordance with relevant PRC VAT laws and regulations. See "Financial Information — Analysis of Selected Statement of Financial Position

Items — Prepayments, Deposits and Other Receivables" for details. We cannot guarantee the recoverability or predict the movement of our VAT and other recoverable, and to what extent they may affect our financial positions in the future.

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

We believe that our current intellectual property rights and those for which we have pending applications provide protection to our business and are necessary for our operations. However, there can be no assurance that our intellectual property 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. For example, counterfeit products are potential threats to our "鳳祥食品 (Fovo Foods)", "優形 (iShape)" and "五更爐 (Wu Genglu)" trademarks, which could reduce demand for our 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.

We may not be able to identify and prevent fraud or other misconduct committed by our employees, customers or other third parties.

We are exposed to fraud or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses, third party claims, regulatory investigations or reputational damages. Despite our internal control measures in place, we cannot assure you that our internal control policies and procedures are sufficient to prevent, or that we could properly manage the conduct of our employees or customers, or that we can otherwise fully detect or deter, all incidents of fraud, legal, tax or other regulatory non-compliance, violations of relevant laws and regulations and other misconduct. Any such conduct committed by our employees, customers or other third parties could have an adverse effect on our reputation, business, financial condition and results of operations.

Improvements to our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems consisting of relevant organisational framework policies and procedures, financial reporting procedures and processes, compliance rules and policies and risk management measures that we believe are appropriate for our business operations. We seek to continue to improve our risk management and internal control systems from time to time. However, we cannot assure you that our risk management and internal control systems will be sufficiently effective in ensuring, among other things, the accurate reporting of financial results and in preventing fraud. Since our risk management and internal control systems depend on implementation by our employees, we cannot assure you that our employees are sufficiently trained to implement the systems or that their implementation will not involve any human error or mistake. If we fail to timely update, implement and modify or fail to deploy sufficient human resources, as applicable, our risk management policies and procedures, our business, financial condition and results could be materially and adversely affected.

Failures 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 be vulnerable to various threats including unauthorised disclosure of information, intentional alteration of data, cyber-attacks, electrical disruptions, 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 failure or system malfunction 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 adversely affect our results of operation, financial condition and reputation.

Our results of operations are susceptible to periodic fluctuations due to seasonality.

Our results of operations may experience periodic fluctuations due to seasonality. During the Track Record Period, we generally recorded a relatively higher revenue during the second half of the year due to our domestic customers' consumption patterns during summer and holiday periods or year-end festive seasons in foreign countries. Accordingly, our results of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful.

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

We use machineries and equipment in our production processes such as cutting equipment, heating machines and hatching 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.

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 insurance coverage may not be adequate to cover all the risks and we may be subject to product liability.

During the Track Record Period, we maintained integrated insurance coverage on our properties and fixed assets, production facilities and equipment against property damage. See "Business—Insurance" for details. However, we do not maintain insurance policies against interruptions to business operations or maintain third-party liability insurance against claims for environmental liabilities. If there were to be any interruptions to business operations or third-party liability claims with respect to which we are not covered by insurance or our insurance coverage is inadequate, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Being a food producer, product safety is important to our business. Although we have implemented various measures to ensure the safety of our products, including but not limited to implementing strict hygiene measures in the breeding of our breeders and broilers and slaughtering and processing of the broilers, there can be no assurance that our products will not be contaminated and cause harm to end consumers. As at the Latest Practicable Date, we had not maintained any product liability insurance policy in the PRC.

RISKS RELATING TO OUR INDUSTRY

China's poultry industry is affected by fluctuations in the domestic and global economy and financial markets.

Our business operations depend on the condition of and overall activity in China's poultry industry, which may be adversely affected by changes in national or global economic conditions and the local economic conditions of the markets in which we operate. Changes may include changes to GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending and the effects of governmental initiatives to manage economic conditions. Weak economic conditions could harm our business by contributing to reductions in demand, insolvency of suppliers and customers, and increased challenges in conducting our operations. For example, the global economy and financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies experienced periods of recession. Recovery from the lows of 2008 and 2009 has been uneven and new challenges and issues have arisen, including the escalation of the European sovereign debt crisis since 2011, the slowdown of China's economic growth since 2012, the significant decline and volatility in Chinese stock markets in the second quarter of 2015, the trade dispute between the PRC and the United States in 2019, the global economic downturn resulting from the coronavirus disease (COVID-19) and the economical and political instability in the United Kingdom during the transition period due to Brexit in 2020. For regulations and details in relation to Brexit, see "Regulatory Overview — The United Kingdom". We cannot provide any assurance that these or other events will not continue or arise in the future. Slowdowns in global, national and regional economies could cause declines in consumer confidence and disposable income levels, which may result in lower demand for our products and materially and adversely affect our business, results of operations and financial position.

In addition, the general lack of available credit and confidence in the financial markets associated with any market volatility or downturn could adversely affect our access to capital as well as our suppliers' and customers' access to capital, which in turn could adversely affect our ability to fund our working capital requirements and capital expenditures.

Our operations are extensively regulated by the PRC Government and subject to inspections and examinations by Chinese regulatory authorities and various licence and permit requirements. The costs associated with compliance with such regulations and requirements can be substantial. Our results of operations and future growth prospects may be materially and adversely affected by future changes in government regulations.

Our operations are subject to extensive regulation by PRC governmental authorities, including primarily Ministry of Agriculture and Rural Affairs, Ministry of Natural Resources, MOFCOM, State Administrative of Market Regulation and Ministry of Ecology and Environment as well as their provincial and local counterparts. These regulatory bodies have broad discretion and authority to regulate many aspects of the breeding, farming, slaughtering, processing, processed chicken meat production and distribution, and meat import industries in China, including setting hygiene and safety standards for production, quality standards for meat products and environmental requirements on the treatment of dead chicken, sewage and wastes; and handling filings of facility agricultural-use land. In addition, we are required to obtain and maintain various licences, permits and filings in order to operate our business. These include, among others, Certificate for Production and Operation of Breeding Livestock and Poultry, Certificate for Animal Epidemic Disease Prevention, filing for poultry farms, Certificate for Food Production, Certificate for Food Operation and filing of facility agricultural-use land. We are also required to obtain various government approvals and comply with applicable 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, introducing new products, building new facilities or acquiring new businesses and could adversely affect our operating results. 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 and civil remedies, 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 could result in increased operating costs or affect our ordinary operations, which could also have a material adverse effect on our operations and our financial results.

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, taste, price and distribution. The poultry industry in China is fragmented. We face increasing competition from local, national and foreign producers. Competitors may develop products of a comparable or superior quality to ours, 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 poultry industry, with smaller operators 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. Increased competition may also lead to price wars, counterfeit products or negative brand advertising, all of which may adversely affect our market share and profit margin. To expand market share or enter into new markets, some of our competitors may use aggressive pricing strategies, greater incentives and subsidies for distributors, retailers and other 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 profit margins, either of which could adversely impact our results of operations.

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

Fluctuations in the market prices of substitutes for our products, especially decreases in the prices of substitute protein products (such as pork, beef, mutton, lamb and seafood) relative to poultry, affect the prices of poultry products. As a result of decreases in the prices of substitute protein products relative to poultry, consumers may purchase less poultry. For example, past outbreaks of avian influenza in various parts of the world reduced global demand for poultry and created temporary surpluses of poultry. The surplus of poultry products placed downward pressure on poultry prices and also negatively affected other meat prices including pork, beef and lamb. Even where 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 adverse impact on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PRC

Changes in political, social and economic policies in China may materially and adversely affect our business, financial condition, results of operations and prospects.

A substantial portion of our business and operations are located in China and a substantial part of our revenue is generated from chicken meat products produced and sold in the PRC. Accordingly, changes in political, social and economic policies in China may materially affect our results of operations and business prospects. The Chinese economy differs from the economies of most developed countries in many aspects, including the level of government involvement, degree of development, economic growth rate, control of foreign exchange and allocation of resources. Although the PRC has been one of the world's fastest growing economies in recent years as measured by GDP, such growth may not be sustainable in the future. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources, but some of these measures, such as the introduction of measures to control consumer price, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversion and remittances abroad, may lead to changes in market conditions and could materially and adversely affect our business, financial condition and results of operations. If the PRC economy experiences significant adverse changes due to any of the foregoing reasons, demand for our chicken meat products and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

Government control of currency conversion and fluctuations in the exchange rates of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all of our revenue and expenses are denominated in Renminbi, which is not a freely traded currency. We may need to convert a portion of our revenue to foreign currencies to meet some of our financial obligations (e.g. to pay out declared dividends on H Shares in the Global Offering). We recorded net exchange gain of approximately RMB5.5 million, nil, nil and RMB7.0 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The PRC Government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. As a result, we might not be able to pay dividends to the holders of our H Shares in foreign currencies.

Since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies, in particular our international trading business. This could also affect our ability of to obtain foreign debt or equity financing, including by means of loans or capital contributions from us.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. Any fluctuations in exchange rates of the Renminbi against the US dollar or other foreign currencies may cause our costs for importing raw chicken meat products and equipment to be volatile. Fluctuation of the exchange rate between Renminbi and Hong Kong dollars may also affect the dividends that we pay to our H Share Shareholders. We have entered into foreign exchange forward contracts with banks in the PRC to hedge certain of our currency risk arising from our accounts receivable denominated in US dollars, which related to our export business. We are subject to the risk that the counterparty to one or more of these arrangements will default on its performance of the terms of the arrangement. In addition, the effectiveness of these hedges depends on our ability to accurately forecast future changes in foreign exchange rates and to effectively match the amount and timing of our foreign currency exposure to the hedging arrangements. As a result, we may suffer losses in these hedging activities. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the Global Offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making dividend payments on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

The legal system in China has inherent uncertainties that could limit the legal protections available to the Shareholders. We are incorporated under the laws of the PRC and our business and operations are conducted in China and are governed by PRC law, rules and regulations.

The PRC legal system is a civil law system, which, unlike the common law system, relies largely on the statutes and the Supreme People's Court's interpretation of these statutes. Under such a system, precedent has limited significance for guidance. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs. Examples of these economic affairs include corporate organisation and governance, foreign investment, commerce, taxation and trade. But because these laws and regulations are new, only limited number of published decisions are available. As a result, the implementation and interpretation of these laws and regulations lack consistency and predictability.

Additionally, the PRC legal system can be retroactive. Thus, the legal protection available to us under the laws, rules and regulations may be limited. Moreover, the litigation or regulatory enforcement actions in China can be protracted, and may result in substantial costs and the diversion of resources and management attention.

The Articles of Association provide that disputes between holders of H Shares and us, the Directors, Supervisors or senior officers or holders of Domestic Shares arising out of the Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related rules and regulations concerning our affairs are to be resolved through arbitration rather than by a court of law. The Articles of Association further provide that such arbitral award will be final, conclusive and binding on all parties. A claimant may elect to submit a dispute to arbitration organisations in Hong Kong or the PRC. Awards that are made by PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can been enforced in Hong Kong. Hong Kong arbitration awards may be recognised and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. We cannot assure you that any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favour of holders of H shares would succeed.

Changes in PRC laws, regulations and policies may materially and adversely affect our business and financial condition.

Our operations are subject to PRC laws and regulations. These regulations affect many aspects of our operations, including product pricing, utility expenses, industry-specific taxes and fees, business qualifications, capital investments, and compliance of environmental protection and safety standards. Thus, we may face significant constraints when implementing our business strategies to expand our operations or to maximise profitability. In addition, our business is not immune from future changes in PRC governmental policies, and may be materially and adversely affected by these changes.

In recent years, the PRC Government has implemented a series of new laws, regulations and policies, which imposed stricter standards on the supervision and inspection of the enterprises engaging in animal husbandry and breeding. It also tightened the quality and safety controls for producing and selling chicken meat products. For instance, the agricultural department of the China Food and Drug Administration implemented stricter supervision on the inspection and quarantine procedures on poultry slaughtering in July 2015. As a result, we may incur additional costs in order to comply with these tighter standards, which in turn may materially and adversely affect our business and financial condition. If the PRC Government continues to impose stricter regulations on the industry in the future, our cost could continue to rise, which could significantly impact our profitability. See "Regulatory Overview" for more information.

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares.

Under current PRC tax laws, regulations and rules, foreign individuals and foreign enterprises that are not PRC residents are subject to different tax obligations with respect to the dividends paid by us or the gains realised upon the sale or other disposition of H Shares.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) issued by the SAT on 28 June 2011, we are required to withhold taxes from dividend payments to non-PRC resident individual holders of H Shares at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders of H Shares who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us.

Under the EIT Law and its implementation rules, for foreign enterprises that do not have offices or establishments in the PRC, or have offices or establishments in the PRC to which their income is not related, dividends paid by us and the gains realised by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to EIT at a rate of 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence. In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Nonresident Enterprises (Guo Shui Han [2008] No. 897) (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(國稅函[2008]897號)), which became effective on 6 November 2008, 10% withholding tax shall be imposed on dividends paid by Chinese resident enterprises to holders of H Shares that are overseas non-resident enterprises. These holders of H Shares may apply for tax refunds in accordance with applicable tax treaties or arrangements, if any. In addition, the PRC tax laws, rules and regulations may also change from time to time. If the tax rates stipulated in the EIT Law and the related implementation rules are amended, the value of your investment in our H Shares could be materially and adversely affected.

In addition, it is also unclear whether and how the IIT and the EIT on gains realised by non-resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future, although such tax has not been collected by the PRC tax authorities in practise. Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sale or transfers of the H Shares.

It may be difficult to effect service of legal process or enforce judgements obtained from non-PRC courts against us.

The Company is incorporated in the PRC, and substantially all of the Company's and almost all of the Directors' and Supervisors' assets are located in the PRC. You may not be able to bring claims against the Company, the Directors, the Supervisors or executive officers in Hong Kong or elsewhere outside China, even if the legal claims arise out of the law in that country. China has not entered into any treaty for reciprocal recognition and enforcement of court judgements with the United States, the United Kingdom, Japan and many other countries. As a result, court judgements against us obtained in other jurisdictions may be difficult or impossible to enforce in China.

On 14 July 2006, China and Hong Kong signed the "Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matter by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned". Under this agreement, a party with a final court judgement in a civil case rendered by a Hong Kong court may seek to enforce it in China, and *vice versa*. For this to work, parties must have entered into a "choice of court agreement" in writing. A choice of court agreement is an agreement in which a Hong Kong court or a PRC court is expressly designated as the sole venue for dispute. As a result, investors should be aware that a foreign judgement rendered against us or the Directors, the Supervisors or executive officers may not receive recognition and enforcement in PRC courts.

RISKS RELATING TO THE GLOBAL OFFERING

Any possible conversion of our Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

Subject to the approval of the CSRC, all of our Domestic Shares may be converted into H Shares in the future, and such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares any requisite internal approval by the Shareholders in a general meeting shall have been duly obtained and the approval from relevant PRC regulatory authorities shall have been obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, our Domestic Shares may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

There has been no prior public market for our H Shares; the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied to list and deal in our H Shares on the Stock Exchange. Listing on the Stock Exchange, however, does not guarantee that an active trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering. The market price of our H Shares may also decline following the Global Offering. In addition, the Global Offering may not result in the development of an active and liquid public trading market for our H Shares. Furthermore, the price and trading volume of our H Shares may be volatile. Factors such as the following may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- loss of significant customers or material default by our customers;
- news regarding recruitment or loss of key personnel by us;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- involvement in potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the release of lock-up or other transfer restrictions on our outstanding H Shares, or sales or perceived sales of additional H Shares by us or other shareholders;
- our inability to obtain or maintain regulatory approval for our business operations; and
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

In addition, H shares of other PRC issuers listed on the Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Future sales, or market perception of sales, of substantial amounts of our H Shares in the public market, including any future offerings, could have a material adverse effect on the market price of our H Shares and make it difficult for you to recover the full value of your investment.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amount of our H Shares could materially and adversely affect the market prices of our H Shares and may also materially and adversely affect our ability to raise capital in the future. In addition, the Shareholders would experience dilution in their holdings upon our issuance or sale of additional securities in future offerings.

There will be a time gap of several business days between pricing and trading of the H Shares offered under the Global Offering. The market price of the H Shares after trading begins could be lower than the Offer Price.

The Offer Price of the H Shares will be determined on the Price Determination Date. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. Investors are not able to sell or otherwise deal in the H Shares before they commence trading. Accordingly, holders of the H Shares are subject to the risk that the price of the H Shares after trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse development that may occur between the Price Determination Date and the time trading begins.

Control by the Controlling Shareholders of a substantial percentage of the Company's share capital after the completion of the Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders and the interests of the Controlling Shareholders may not be aligned with those of our other Shareholders.

Upon the completion of the Global Offering, 100% of our Domestic Shares will be held by the Controlling Shareholders. After the completion of the Global Offering, the Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between the Controlling Shareholders' interests and your interests. Control by the Controlling Shareholders of a substantial percentage of the Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your H Shares and may reduce the price of the H Shares. If the Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

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

In order to raise capital and expand our business, we may consider offering and issuing additional H Shares or other securities convertible into or exchangeable for the H Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings 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 operations, which may (i) further limit our ability or discretion to pay dividends; (ii) increase our risks in adverse economic conditions; (iii) adversely affect our cash flows; or (iv) limit our flexibility in business development and strategic plans.

You will experience immediate dilution and may experience further dilution if we issue additional H Shares or convert Domestic Shares into H Shares under the H Share full circulation.

Potential investors will pay a price per H Share that substantially exceeds the per H Share value of the Company's tangible assets after subtracting the Company's total liabilities and will therefore experience immediate dilution when purchasing the H Shares offered in the Global Offering. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their H Shares. In addition, if we issue additional H Shares or equity-linked securities at a price lower than the net tangible asset value per H Share at the time of issuance, you and other purchasers of our H Shares may experience further dilution in the net tangible asset value per H Share.

Given the promotion of H Share full circulation by the CSRC in November 2019, we may be allowed to convert certain of our Domestic Shares into H Shares after the Listing if we are qualified pursuant to the relevant CSRC requirements. Such conversion will increase the number of H Shares and your shareholding under the class of holders of our H Shares will be diluted.

There is no assurance of whether or when we will pay dividends.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by the Board and will be subject to the Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our dividend policy, results of operations, cash flows and financial condition, operating and capital expenditure requirements, the Articles of Association, the PRC Company Law and any other applicable law and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by the Board from time to time to be relevant to the declaration or suspension of dividend payments. We did not declare any dividends during the Track Record Period. We cannot assure you whether, when and in what form we will pay dividends in the future.

Furthermore, under the applicable PRC laws, dividends may be paid only out of profit after taxation after we have made the following allocations: recovery of accumulated losses, if any; allocations to the statutory common reserve fund equivalent to 10% of our profit after taxation; and allocations that are approved by the shareholders in a shareholders' meeting, if any, to any common reserve fund. Our profit distributable for the above-mentioned allocations and our dividend distribution shall be our profit after taxation as determined by PRC GAAP or IFRSs, whichever is lower. As a result, we may not have sufficient profit to enable us to make future dividend distributions to the Shareholders, even if one of our financial statements prepared in accordance with PRC GAAP or IFRS indicates that our operations have been profitable. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend Policy" and "Financial Information — Difference in Biological Assets Fair Value Adjustments under IFRS and PRC GAAP" for details of our dividend policy and the nature of GAAP difference on fair value adjustments on biological assets between IFRS and PRC GAAP, respectively.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to the Shareholders. For details of our intended use of proceeds, see "Future Plans and Use of Proceeds". However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses we will make of the net proceeds from the Global Offering.

Certain facts, forecasts and other statistics with respect to China, China's economy and the poultry industry in this prospectus are derived from various government and official resources, government publications and other publications and may not be reliable.

In this prospectus, certain facts, forecasts and other statistics concerning China, its economic conditions and industries are derived from publications by PRC Government agencies, industry associations, or an industry report commissioned by us. Although we have taken reasonable care in extracting those facts, forecasts and statistics, they have not been independently verified by us and any of the Relevant Persons. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully how much weight you place on those facts, forecasts and statistics.

This prospectus contains certain hypothetical information based on changes relative to historical events and analysis based on it, and you should not place undue reliance on this information or analysis.

This prospectus contains certain hypothetical information and analysis based on it, which includes the use of certain accompanying assumptions, in particular in respect of historical prices of broilers and animal feed. The Company cannot offer assurances that the assumptions would have been true under the hypotheses presented or that the results of these hypothetical changes would have matched the results presented. See "Financial Information — Principal Factors Affecting Our Results of Operation — Fluctuations in Commodity Prices", "Financial Information — Description of Selected Statement of Comprehensive Income Items — Revenue" and "Financial Information — Description of Selected Statement of Comprehensive Income Items — Cost of Sales". Given the hypothetical nature of this information and the uncertainty of the assumptions made, the results that would have resulted under these hypotheses might not have occurred in the way we had expected. Accordingly, you should not place undue reliance on the hypothetical information and related analysis included in this prospectus.

Investors should read the entire prospectus carefully and should not place any reliance on any information contained in press articles or other media in making your investment decision.

Prior or subsequent to the publication of this prospectus, there may have been or be press and media coverage regarding us and the Global Offering, which includes certain information about us that does not appear in, or is different to what is contained in, this prospectus. We have not authorised the disclosure of any such information in the press or media. Financial information, financial projections, valuation and other information about us contained in such unauthorised press or media coverage may not truly reflect what is disclosed in the prospectus or the actual circumstances. We do not accept any responsibility for such unauthorised press and media coverage or for the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that any information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Investors should rely only on the information contained in this prospectus in making an investment decision.

In preparation of the Listing, 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 substantially all of the executive Directors and senior management members of the Group are, and will continue to be, based in the PRC, the Company considers that it would be unduly burdensome to maintain sufficient management presence in Hong Kong for the sole purpose of satisfying the requirements under Rules 8.12 and 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:

(a) **Authorised Representatives:** pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely Mr. Liu Zhiguang, the chairman of the Board and an executive Director, and Mr. Shi Lei, one of the joint company secretaries, the secretary to the Board and the Group's chief financial officer, as our authorised representatives (the "**Authorised Representatives**") and the Company's principal communication channel at all times between the Stock Exchange and the Company. Although Mr. Liu Zhiguang and Mr. Shi Lei reside in the PRC, they possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong. 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 means for contracting 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.

(b) **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. Chung Wai Man) 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.

(c) **Compliance Adviser:** the Company has appointed Southwest Securities (HK) 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 Listing Date 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 Listing Date. 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.

(d) **Legal Advisers**: The Company shall also retain Hong Kong legal advisers after the Listing (i) to 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 Listing.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the 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 the 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 Institute of Chartered Secretaries;

(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 Ms. Mok Ming Wai, a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators 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. Shi Lei in discharge of his functions as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules for an initial period of three years commencing from Listing Date and ending on the third anniversary of the Listing Date (the "**Initial Period**").

For details of Mr. Shi Lei and his experience within the Group and professional qualifications, see "Directors, Supervisors and Senior Management" in this prospectus.

Mr. Shi Lei and Ms. Mok Ming Wai will be assisted by the Compliance Adviser, particularly in relation to continuing requirements under and ongoing compliance with the Listing Rules and the applicable laws and regulations.

Mr. Shi Lei will attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organised by the Company's Hong Kong legal advisers on an invitation basis and seminars organised by the Stock Exchange for listed issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules. He will also have the benefit of the advices provided by the Company's Hong Kong legal advisers on the Listing Rules and the laws and regulations of Hong Kong that are applicable to the Company after the Listing. The waiver will be revoked immediately if Ms. Mok Ming Wai ceases to provide assistance and guidance to Mr. Shi Lei.

Prior to the end of the Initial Period, the qualifications and experience of Mr. Shi Lei and the need for on-going assistance of Ms. Mok Ming Wai will be re-evaluated by the Company. The Company will liaise with the Stock Exchange. Mr. Shi Lei is expected to demonstrate to the Stock

Exchange's satisfaction that he, having had the benefit of Ms. Mok Ming Wai's assistance during the Initial Period and having carried out the requisite training in compliance with Rule 3.29 of the Listing Rules, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules or alternatively, the Company will continue to engage a joint company secretary to assist Mr. Shi Lei.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for the Initial Period. Prior to the end of the Initial Period, the qualifications of Mr. Shi Lei will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Shi Lei has obtained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the Initial Period, a further waiver would no longer be necessary.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute connected transactions for the Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules for its non-exempted continuing connected transactions in "Connected Transactions" of this prospectus. See "Connected Transactions" for details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

We have obtained approvals of the CSRC for the Global Offering and the making of the application to list the H Shares on the Stock Exchange on 20 February 2020. In granting such approval, the CSRC does not accept any responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

The listing of the H Shares on the Stock Exchange is sponsored by Southwest Securities (HK) Capital Limited referred to as the Sole Sponsor. The Global Offering is managed by ABCI Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Securities (International) Corporate Finance Company Limited, Haitong International Securities Company Limited and Southwest Securities (HK) Brokerage Limited referred to as the joint global coordinators of the Global Offering, collectively referred to as the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in "Underwriting", subject to agreement on the Offer Price between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). The International Offering is expected to be underwritten by the International Underwriters.

For further details about the Underwriters and the underwriting arrangements, see "Underwriting".

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Tuesday, 7 July 2020. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before Friday, 10 July 2020, or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of Offer Shares to, confirm that he/she/it is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus and the relevant Application Forms. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold in the PRC or the United States.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). No part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in the section entitled “Share Capital — Conversion of our Domestic Shares into H Shares” in this prospectus.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Stock Exchange.

Dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, 16 July 2020.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with us and each of the Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;

(b) agrees with us, each of the Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of the Directors, Supervisors, managers and officers, agree with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(c) agrees with us and each of the Shareholders that our H Shares are freely transferable by the holders of the H Shares; and

(d) authorises us to enter into a contract on his/her/its behalf with each of the Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of Association.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company and the Relevant Persons. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" and the relevant Application Forms.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by the H Share Registrar. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in the H Share register of members will be subject to the Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders as recorded in our H Share register, and sent by ordinary post, at the Shareholders' own risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, H Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the H Shares. None of the Company or the Relevant Persons accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding, disposing of, or dealing in the H Shares or the exercise of any rights attaching to the H Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in "How to Apply for Hong Kong Offer Shares" and in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering".

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment and stabilisation are set out in "Structure of the Global Offering."

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB, USD and JPY have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following prevailing rates:

HK$1.000	:	RMB0.9116
HK$7.750	:	USD1.000
HK$1.000	:	JPY13.793

No representation is made that any amounts in RMB, USD, JPY or HK$ can be or could have been at the relevant dates converted at the above rates or at all.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese or Japanese translation, this prospectus shall prevail. For ease of reference, the names of Chinese or Japanese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in the Chinese, English and Japanese languages, and in the event of any inconsistency, the Chinese and Japanese versions shall prevail.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Liu Zhiguang (劉志光)	Building F1, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	Chinese
Mr. Xiao Dongsheng (肖東生)	E6-2-202, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	Chinese
Mr. Ow Weng Cheong (區永昌)	Room 301, No. 11, Lane 600 Huangjincheng Road, Gubei Changning District Shanghai PRC	Singaporean
Mr. Wang Jinsheng (王進聖)	F5-1-101, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	Chinese
Non-executive Directors		
Mr. Liu Xuejing (劉學景)	Building F2, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	Chinese
Mr. Zhang Chuanli (張傳立)	Building F19, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Guo Tianyong (郭田勇)	302, Unit 2, 1st Floor Wanquan Xinxinjiayuan Wanliu East Road Haidian District Beijing PRC	Chinese
Mr. Zhang Ye (張曄)	No. 116, 1028 Alley Shuiqing Road Shanghai PRC	Chinese
Mr. Chung Wai Man (鍾偉文)	Flat G, 13th Floor, Block 5 Park Central Tong Tak Street Tseung Kwan O New Territories Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Kong Xiangwei (孔祥偉)	E4-2-102, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	Chinese
Mr. Chen Dehe (陳德賀)	2-2-9 East, Qinghuayuan Community Yanggu County Liaocheng City Shandong Province PRC	Chinese
Ms. Lian Xianmin (廉憲敏)	Room 505, Unit 3, Block 11 Fengqiwan Fengqiwan 3 Xiangguang Road Shandong Province PRC	Chinese

For further details of the Directors and Supervisors, see "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Southwest Securities (HK) Capital Limited** 40/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Joint Global Coordinators *(in alphabetical order)*	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Central, Hong Kong
	China Galaxy International Securities (Hong Kong) Co., Limited 20/F, Wing On Centre 111 Connaught Road Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place, Central, Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	Southwest Securities (HK) Brokerage Limited 40/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Joint Bookrunners *(in alphabetical order)*	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Central, Hong Kong
	Bradbury Securities Limited 5106-07, 51/F, The Center 99 Queen's Road Central Central, Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
	China Galaxy International Securities (Hong Kong) Co., Limited 20/F, Wing On Centre 111 Connaught Road Central Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

China Tonghai Securities Limited
18/F-19/F, China Building
29 Queen's Road Central
Central, Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

Crosby Securities Limited
5/F, Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2, 13/F, United Centre
95 Queensway
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

HeungKong Securities Limited
Suite 622, Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon, Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Southwest Securities (HK) Brokerage Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

UOB Kay Hian (Hong Kong) Limited
6/F, Harcourt House
39 Gloucester Road
Hong Kong

Joint Lead Managers
(in alphabetical order)

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Central, Hong Kong

Bradbury Securities Limited
5106-07, 51/F, The Center
99 Queen's Road Central
Central, Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

China Tonghai Securities Limited
18/F-19/F, China Building
29 Queen's Road Central
Central, Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

Crosby Securities Limited
5/F, Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Eddid Securities and Futures Limited
23/F, YF Life Tower
33 Lockhart Road
Wan Chai, Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2, 13/F, United Centre
95 Queensway
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

HeungKong Securities Limited
Suite 622, Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon, Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Luk Fook Securities (HK) Limited
Units 2201-2207 & 2213-2214
22/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Southwest Securities (HK) Brokerage Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

UOB Kay Hian (Hong Kong) Limited
6/F, Harcourt House
39 Gloucester Road
Hong Kong

Legal advisers to the Company

As to Hong Kong Laws:
Fangda Partners
26th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC Laws:
JunHe LLP
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing 100005
China

As to US Laws:
Dorsey & Whitney LLP
Suite 3008, One Pacific Place
88 Queensway
Hong Kong

As to Japanese Laws:
Mori Hamada & Matsumoto
Marunouchi Park Building
2-6-1 Marunouchi, Chiyoda-ku
Tokyo 100-8222
Japan

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong Laws:
Bird & Bird
6th Floor, The Annex, Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

As to PRC Laws:
King & Wood Mallesons, Shanghai Office
17th Floor, One ICC, Shanghai ICC
999 Middle Huai Hai Road
Shanghai
PRC

As to US Laws:
Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F
Jardine House,
1 Connaught Place
Central
Hong Kong

Auditors and reporting accountants	**BDO Limited** *(Certified Public Accountants)* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Property valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7th Floor, One Taikoo Place 979 King's Road, Hong Kong
Biological assets valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7th Floor, One Taikoo Place 979 King's Road, Hong Kong
Food safety consultant	**PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. Beijing Branch** 26th Floor, Office Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhong Road Chaoyang District Beijing PRC
Compliance adviser	**Southwest Securities (HK) Capital Limited** 40/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai PRC
Receiving banker	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province PRC
Headquarters in the PRC	Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province PRC
Principal Place of Business in Hong Kong	14th Floor, Golden Centre 188 Des Voeux Road Central Hong Kong
Company's website	**www.fengxiang.com** *(the information contained on this website does not form part of this prospectus)*
Joint company secretaries	Mr. Shi Lei (石磊) 8th Floor, GMK Building Xiangguang ECO-Industrial Park Yanggu County Liaocheng City Shandong Province PRC Ms. Mok Ming Wai (莫明慧), *FCS, FCIS* 14th Floor, Golden Centre 188 Des Voeux Road Central Hong Kong
Authorised Representatives ***(for the purpose of the Listing Rules)***	Mr. Liu Zhiguang (劉志光) Building F1, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC Mr. Shi Lei (石磊) 8th Floor, GMK Building Xiangguang ECO-Industrial Park Yanggu County Liaocheng City Shandong Province PRC
Audit Committee	Mr. Chung Wai Man (鍾偉文) *(Chairman)* Mr. Guo Tianyong (郭田勇) Mr. Zhang Ye (張曄)

Remuneration Committee	Mr. Guo Tianyong (郭田勇) *(Chairman)* Mr. Liu Zhiguang (劉志光) Mr. Chung Wai Man (鍾偉文)
Nomination Committee	Mr. Liu Zhiguang (劉志光) *(Chairman)* Mr. Guo Tianyong (郭田勇) Mr. Zhang Ye (張曄)
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	China Development Bank, Shandong Branch B1-14/F, Block D Jinan Olympic Finance Centre No.11666, Jingshi Road Lixia District Jinan City Shandong Province PRC
	Agricultural Development Bank of China, Yanggu Sub-Branch Yunhe West Road Yanggu County Shandong Province PRC
	Agricultural Bank of China Limited, Yanggu Sub-Branch No. 88, Gushan Road Yanggu County Shandong Province PRC

The information that appears in this section has been prepared by Frost & Sullivan and reflects the estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us and any of the Relevant Persons (other than Frost & Sullivan) and none of them gives any representations as to its accuracy or correctness and accordingly it should not be unduly relied upon in making, or refraining from making, any investment decision.

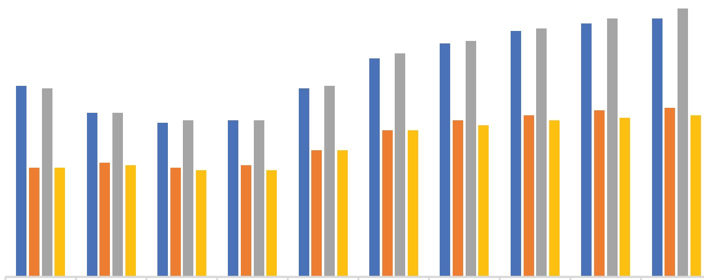
CHINA BROILER MARKET OVERVIEW

Historically, white-feathered broilers and yellow-feathered broilers have dominated China's broiler meat production, wherein white-feathered broilers are quickly replacing yellow-feathered broilers as they grow faster and their breeding process involves lower costs. Broiler meat production in China decreased sharply in 2014 due to the outbreak of H7N9 avian influenza. The ban on importing United States sourced Grandparent Stock Chicks of white-feathered broiler in China since 2015 resulted in the decrease in white-feathered broiler meat production levels in the subsequent years, as demonstrated by the decline of 14.3% and 7.0% in production volume in 2016 and 2017, respectively. Nevertheless, the market started to recover in 2018 and the production and consumption volume of broiler meat is expected to experience a substantial growth in 2019, stimulated by the substitution effect of protein sources caused by the outbreak of African Swine Fever in August 2018. Average feed conversion ratio ("**FCR**")[*Note*] is around 1.7-1.8:1 for a 2kg white-feathered broiler, and 2.5:1 for a 1.5kg yellow-feathered broiler. In the years ahead, with the gradual recovery of Grandparent Stock Chicks import, including the lift of the ban on poultry imports from France in March 2019 and the United States in November 2019, white-feathered broiler meat is expected to regain market share from yellow-feathered broiler meat due to its cost advantage, higher FCR and adaptiveness to modernised production methods.

From 2011 to 2015, white-feathered broiler meat consumption maintained a steady growth driven by the popularity of fast food and quick service restaurants ("**QSRs**"). Due to the disruption of domestic white-feathered broiler production caused by the PRC Government's bans on the import of Grandparent Stock Chicks from the United States, the decline in white-feathered broiler meat supply resulted in a decrease in its consumption volume in 2016 and 2017. The yellow-feathered broiler meat maintained a relatively stable growth in production and consumption due to its stable domestic supply in the past years. In 2019, China has developed the first domestic white-feathered day-old chicks ("**DOCs**") for Grandparent Stock Chicks, that is expected to reduce the risk of short supply of Grandparent Stock Chicks and support a more stable growth of white-feathered broiler market in China.

Breakdown of China Broiler Meat Production and Consumption, 2015 to 2024E

Million Tons



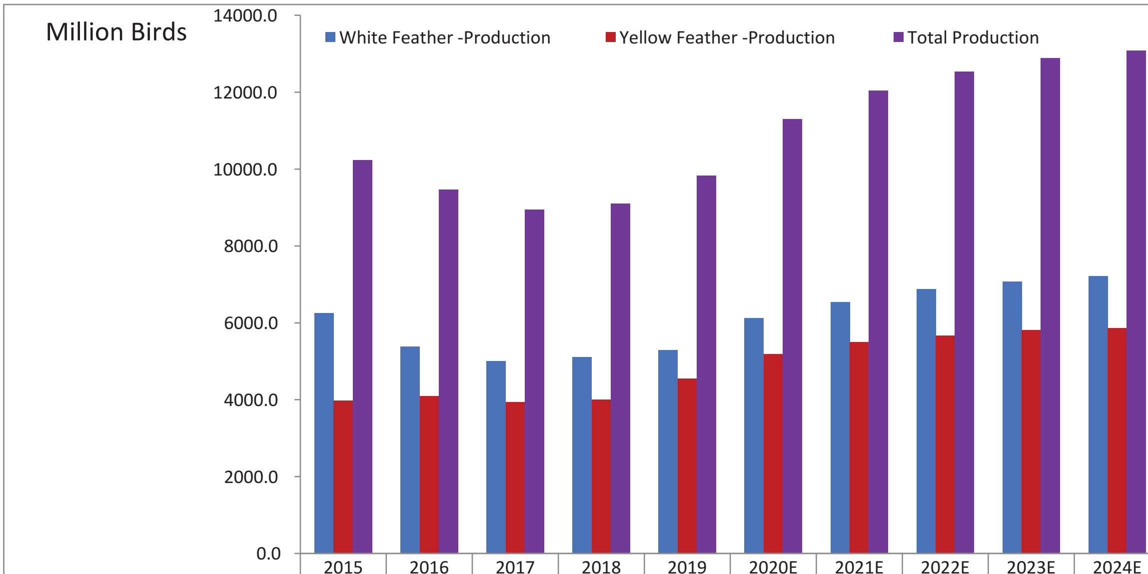
	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
White-feathered Broiler Meat-Production	7.7	6.6	6.2	6.3	7.6	8.8	9.4	9.9	10.2	10.4
Yellow-feathered Broiler Meat-Production	4.4	4.6	4.4	4.5	5.1	5.9	6.3	6.5	6.7	6.8
White-feathered Broiler Meat-Consumption	7.6	6.6	6.3	6.3	7.7	9.0	9.5	10.0	10.4	10.8
Yellow-feathered Broiler Meat-Consumption	4.4	4.5	4.3	4.3	5.1	5.9	6.1	6.3	6.4	6.5

Note: In animal husbandry, FCR is a measure of an animal's efficiency in converting feed mass into increases of the desired output.

	CAGR 2015-2019	CAGR 2019-2024E
White-feathered Broiler Meat—Production	-0.3%	6.5%
Yellow-feathered Broiler Meat—Production	3.8%	5.9%
White-feathered Broiler Meat—Consumption	0.3%	7.0%
Yellow-feathered Broiler Meat—Consumption	3.8%	5.0%

Source: Frost & Sullivan

Breakdown of Production Volume for White-feathered Broilers and Yellow-feathered Broilers (China), 2015 to 2024E



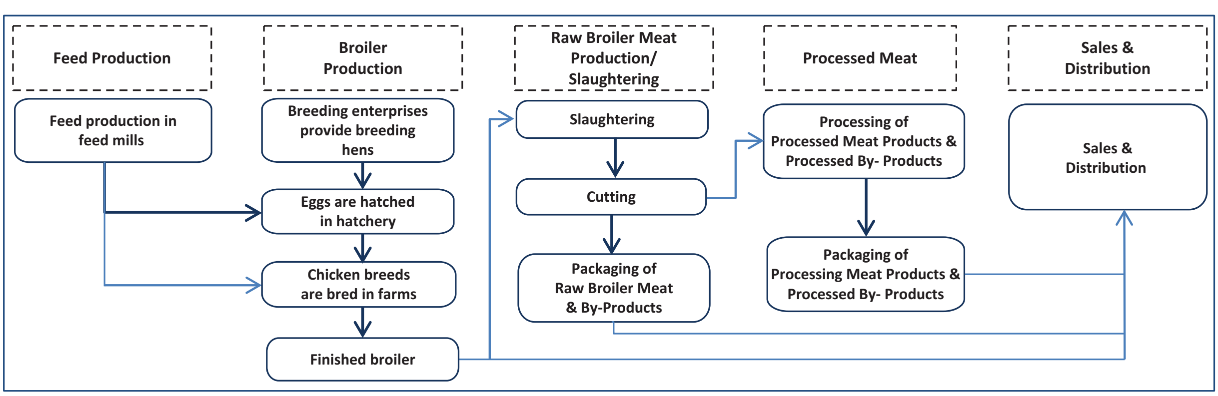
	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
White Feather -Production	6252.0	5374.0	5000.0	5100.0	5283.5	6114.0	6542.0	6869.1	7075.2	7216.7
Yellow Feather -Production	3976.8	4093.5	3940.9	4000.0	4548.2	5184.9	5496.0	5660.9	5802.4	5860.4
Total Production	10228.8	9467.5	8940.9	9100.0	9831.7	11298.9	12038.0	12530.0	12877.6	13077.1

	CAGR 2015-2019	*CAGR 2019-2024E*
White Feather—Production	*-4.1%*	*6.4%*
Yellow Feather—Production	*3.4%*	*5.2%*
Total Production	*-1.0%*	*5.8%*

Source: Frost & Sullivan

CHINA WHITE-FEATHERED BROILER MARKET

Value Chain Analysis of White-feathered Broiler Market



Source: Frost & Sullivan

Broiler Breeding Cycle

As the domestic white-feathered broiler breeders do not have the capability to breed ancestor broilers, broiler breeders in China mainly rely on imports, particularly those from the United States, France, New Zealand and other countries. It takes about 14 months from the introduction of the ancestral broiler to commercial slaughter. After the DOCs for the Grandparent Stock Chicks were introduced, it takes around 23 weeks for it to grow into an adult broiler and enter into the egg producing period which lasts for 41 weeks before the broiler is eliminated. Eggs are incubated and hatched in hatcheries. Three weeks after the eggs are laid, Parent Stock Day-old Chicks are hatched and can be sold to parent breeders' farms. The parent breeders' farms rear the Parent Stock Day-old Chicks until they are 23 weeks old and enter the laying phase for 41 weeks. It takes three weeks to hatch chicken breeds and another six weeks for them to become finished commercial broilers. As an industry practice, China's white-feathered broiler breeding companies usually purchase Parent Stock Day-old Chicks from domestic agents commissioned by breeders from abroad for breeding, rather than importing Grandparent Stock Chicks from overseas directly.

Broiler Breeding Methods

There are mainly three types of breeding methods, namely ground littering rearing, cage rearing and above-grid rearing. Ground littering rearing has been adopted widely around the world, while cage rearing is increasingly utilised by industrial broiler producers.

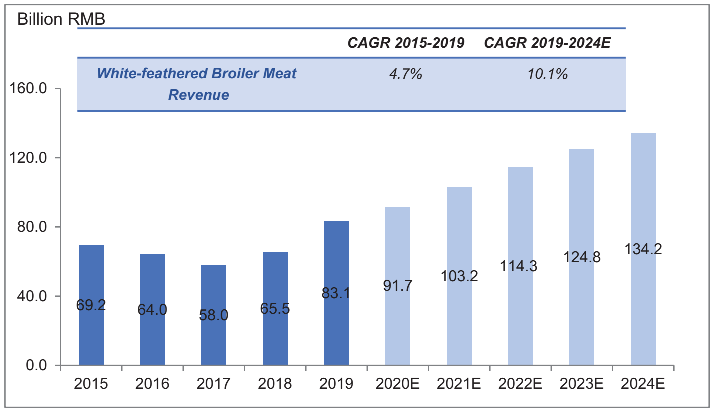
In ground littering rearing, the floor of the rearing house is layered by dried leaf, chopped straw, hay, rice husk or sawdust, constituting the litter bed of 5 to 10 cm thick. To maintain a comfortable, hygienic and safe environment for broilers, the litter bed must always be kept dry and the rearing house must be well ventilated. While the ground littering rearing requires low upfront investment and technology barrier and provides better animal welfare, the rearing efficiency is relatively low as the number of broilers reared per unit area is less.

On the other hand, cage rearing is widely adopted by leading players, because it enables more organised, efficient and intensive production by keeping several broilers in one cage and piling up cages in multiple rows. Cage rearing not only saves space of broiler breeding, but, with proper automation can also simplify feeding and manure cleaning process, reducing feed waste and disease incidence due to manure contact. In addition, FCR is generally higher compared to other traditional methods. Nevertheless, as broilers can hardly move in cage rearing, certain diseases caused by lack of motion, such as leg problem, cage layer fatigue and fatty liver syndrome, could occur. This potential shortcoming can be minimised and further resolved by a sophisticated design of rearing system, and maintenance of a high level of hygiene in the rearing farm.

Above-grid rearing is a distinctive rearing method in China. In above-grid rearing, a grid of 60 cm above the ground is set up, covered by a net made of metal, plastic or bamboo. The broiler chicken lives above the grid, and chicken manure falls to the ground through the mesh or the gap between the grids. This method is equipped with an automatic conveyor belt to clean up the chicken manure which can effectively reduce harmful gases and increase the broiler survival rate. The output of above-grid rearing is similar to ground littering rearing, but the operation cost is higher.

Market Size of White-feathered Broiler Meat

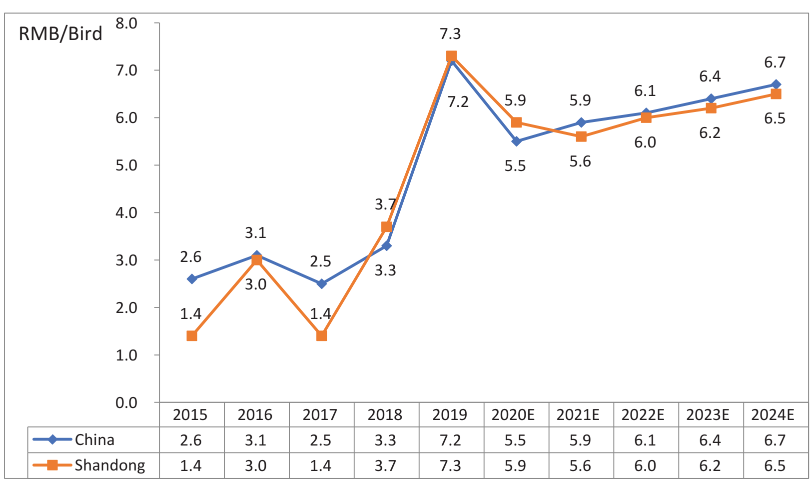
Market Size of White-feathered Broiler Meat by Revenue (China), 2015 to 2024E



Source: Frost & Sullivan

White-feathered broiler meat is mainly sold directly or further processed to various kinds of processed meat products. Environmental concerns have led to the reducing sales of live broilers and encouraged a shift to frozen/chilled meat products. The market size of white-feathered broiler meat by sales revenue increased from RMB69.2 billion in 2015 to RMB83.1 billion in 2019, realised an CAGR of 4.7% over the past five years. In the long term, the market is projected to increase with a CAGR of 10.1% from 2019 to 2024 with the increased demand and recovery of domestic productions.

Average Chicken Breeds Prices and Forecast (China and Shandong Province), 2015 to 2024E



	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
China	2.6	3.1	2.5	3.3	7.2	5.5	5.9	6.1	6.4	6.7
Shandong	1.4	3.0	1.4	3.7	7.3	5.9	5.6	6.0	6.2	6.5

Source: Ministry of Agriculture of China; Frost & Sullivan

Note: Average commercial white-feathered chicken breeds prices include VAT.

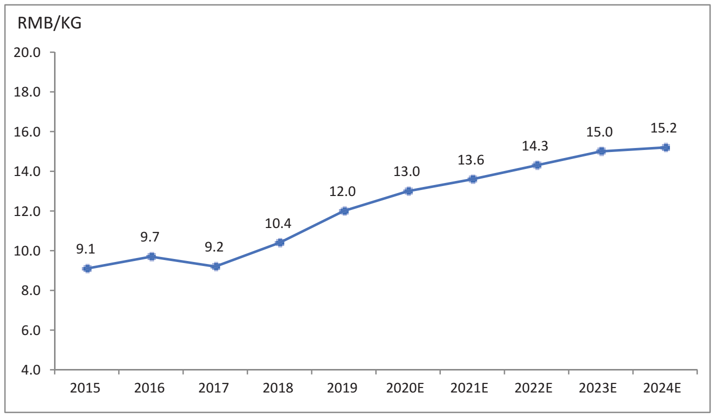
Since 2015, the import of Grandparent Stock Chicks from major countries (such as the United States and France) was banned, leading to a reduced supply of commercial broilers. Due to the expectations of insufficient introduction of Grandparent Stock Chicks, the price of chicken breeds rose in 2016. Then due to the impact of H7N9 avian influenza reported in 2017, the price declined. After that, the price has been gradually recovering, especially with the reduced import from some exporters such as the Netherlands and the outbreak of African Swine Fever. Chicken breeds price rose and reached RMB3.1 per bird in 2016 and soar to RMB7.2 per bird due to the short supply in China in 2019. With the growing demand for broiler meat, in the next few years, price of chicken breeds is expected to continually increase.

Due to the different breeding volume and breeding cost among areas in China, the price of chicken breeds vary from area to area. For example, the price of chicken breeds in Shandong was RMB3.7 per bird in 2018, which is higher than the average price in China. Due to the relatively low introduction of ancestral broiler in 2018, the broiler stocks in the first half of 2019 were still low. Meanwhile, with the increase demand from the downstream market, the demand for live broilers from slaughtering enterprises also increased, leading to a shortage of chicken breeds supply. In addition, with the improvement of breeding technology, the FCR of broiler is growing, thus even if the price of chicken breeds have increased to a certain level, the breeding companies are still profitable and have sustained demand for chicken breeds. With the recent recovery of broilers' consumption and supply shortage, the average white-feathered chicken breeds prices have increased overall, in particular, Shandong outpaced the national average level since 2018. Due to the favourable factors from both supply and demand support the price of chicken breeds in Shandong. The average price of chicken breeds in Shandong reached RMB7.3 in the 2019.

Due to the fact that Shandong is the centre of leading white-feathered broiler producers in China, the quality of their broiler products is highly recognised in the market. While and when the market is glorious such as in 2019, there will be growing demand for high quality chicken breeds provided by leading enterprises and most of them are located in Shandong. Further, white-feathered broiler companies in Shandong contribute a majority of the production volume of white-feathered broiler meat products in China, which leads to stronger bargaining power of the sellers and the average market price of chicken breeds will increase as a result. In addition, in light of the stricter environmental regulations in Shandong in 2019, a large number of small and medium-sized chicken breeding companies ceased operations to rectify and adapt its existing environmental protection facilities to meet the stricter regulations, which led to a periodical decline in chicken production capacity. Further, chicken breeding companies had to purchase environmental protection-related equipment, which should be one-off, to comply with the more stringent environmental protection regulations in Shandong. Due to the shortage of supply of chicken breeds and the increase in costs incurred by the chicken breeding companies in Shandong, the average price of white-feathered chicken breeds in Shandong was higher than the average price in China in 2019.

In 2020, as (i) the chicken breeding companies will be put into operation again after rectification and (ii) the costs incurred by chicken breeding companies to comply with environmental regulations were one-off, the production capacity of chicken breeds is expected to increase and accordingly, the price of chicken breeds in Shandong is expected to drop and will be closer to the average price in China, as indicated by the latest price trend.

Average Price of White-feathered Broiler and Forecast (China), 2015 to 2024E



Source: Frost & Sullivan

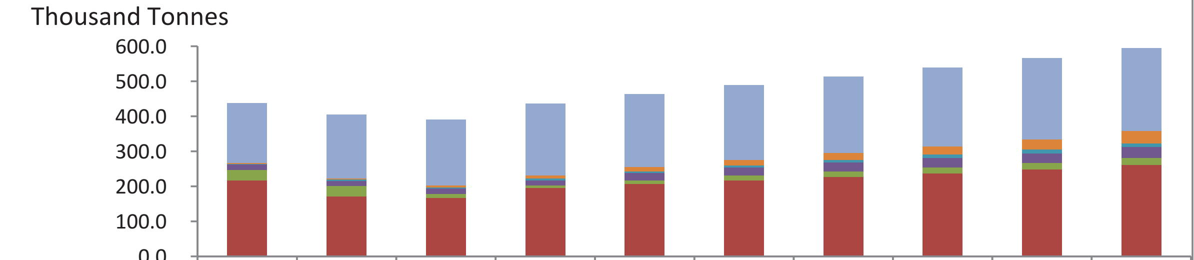
Note: Average price of white-feathered broiler includes VAT.

The white-feathered broiler industry in the PRC has historically been affected by certain factors that demonstrate cyclicality, including outbreaks of avian influenza, African Swine Fever or similar diseases that occurred from time to time as well as the level of pork consumption and pork prices which is a cyclical industry. The average price of white-feathered broiler increased from RMB9.1 per kg in 2015 to RMB12.0 per kg in 2019. The price of white-feathered broiler is negatively influenced by the outbreak of H7N9 avian influenza at the beginning of 2017 but edged up to RMB10.4 per kg in 2018, stimulated by the substitution effect of protein sources caused by the outbreak of African Swine Fever in 2018. Further, compared with other protein sources, broiler meat has a relatively more competitive price in the PRC. In the long run, the price will be supported by the growing demand from downstream market, as a result of the following factors which would increase the demand for white-feathered broilers going forward: (i) distribution method modernisation and increasing popularity of e-commerce; (ii) the declining consumption of pork as another major protein source due to its higher prices; and (iii) increasing urbanisation in the PRC. However, as a result of the cyclicality factors set out above, when large scale outbreaks of avian influenza or similar diseases occur in the future, the average price of white-feathered broiler may be adversely affected.

Export Trading in China Broiler Meat Market

The export volume of broiler meat increased at a CAGR of 1.5 % from 2014 to 2018 and is expected to further grow at a CAGR of 5.1% from 2018 to 2023.

Export Volume of Broiler Meat and Forecast Split by Export Destinations (China), 2014 to 2023E



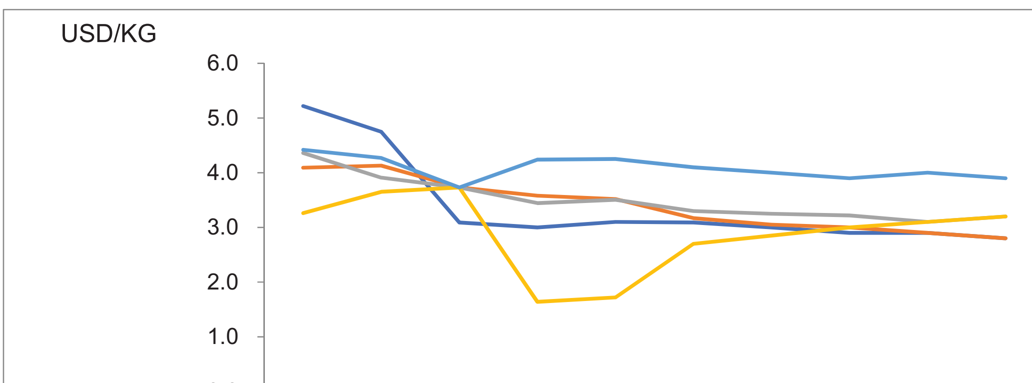
	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Others	170.0	184.0	188.6	205.4	207.1	212.3	217.1	224.4	232.0	236.8
Mongolia	1.7	3.5	6.1	9.4	12.7	16.2	20.0	24.2	28.7	33.6
Korea	2.6	3.4	3.6	4.7	5.7	6.9	8.0	9.3	10.7	12.2
European Union	16.5	14.7	13.3	14.3	20.3	22.0	25.7	26.9	28.3	29.7
Malaysia	28.4	29.8	14.5	8.5	11.6	14.7	15.4	16.2	17.0	20.8
Japan	217.4	170.9	165.4	194.6	205.8	216.7	227.0	237.8	249.1	261.0
Total Export	436.7	406.3	391.5	437.0	463.2	488.7	513.1	538.8	565.7	594.0

	CAGR 2014-2018	CAGR 2018-2023E
Total	1.5%	5.1%
Mongolia	64.1%	21.6%
Korea	22.3%	16.2%
European Union	5.3%	7.9%
Malaysia	-20.1%	12.4%
Japan	-1.4%	4.9%
Others	5.1%	2.7%

Source: China's General Administration of Customs, Frost & Sullivan

Note: Broiler meat exportation is dominated by white-feathered broiler meat. The above figures refer to all types of export broiler meats (include live chicken, frozen, fresh or chilled whole chicken and chicken portions and processed chicken).

Export Price of Processed White-feathered Broiler Meat Products Split by Export Destinations (China), 2014 to 2023E



	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Mongolia	5.2	4.8	3.1	3.0	3.1	3.1	3.0	2.9	2.9	2.8
Korea	4.1	4.1	3.7	3.6	3.5	3.2	3.1	3.0	2.9	2.8
European Union	4.4	3.9	3.7	3.4	3.5	3.3	3.3	3.2	3.1	3.2
Malaysia	3.3	3.7	3.7	1.6	1.7	2.7	2.9	3.0	3.1	3.2
Japan	4.4	4.3	3.7	4.2	4.3	4.1	4.0	3.9	4.0	3.9

Source: UN Comtrade, Frost & Sullivan

The largest broiler meat product export market of China is Japan, accounting for 44.4% of total export volume of broiler meat product of China in 2018. The European Union were the second largest export markets of Chinese broiler meat. Export of broiler meat from China to the United States has been insignificant; thus the recent trade dispute between the United States and China has limited impact on the export volume of China's broiler meat.

Due to the decreased domestic production volume in recent years, China's export value of broiler meat decreased from USD1,610.3 million in 2014 to USD1,574.8 million in 2018, representing a CAGR of -0.6% from 2014 to 2018. The decrease of export value from 2014 to 2015 was largely due to the change of exchange rate and the export price. With the recovery of domestic production, the total export value of broiler meat from China has been growing rapidly driven by the increase in unit price of the broiler meat and is expected to reach to USD2,164.7 million in 2023, at a CAGR of 6.6%. It is expected that Japan will remain the largest single export market of China from 2018 to 2023.

Since the broiler meat export enterprises in China feature a vertical integration business model and strict control on food safety, companies around the world, especially countries in Asia, have long recognised food safety of China's broiler products. In particular, Malaysia, an Islamic country with strict rules on food preparation processes, generally only imports frozen broiler meat from companies with the Halal certification (a global-approved Islamic import licence for Muslims' foods). This poses a significant entry barrier against many companies around the world from entering into the Malaysian broiler market.

As European Union consumers are highly concerned with environmental protection, animal welfare and food safety, the legislation on local broiler meat producers is stricter, resulting in higher operation cost. To protect the benefits of local producers, European Union regulator has imposed tariff rate quota on imported broiler meat, granting preferential access and lower tariff only to certain markets within the limit of annual quota. In November 2018, after years of negotiation, the European Union has agreed to grant a low-tariff quota to Chinese broiler meat, effective from the first quarter of 2019. As a result, it is expected the export volume of broiler meat from China to the European Union will experience an uptick in 2019 and grow steadily in the near future.

CHINA BROILER PROCESSING MARKET OVERVIEW

Definitions and Classification of Processed Broiler Meat Products

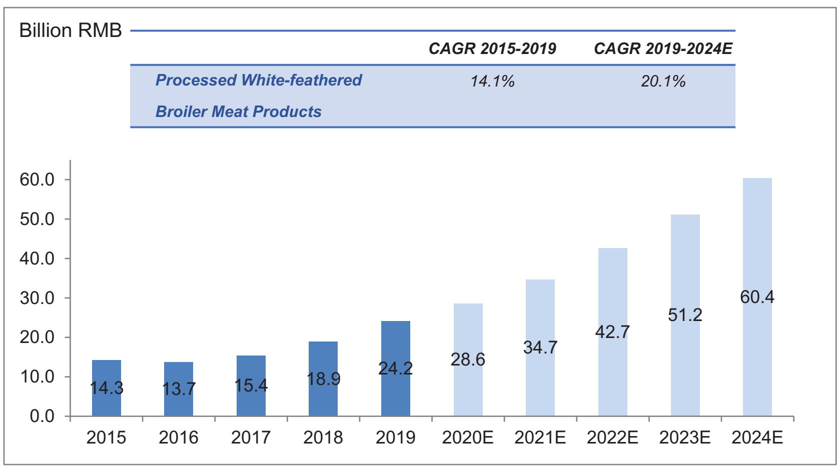
Processed broiler meat products refer to broiler meat preserved by smoking, curing or salting, or by the addition of chemical preservatives, such as chicken sausages, chicken ham, chicken nuggets, canned chicken chunks, etc. Processed broiler meat products can be classified into semi-cooked products and ready-to-eat products, thus mainly targeting at individual consumers. By processing technique, processed broiler meat products can also be classified into cured cooked meat, sauced broiler meat products, roasted broiler meat products, dried broiler meat floss and deep fried broiler meat products.

Market Size of Processed White-feathered Broiler Meat Products

Chinese people have had a dietary preference for live broiler or chilled meat (preservation method in which raw or processed food is cooled to a temperature between zero degree and five degree Celsius (0°C-5°C)). The demand for processed white-feathered broiler meat products accounted for a small part of total white-feathered broiler meat consumption in China. However, the processed white-feathered broiler meat market is poised for a big leap, mainly driven by its increasing popularity among young generation, as it is more convenient to cook and more suitable to fit in their fast-paced lifestyle. In addition, the outbreak of avian influenza worldwide depressed overall demand for live broiler meat and general consumers have also been turning to processed broiler meat products.

The market size of processed white-feathered broiler meat products in China increased from RMB14.3 billion in 2015 to RMB24.2 billion in 2019, at a CAGR of 14.1%. It is projected that the total market size will continue to grow steadily at a CAGR of 20.1% from 2019 to 2024 along with a more diverse products portfolio, boosted by the growing popularity among young generation seeking convenience and diversity**.**

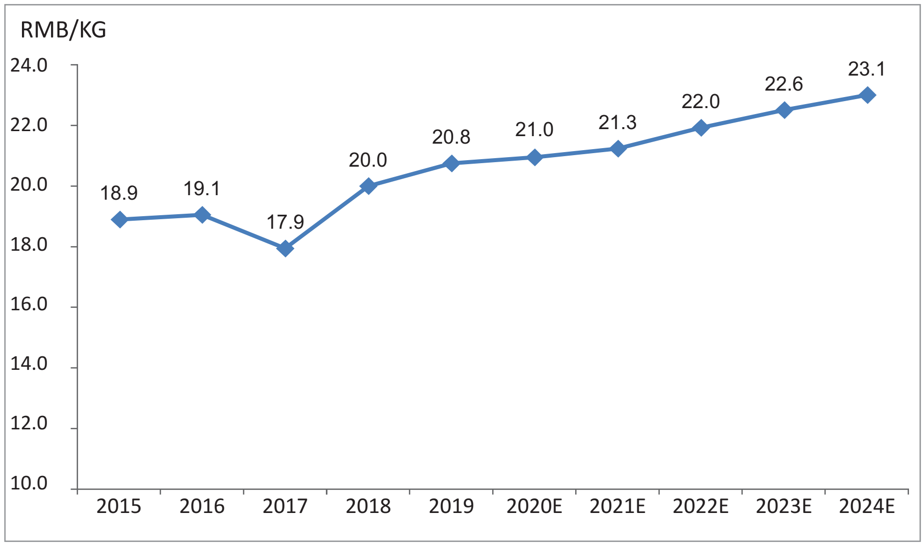
Market Size of Processed White-feathered Broiler Meat Products by Revenue (China), 2015 to 2024E



Source: Frost & Sullivan

The increasing product diversity will be a future trend in processed broiler meat products market so as to cater various consumer needs in flavour, packaging, nutrition content etc. In addition, market players will likely enhance the promotion of food hygiene and the concept of organic farming as the consumers' concerns on food safety and quality continue to increase.

Average Price of Processed White-feathered Broiler Meat Products and Forecast (China), 2015 to 2024E



Source: Frost & Sullivan

The white-feathered broiler meat products industry in the PRC has historically been affected by certain factors that demonstrate cyclicality, including outbreaks of avian influenza, African Swine Fever or similar diseases that occurred from time to time as well as the level of pork consumption and pork prices which is a cyclical industry. The average price of processed white-feathered broiler meat products increased from RMB18.9 per kg in 2015 to RMB20.8 per kg in 2019 and is expected to reach RMB23.1 per kg in 2024. In 2017, due to the outbreak of H7N9 avian influenza, there is declining consumption willingness for broiler meat, resulting in a price drop for broiler meat products. In addition, the price decline of raw chicken meat also led to the cost reduction for processed broiler meat products. The price of processed white-feathered broiler meat products increased in 2018 due to the outbreak of African Swine Fever, which led to an increase in consumption demand for chicken meat products. It is projected that the average price of processed white-feathered broiler meat products will continue to gradually increase, as a result of the following factors which would increase the demand for processed white-feathered broiler meat products going forward: (i) distribution method modernisation and increasing popularity of e-commerce; (ii) the declining consumption of pork as another major protein source due to its higher prices; (iii) increasing urbanisation in the PRC both through e-commerce platforms and offline channels; and (iv) increasing diversification of processed broiler meat products. The largest export market of processed white-feathered broiler products of China is Japan. The export volume from China to Japan is 209.9 thousand tonnes, and it accounts for 78% of the total export volume in 2018. Other major export markets include Hong Kong (9.6%), New Zealand (4.2%), the United Kingdom (2.6%) and Korea (2.6%) in 2018. However, as a result of the cyclicality factors set out above, when large scale outbreaks of avian influenza or similar diseases occur in the future, the average price of processed white-feathered broiler meat products may be adversely affected.

The unit prices of processed broiler meat products are generally much higher than the raw ones, incorporating the added-value of processing and brand premium. By extending downstream along the value chain, broiler meat producers selling processed broiler meat products directly to end consumers are able to obtain a higher profit margin than the ones providing only raw broiler meat products to business customers. Moreover, the addition of B2C business mitigates the disadvantage in bargaining power against large business customers, which also helps improve the profit margin of broiler meat producers.

The major sales and distribution channels for processed broiler meat products include online e-commerce platforms and offline channels, such as supermarkets, convenience stores and specialty stores. The online channel has experienced vibrant growth in recent years in China, attributable to the established e-commerce infrastructure, users' well-cultivated online shopping habits and enhanced cold-chain logistics facilities.

Due to the different nature of B2C business, the success of processed broiler meat products business heavily relies on brand name, especially brand awareness and brand reputation. When choosing processed broiler meat products, end consumers generally prioritise food safety over other factors, such as price and packaging. Typically, first-time consumers tend to pick products with better brand awareness and reputation such as those they have come across either through advertisement or word-of-mouth recommendations. As such, market players targeting at end consumers are obliged to adopt a stricter standard of safety and quality control and allocate more resources for end consumer marketing than raw meat producers.

White-feathered broiler is suitable for slaughtering, cutting, chilled or frozen storage. It has relatively strong industrial properties and is more suitable for fired roast and used as raw materials for most processed meat. Due to its cost competitiveness in comparison to alternative broilers, consumption of white-feathered broilers is mainly concentrated in the fast food restaurants, schools, enterprise canteens and in processed products. Therefore, white-feathered broiler is normally raised by medium and large-scale companies. In comparison, yellow-feathered broiler is normally sold fresh or processed and chilled as a whole and mainly targets at family consumption in China. Despite a lower production efficiency, the flavour of yellow-feathered broiler is more suitable for traditional Chinese cuisine such as stewed or cooked in soup. Therefore, yellow-feathered broiler is normally raised by small-scale companies and individual farmers. One of the distinguishing features is that white-feathered broilers are those that are generally sold chilled or frozen whereas yellow-feathered broilers are those that are generally traded live at wet markets. As different groups of people have different consumption preference and habits, white-feathered broilers and yellow-feathered broilers have their respective targeted consumer groups and are catered for different consumption scenario. Overall, there is not much competition between white-feathered broilers and yellow-feathered broilers. It is only when the supply of white-feathered broilers is obviously deficient, consumers would then turn to yellow-feathered broilers for substitution.

OVERVIEW OF CHINA BLACK BONE BROILER MARKET

Market Size of Raw Black Bone Broiler Meat

Black-bone chicken is a rare bird and one of the ancient chicken breeds in China, which skin, meat, bones and most of its internal organs are black. It has medicinal, edible and ornamental value. Black bone broiler is a local breed originated from Taihe, Jiangxi. It has a compact body and is also suitable for large-scale farming due to its high disease-resistant ability. Xingwen black bone broiler is one of the major varieties of high quality. Xingwen black bone broiler has a long history and is mainly produced in Sichuan. It has been protected by National Protection of Geographical Indications since 2013. As a premium product, black bone broiler has a relatively niche market mainly targeting at high-income customers in the past. While they are more expensive in price, black-bone broiler has higher nutrition and medicinal value. In recent years, as per capita income in China increases and amid growing awareness on healthy diet, black bone broiler consumption increased rapidly. The market size of the black bone broiler meat in China grew from RMB1.4 billion in 2015 to RMB2.1

billion in 2019 at a CAGR of 12.1% and it is projected the market size will further expand to RMB3.6 billion in 2024 with a CAGR of 11.3% from 2019.

Average Wholesale Price of Black Bone Broiler

As a tonic product, black bone broilers are mainly served in restaurants. The limited consumption channel leads to the price volatility of black bone broiler meats within a year. However, the average wholesale price of black bone broiler has been increasing steadily prompted by a growing consumption group. The average wholesale price of black bone broiler increased steadily from RMB17.4 per kg in 2014 to RMB22.7 per kg in 2019. In the next five years, it is expected that the increasing purchase power and health awareness of customers will push up the demand for black bone broiler products and support its price to grow continually. It is expected that the average wholesale price will grow up to RMB25.9 per kg in 2024 with a CAGR of 2.7% from 2019.

There are certain major differences in breeding white-feathered broilers and black-bone broilers: (i) white-feathered broilers breeding is mainly concentrated in northern part of China, whereas black-bone broilers are more suitable to be reared in regions with mild climate, such as southern part of China area. Currently, black bone broilers production bases are mainly located in Guangzhou, Fujian, Jiangxi and Sichuan with Sichuan being the major rearing region for black bone broilers and (ii) large-scale intensive rearing methods, such as cage rearing, are widely applied for white-feathered broiler breeding, whereas black-bone broilers breeding requires free-range backyard rearing and are not suitable for industrial breeding. As a result, the breeding of black bone broilers cannot be closely integrated into the Group's existing white-feathered broiler breeding business, and the Group's competitive strengths in white-feathered broiler business cannot be effectively translated into the success in black bone broilers business.

DRIVERS IN CHINA BROILER MARKET

Increasing urbanisation

Currently, per capita meat consumption of rural residents is around half of urban residents. Increasing urbanisation increases disposal incomes of rural citizens which will in turn increase the spending power of rural residents. Given the relatively low urbanisation rate in China (59.6% in 2018) compared to developed countries, the potential of meat demand is still large as the urbanisation in China continues in the near future. In addition, urbanisation is expected to create more demand for broilers following the development of more supermarkets and QSRs.

Increasing exportation

Since the broiler meat export enterprises in the China feature the vertical integration of the whole industry, food safety for China's broiler products has long been globally-recognised and the export value of broiler meat from China to major exporting countries grows rapidly. Thus, the broiler meat market in China can maintain a healthy growth despite fluctuating domestic demand.

Distribution method modernisation and increasing popularity of e-commerce

Distribution method modernisation (e.g. use of cold-chain logistics) facilitates the transportation of fresh and frozen meat products. Benefitting from modern distribution chain, leading players begin to adopt online channel to sell broiler product to end consumers directly. The market size of processed meat and seafood by retail value by internet retailing in the China witnessed a rapid growth in the past few years, that increased from RMB1,354.4 million in 2015 to RMB5,507.8 million in 2019, representing a CAGR of 42.0%. The successful implementation of online channels by leading players promotes more and more companies to adopt online channel. Thus, there will be an increasing demand from modern retail outlets and fresh food e-commerce platforms for raw and processed meat. Modernisation of the distribution chain and e-commerce will help promote broiler meat demand and is likely to change the consumption patterns of broiler products.

QSR development

QSR development is a major driver of broiler consumption. KFC was established in China in 1987 and is now operating over 5,000 restaurants in over 1,100 cities across China. McDonald's opened its first outlet in China in 1990 and now has over 2,800 outlets, with plan to open another 1,500 outlets in China in the next five years. Other branded chains QSR have also been very popular among the younger generation and have been expanding rapidly in recent years.

Declining consumption of other major protein source

The consumption demand for chicken meat has increased sharply following the outbreak of African Swine Fever, hence consumers are turning towards other protein sources to compensate for the abrupt drop of pork consumption. Furthermore, consumers are pursuing a healthier lifestyle that they tend to choose white meat over dark meat, and chicken breast is the major type of white-meat, so broiler gradually becomes the major protein source. Consequently, the market price of chicken meat has experienced a surging increase. Meanwhile, since domestic production capacity cannot be built up immediately, imports of chicken meat are expected to rise substantially.

Shift in consumer lifestyle

To accommodate the changing lifestyle and eating habits of Chinese consumers, leading players have invested a large amount of fund in research and development to create new products. The increasing product diversity drives the growth of processed broiler meat products market so as to cater various consumer needs in flavour, packaging, nutrition content, etc.

KEY THREATS IN CHINA BROILER MARKET

Fluctuations in the domestic and global economy

China's broiler meat industry may be adversely affected by changes in national or global economic conditions, including changes in GDP growth, inflation, government policies, interest rates, employment, etc. For example, weak economic conditions could contribute to the reduction in demand, bankruptcy of suppliers and higher cost for production. Increased exchange rate may erode the competitiveness of export enterprises and reduce their revenue.

Outbreak of diseases

Avian influenza or other similar diseases may occur during the breeding of broilers. Tens of thousands of broilers could be killed and buried for preventing the spread of avian influenza, which can significantly affect broiler production. Outbreak of diseases in importing countries will also lead to decreasing introduction of Grandparent Stock Chicks which will result in the shrinking supply of broilers. Outbreaks and adverse publicity of these diseases will have negative impact in consumers' confidence, resulting in shrinking market demand and profitability of enterprises.

Rising cost of feeds

The main operating cost of broiler production is the cost of feeds. Feeds are mainly consisted of corn, soybean meal, wheat, sorghum, which in the short term are difficult to be replaced with other materials. Drastic reduction in sown area, climate anomalies and changes in national agricultural policy will result in the reduced production of the abovementioned agricultural products and lead to the increase in price.

FUTURE TREND IN CHINA BROILER MARKET

Expansion of processed broiler meat products

Processed broiler meat products have numerous advantages compared to raw broiler meat products. Firstly, by using different types of raw materials and different processing methods, a variety of processed broiler meat products tailor-made for different consumer groups can be produced. Secondly, producers can control the level of fat, cholesterol, salt, additives and other content in the processed broiler meat products, to provide nutritionally balanced products by adjusting the raw materials used in the process. Finally, processed broiler meat products are generally ready-to-eat products and are gaining popularity among consumers seeking convenience.

Processed broiler products have been very popular in Europe, the United States, Japan and other developed countries, where advanced broiler meat processing technology and equipment are widely used. On the contrary, processed broiler meat product market in China is still at its development stage with processed broiler meat products accounting only for about 14% of the total broiler meat consumption in the country, which is well below the average level of 40-70% in the developed countries. Domestic broiler meat processing is constantly moving towards standardisation, mechanisation and automation, and the processed broiler meat market in China has great potential for development.

More concentrated and integrated market

Commercial broiler farms in China are expanding gradually in their production capacity. The farms with production capacity of 50,000 broilers per day or below are reducing. On the other hand, large enterprises with their own complete production line have an increasing market share. Compared with companies which only focus on one stage of the production process, these relatively large enterprises have stronger risk resistance ability. Vertical integration helps such enterprises eliminate the risks from upstream to downstream of the production process, avoid fluctuations in business performance and safeguard the quality of upstream raw materials and the ultimate outputs to downstream consumers. With the trend of increasing vertical integration, the competition between enterprises is spanning over the entire value chain.

Change of business model

"Company + farmer" model was widely used in broiler production. This model helps companies to tackle difficulties that they may encounter during daily business operation and development, including lack of finance, land availability, environmental regulation cost, etc. However, this model is not conducive to the monitoring of the entire production, making it difficult to ensure the quality of the final products. As the outbreak of avian influenza is still reported occasionally, customers have paid greater attention to the safety of broiler meat products, which will push more domestic broiler enterprises to extend their business to transit from "company + farmers" model to integrated industrial chain model in the future, which could effectively reduce the occurrence of diseases and food safety events.

Less trade in live birds market

The outbreak of H7N9 avian influenza in 2013 caused enormous losses to the broiler market, especially to the yellow-feathered broiler market which relies heavily on live bird sales in wet markets. As an effort to control the spreading of avian influenza, governments have strengthened the control on live broiler trading market. Despite the traditional dietary preference for live broilers, it is expected that chilled or frozen broiler products will gradually take up the market share of live yellow-feathered broilers in the future.

Adopt B2C business model

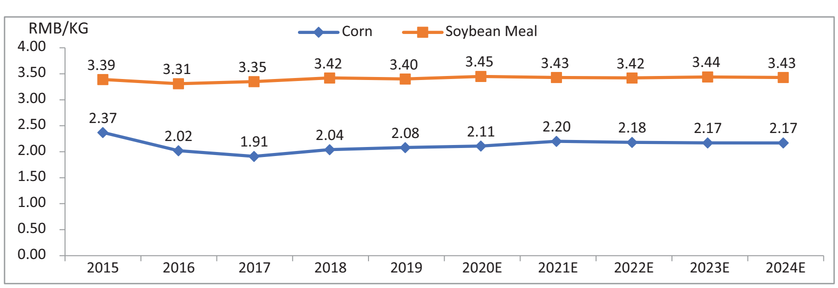
More and more industry participants are motivated to adopt the B2C model, that enables them to sell broiler products to end consumers directly, because it creates a higher profit margin and is also beneficial for building brand image. However, since these participants used to sell broiler products through B2B, that their B2C brands are relatively new to end consumers. Therefore, they need to proactively advertise their products to attain wider brand exposure to end consumers. Yet, with the increasing cost of advertisement (for example, an effective advertisement on a leading media platform could cost at least few million RMB), companies aiming to penetrate into the B2C market need to retain a large amount of funding for marketing.

It is an industry practice for poultry processors and traders to cooperate or enter into collaboration agreements with integrated foodservice providers, who act as intermediaries for offline sales platforms reaching end consumers. These intermediaries provide value-added services to offline sales platforms such as convenience stores and supermarkets, including sourcing, logistics and distribution services of food products. On most occasions, the intermediaries first settle purchase with poultry processors and traders, and then on-sell the products to offline sales platforms. As intermediaries generally have strong coverage of offline sales platforms (including convenience stores and supermarkets) spanning over different regions in the PRC, collaboration with integrated foodservice providers allows poultry processors and traders to broaden their end-consumer reach across the PRC and enhance their brand awareness in a time-effective and cost-effective way. To enable intermediaries to serve their offline sales platforms, the intermediaries usually collaborate with poultry processors and traders to ensure supply of the goods required.

PRICE AND RAW MATERIAL OF BROILER MARKET

Main Feeds Price and Forecast

Average Price of Main Feeds and Forecast (China), 2015 to 2024E



Source: Ministry of Agriculture of China; Frost & Sullivan

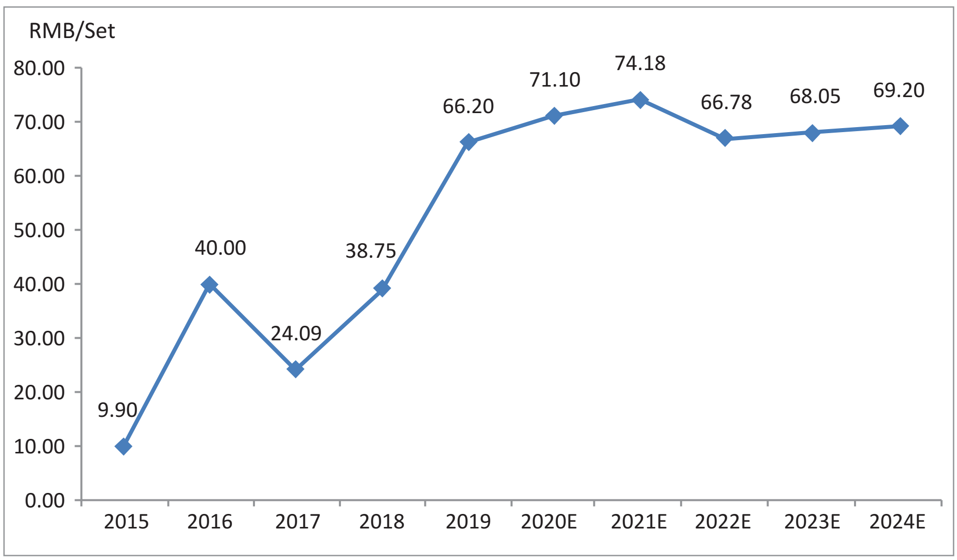
Note: Average price of main feeds includes VAT.

In March 2016, as temporary storage of corn reaches a high volume, the PRC Government announced its termination of the stockpiling policy along with new direct subsidy policy and the corn market was under selling pressure.

On the other hand, as China's domestic soybean meal production rely highly on imports, the price of soybean meal is mainly affected by the prices of soybean meal from major producing areas abroad. For example, in the first half of 2016, domestic prices of soybean meal increased sharply due to the reduction of output in the United States and Brazil. In recent periods, the prices of corn and soybean meal have remained stable at around RMB1.9 to 2.1 per kg and RMB3.2 to 3.5 per kg, respectively. The corn and soybean meal companies in Yanggu, Shandong are typically small trading companies, they are usually set up when the profits are good and close when the profits turn bad.

Parent Stock Day-old Chicks Price and Forecast

Average Parent Stock Day-old Chicks Prices and Forecast (China), 2015 to 2024E



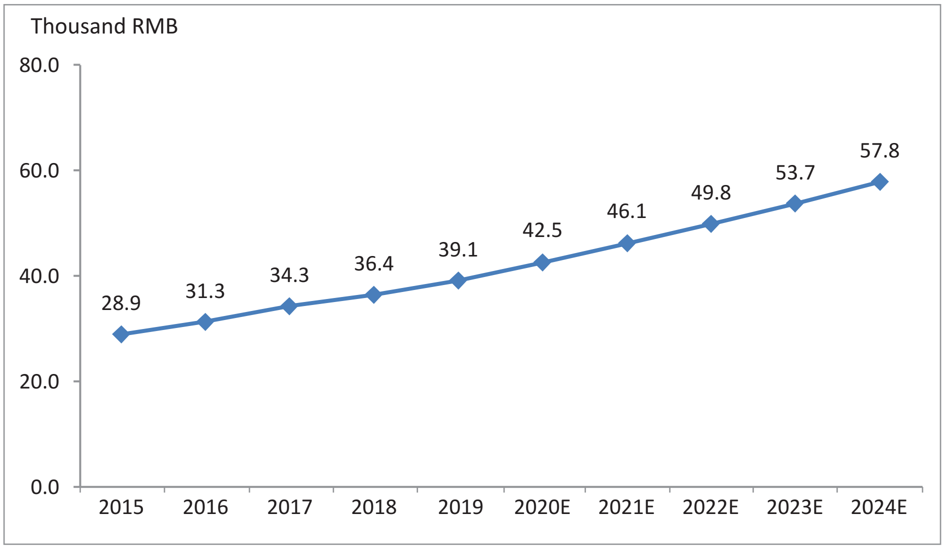
Source: Frost & Sullivan

Note: One set of Parent Stock Day-old Chicks includes a cock and around 7 hens.

Due to the insufficient introduction of Grandparent Stock Chicks, the price of Parent Stock Day-old Chicks rose in 2016. In 2017, due to the impact of H7N9 avian influenza, the price of chicken breeds declined, thus breeding enterprises reduced the purchase of Parent Stock Day-old Chicks, which led to a decline in the price of Parent Stock Day-old Chicks. In 2018, the price of chicken breeds gradually recovered and the market confidence increased. As a result and coupled with the shortage in supply, the price of Parent Stock Day-old Chicks rose and reached RMB66.2 per set in 2019. It is expected that in the short-term, with the outbreak of African Swine Fever, the price of Parent Stock Day-old Chicks will remain high and stable. After which, with the emergence of domestic Grandparent Stock Chicks breeders, the price is expected to fall in the future.

Annual Per Capita Wage in China Broiler Market

Annual Per Capita Wage in the Broiler Market (China), 2015 to 2024E



Source: Frost & Sullivan

The annual per capita wage in the broiler market in China increased from RMB28.9 thousand in 2015 to RMB39.1 thousand in 2019 and is expected to reach RMB57.8 thousand in 2024.

COMPETITIVE LANDSCAPE OF CHINA BROILER MARKET

Differences between fully integrated white-feathered broiler producers and other white-feathered broiler producers

	Fully integrated	Others
Business model	The fully integrated business model extends across the entire poultry industry value chain, including feed processing, chicken breeding, slaughtering and processing, distribution and sales of poultry products.	Other white-feathered broiler producers take charge of one or a few parts of the entire value chain. Majority of them adopt "company + farmers" or "company + broker + farmers" model in the chicken breeding process, which means that white-feathered broiler producers provide farmers with standardised resources, while the farmers are responsible for breeding the commercial generation broilers and sell them to the producers after the commercial generation broilers mature. Compared to "company + farmer" business model, "company + broker + farmer" business model ensures that the company can receive negotiated volume at pre-determined price, and assure farmers' benefits and rights at the same time.

	Fully integrated	Others
Gross profit level	Approximately 11% to 15%, fully integrated broiler producers can adjust production level and selling price based on market demand to better control their gross profit level.	Approximately 7% to 10%, non-fully integrated broiler producers' gross profit level is highly affected by upstream and downstream of the industrial value chain.
Business scale	Most of the fully integrated white-feathered broiler producers are large-scale enterprises. Although they account for a small share in terms of number of broiler farms, they account for a certain share of China's poultry meat output.	Most of the farms are small family units with an average farm size of 1,000 to 2,000 birds' capacity.
Development strategy	Fully integrated white-feathered broiler producers aim to develop all parts of the business as a whole, which includes expanding production capacities, growing product portfolio with a focus on B2C products, strengthening research and development capacities, expanding sales and distribution networks and tapping into new markets, and pursuing merger and acquisition opportunities.	Other white-feathered broiler producers aim to establish a partnership with more farmers to achieve economies of scale, and to keep the supply volume and cost from farmers under their control.

Top 5 Fully Integrated White-feathered Broiler Producers in China by Commercial Broiler Production Volume, 2019[1]

Ranking	Company	Production Volume (Million Birds)	Market Share
1	**Company A[2]**	505.2	9.5%
2	**The Group**	162.3	3.1%
3	**Company B[3]**	140.0	2.6%
4	**Company C[4]**	128.2	2.4%
5	**Company D[5]**	120.0	2.3%
	Top 5	1,055.7	19.9%
Total		5,293.5	100.0%

Source: Frost & Sullivan

Notes:

(1) Fully integrated means the enterprises taking charge of the full commercial breeding process, as opposed to the "company + farmer" production.

(2) Company A specialises in the production of white-feathered broilers. It is one of the leading fully integrated broiler producers in China covering all aspects from production to sales, which includes breed incubation, broiler breeding, broiler hatching, feed processing, broiler processing, food processing, sales, etc.

(3) Company B is one of the leading fully integrated broiler producers in China which covers broiler breeding, feed production, slaughtering, cold storage, food processing, export, etc.

(4) Company C covers broiler slaughtering, segmentation, food processing, refrigeration and sales and its main products include frozen and chilled chicken products, etc.

(5) Company D is a diversified multinational enterprise group integrating food, agriculture, financial and industrial products and services. In the agriculture sector, Company D provides grain, oilseed and other agricultural products procurement, processing and rationing services for food and animal nutrition product manufacturers.

White-feathered broiler production industry in China was still relatively scattered with top five producers taking only 19.9% of total market in 2019. The Group accounted for approximately 3.1% of China's total production volume in 2019.

In general, companies with sizeable operation adopt a fully integrated business model. Fully integrated business model allows the white-feathered broiler producers to improve operation efficiency and optimise its cost structure by reducing the intermediate segment and ensure the supply of raw materials for meat products. Moreover, it enables white-feathered broiler producers to better resist market risks, monitor product quality and provide safe and healthy meat products to customers in the market. Secondly, companies with different business models are not comparable. For example, some companies use the "company + farmer" model to entrust farming chickens. The business model, gross profit level, business scale, and the development strategy of those companies are different from the fully integrated producers such as the Group. Therefore, for the purpose of a fair comparison and a true reflection of the competitive landscape, it is sensible to compare the Group with companies with a similar operation scale.

Top 5 Fully Integrated White-feathered Broiler Meat Exporters in China by Export Revenue and Export Volume, 2018

Ranking	Company	Export Revenue (Million USD)(1)	Market Share	Export Volume (Thousand tonnes)(1)	Market Share
1	**The Group**	129.0	8.6%	44.2	10.4%
2	Company E(2)	110.0	7.4%	25.2	5.9%
3	Company F(3)	90.0	6.0%	17.9	4.2%
4	Company G(4)	61.0	4.1%	18.9	4.5%
5	Company A	57.4	3.8%	15.8	3.7%
	Top 5	447.4	29.9%	121.9	28.7%
Total		1,496.1	100.0%	424.7	100.0%

Source: General Administration of Customs; Frost & Sullivan

Notes:

(1) The products include both raw broiler product line and processed broiler product line.

(2) Company E covers the sale of crop seeds and has also gradually developed and expanded to form a complete modern agriculture and animal husbandry industry chain comprising of seed improvement, planting industry, feed industry, aquaculture industry, agricultural and animal husbandry product processing, food sales, import and export trade, etc.

(3) Company F covers the business sectors of meat and poultry food, corn starch and natural pigment. Company F has formed pillar industries such as feed supply, breeding, slaughtering and segmentation, food processing, starch production, pigment extraction, etc.

(4) Company G is one of the largest industrialisation group companies which covers broiler breeding, feed production, slaughtering and processing, condiment production, cooked food production, chicken bone condiment production, refrigerated distribution, commercial chain, international trade, etc.

The product categories of exported broiler meat products comprises raw broiler meat and processed broiler meat. Many broiler meat exporters in China focus on either raw broiler meat or processed broiler meat. Their focus on only one type of product pose risk to their future operations.

For example, importing countries normally have stricter controls on the import of raw broiler meat. Thus, the demand of exports for raw broiler meat is policy-oriented, which could be ever-changing. Broiler meat exporters with both raw and processed meat product operations are more likely to maintain stable revenue.

Among the white-feathered broiler meat exporters, the Group held the first place in terms of export revenue in 2018 with a market share of 8.6% (measured by the export revenue generated) and export volume in 2018 with a market-share of 10.4% (measured by the export volume generated). The top five players accounted for 29.9% of the total Chinese export revenue in 2018 and 28.7% of the total Chinese export volume in 2018.

The Group's market share in the total production of white-feathered broilers and yellow-feathered broilers in China in 2019 is 1.7% in terms of number of birds produced and 1.4% in terms of tonnes produced.

Competitive Advantage of the Group

The Group is a leading vertically integrated white-feathered broiler and broiler meat producers, operating along the full value chain from feed production, chicken breeding, slaughtering, processing and sales of raw and processed broiler meat products. With years of industry experience and superior operation expertise, the Group has achieved large scale and high efficiency in production. The high standard for products quality and safety control has placed the Group at the forefront of the broiler meat industry and help the Group establish sound client relationship with major business customers.

The Group takes the leading position in broiler meat export market among white-feathered broiler producers, contributing 8.6% of the export revenue of broiler meat in 2018. With years of experience in supplying broiler products to blue-chip business customers, the Group has established a brand reputation in the broiler meat market and high standard of quality and safety control capability, which is favourable for the Group to expand its market share under B2C business model. The Group is well positioned to capture the growth opportunity in processed broiler meat products targeting at end consumers, which is expected to play a favourable role in enhancing overall profit margin in the future.

ENTRY BARRIERS

Fund

In broiler market, companies generally need sufficient areas of land for rearing broilers. Moreover, companies usually procure advanced equipment such as automatic feeding and slaughtering facilities to improve product quality and productivity. Installation of equipment requires massive amount of fund investments. This requirement of fund investments poses heavy financial burden to start-ups, especially to small and medium sized companies and hence deters new entrants from entering the industry and competing with existing players.

Talent

Control of the breeding environment, including the temperature, ventilation, etc. is crucial in the broiler breeding process. Therefore, professional management talents with relevant industry insights are paramount to ensure that the quality of broiler products meets the requirements of customers. Moreover, the efficient production of raw and processed meat products requires experienced workers in slaughtering and processing. However, professional management talents in the broiler breeding industry and experienced slaughtering and processing workers are in short supply and tend to be retained by large, well-established companies offering higher wages and reputation, depriving new entrants of crucial human capital to compete with existing players.

Technology

With increasing awareness of food safety among the general public, companies in the Chinese broiler market have to adopt advanced technique monitoring the real-time status of farms and slaughterhouses, in order to detect and control the outbreak of epidemic diseases timely. A substantial amount of time and investments are required to establish a comprehensive monitoring system, posing a barrier for new entrants.

Export permit and relevant capability

In order to export to overseas markets, broiler meat producers are required to obtain permit from destination countries. In the case where destination countries have stricter rules on the meat quality standard, broiler meat producers with limited capacity and capability to meet these regulations would not be able to compete in the export market.

Diversified business model

With extensive industry experience and sufficient fund, leading industry players in China have established an integrated business model, that enables them to produce diversified product types, such as raw broiler meat and processed broiler meat products, and chicken breeds. Moreover, these leading players have developed an effective quality control system through which their produced products can satisfy importing requirements of export destination and allow them to export their products overseas. The domestic and export markets of raw broiler meat and processed broiler meat products, and chicken breeds witnessed rapid growth in the past few years and are expected to further increase in the near future, and leading players with diversified business model are able to ride on the positive market trend.

SOURCE OF INFORMATION AND RESEARCH METHODOLOGY

The Company commissioned Frost & Sullivan, an independent industry consultant, to provide information on the PRC broiler market and other major overseas broiler markets. The Company had agreed to pay a fee of RMB1,300,000 to Frost & Sullivan for the report. The Directors are of the view that the fee reflects the market rate and the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, industry publications, annual reports of key market players and data on broiler markets in its own database. Frost & Sullivan made various market size projections on the basis of historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that the social, economic and political environment in the PRC and major overseas countries do not experience material changes in the forecast period.

ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and growth consulting and corporate training services. Its industry coverage includes material and food, consumer products, finance, industrial and machinery, automotive and transportation, chemicals, commercial aviation, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics and technology, media and telecom. The Frost & Sullivan Report includes information on data of the PRC broiler market and other major overseas broiler markets.

DIRECTORS' CONFIRMATION

After making reasonable enquiries, the Directors confirm that there has been no adverse change in the market information presented in the Frost & Sullivan Report since the date of the report which may qualify, contradict or have an impact on the information in this section.

The section sets out the summary of the main laws, regulations, rules and policies that govern our business operations in the PRC and Japan as well as our exportation business to certain major overseas countries include Japan, the European Union (Netherlands)/(United Kingdom), Malaysia, Korea, Mongolia and Singapore.

PRC LAWS AND REGULATIONS

POLICIES ON MODERN HUSBANDRY, POULTRY REARING AND PROCESSING INDUSTRY

Since 2006, the State Council and Ministry of Agriculture and Rural Affairs ("**MOA**") have promulgated a series of policies for the purpose of promoting the development of modern husbandry, poultry rearing and processing industry. These policies include the Several Opinions of the State Council Concerning the Promotion of Sustainable and Healthy Development of Animal Husbandry (《國務院關於促進畜牧業持續健康發展的意見》) promulgated by the State Council on 26 January 2007, the Several Opinions of MOA Concerning the Acceleration of the Work of Promoting Standardised Large Scale Raising and Rearing of Livestock and Poultry (《農業部關於加快推進畜禽標準化規模養殖的意見》) issued by MOA on 29 March 2010, and the Circular on Printing and Distributing the Key Points of Work for Animal Husbandry for the Year 2018 (《關於印發<2018年畜牧業工作要點>的通知》) promulgated by MOA on 30 January 2018, and the Circular on Printing and Distributing the Key Points of Work for Animal Husbandry and Veterinarian for the Year 2019 (《關於印發<2019年畜牧獸醫工作要點>的通知》) promulgated by MOA on 30 January 2019.

The foregoing governmental documents call for consolidation, improvement of industrialisation and specialisation level of the animal husbandry industry, acceleration of the rearing and promotion of fine breeds of livestock and poultry and transformation of breeding and raising pattern of livestock and poultry. Moreover, these governmental documents also set forth various governmental preferential policies and incentives provided to the enterprises in the husbandry and farming industry, including increasing the fiscal subsidy and support for the husbandry and farming industry, expanding the applicable scope of fiscal subsidy for agriculture machinery and equipment to include animal husbandry equipment, innovating security methods, expanding the scope of mortgage and pledge, enhancing the establishment of a mechanism whereby banks, government, enterprises and security providers may share risks, striving to expand the pilot scope of insurance policy premium subsidy for animal husbandry, and promoting the development of modern husbandry by allowing the market to play its role.

LARGE SCALE ANIMAL RAISING AND BREEDING INDUSTRY

Record Filing of Livestock and Poultry Breeding Farms

The Animal Husbandry Law of PRC (《中華人民共和國畜牧法》) (the "**Animal Husbandry Law**"), which was promulgated by the Standing Committee of the NPC on 29 December 2005, became effective on 1 July 2006, and amended on 24 April 2015, stipulates the conditions that a livestock or poultry breeding farm shall meet, and requires the owner of a breeding farm to file the name and address of the farm, strains of livestock and poultry as well as scale of breeding for record with the animal husbandry and veterinary medicine authority under the local people's government at the county level where the farm is located, and to obtain labels and codes for the livestock and poultry. The following are the conditions that a livestock or poultry breeding farm should meet:

- To have production premises and supporting facilities commensurate with its scale of rearing;
- To have animal husbandry and veterinary technicians in its service;

- To possess the conditions for epidemic prevention, as provided for by laws and administrative regulations and prescribed by the animal husbandry and veterinary medicine authority under the State Council;
- To have such facilities as methane-generating pits for comprehensive use of, or other facilities for innocuous treatment of, the faeces of livestock and poultry, waste water and other solid wastes; and
- To meet other conditions provided for by laws and administrative regulations.

Licence for Production and Operation of Rearing Livestock and Poultry

According to the Animal Husbandry Law, an entity or individual engaged in the production and operation of rearing livestock and poultry shall obtain a licence for production and operation of rearing livestock and poultry. An applicant applying for the licence for production and operation of rearing livestock and poultry shall meet various conditions set out in the Animal Husbandry Law. The licence is issued by the animal husbandry and veterinary medicine authority under the local people's government at or above the county level and is valid for three years.

An applicant shall meet the following conditions in order to be granted with the licence for production and operation of rearing livestock and poultry:

- The rearing livestock and poultry for production and operation must be the breeds and the synthetic strains that have gone through the verification or identification by the national commission for genetic resources of livestock and poultry, or the breeds and synthetic strains introduced from abroad upon approval;
- The applicant has the husbandry and veterinary technicians commensurate with the scale of production and operation;
- The applicant has the rearing facilities and equipment commensurate with the scale of the production and operation;
- The applicant has the conditions for epidemic prevention among the rearing livestock and poultry, as provided for by laws and administrative regulations and prescribed by the animal husbandry and veterinary medicine authority under the State Council;
- The applicant has sound systems for quality control and for recording the rearing of strains; and
- The applicant meets other conditions as provided for by laws and administrative regulations.

Certificate for Meeting Animal Epidemic Prevention Conditions

The Law on Animal Epidemic Prevention of the PRC (《中華人民共和國動物防疫法》), which was promulgated on 3 July 1997 and amended on 30 August 2007, 29 June 2013 and 24 April 2015, respectively, by the Standing Committee of the NPC, provides that an animal farm shall meet the following conditions for prevention of animal epidemics, and the operator of the animal farm shall apply to the animal husbandry and veterinary medicine authority under the local people's government at or above the county level for a certificate for meeting animal epidemic prevention conditions:

- The farm is located at certain distance from public places, such as residential areas, sources of drinking water, schools and hospitals as prescribed by the veterinary medicine authority under the State Council;

- The enclosure and isolation of the production area and the engineering design and technological processes shall meet the requirements for animal epidemic prevention;
- The farm has necessary facilities and equipment for innocuous treatment and for cleaning and decontamination of waste water, waste materials, animals that die of diseases, and infected animal products;
- Technicians for animal epidemic prevention have been equipped for the farm;
- A sound system for animal epidemic prevention has been established for the farm; and
- The farm meets other conditions for animal epidemic prevention as laid down by the veterinary medicine authority under the State Council.

As provided for by the Law on Animal Epidemic Prevention of the PRC, animal epidemic prevention authorities shall monitor the outbreak and spread of animal epidemics; an entity or individual engaged in raising, slaughtering, marketing, isolation or transportation of animals and/or other activities in connection therewith shall immediately report to the local veterinary medicine authority, animal health supervision authorities or animal epidemic prevention and control authorities when it finds that animals have, or are suspected to have, contracted epidemics, and in addition, it shall have the animals isolated and take other control measures to prevent the spread of the epidemics. According to the Regulations on Administration of National Animal Epidemics Surveillance and Reporting System (For Trial Implementation) (《國家動物疫情測報體系管理規範(試行)》) promulgated on 10 June 2002 by MOA, regular surveillance shall be conducted on any large-scale animal farm where a certain classified disease breaks out, and all documents relating to the animal epidemic surveillance shall be reported to the animal husbandry and veterinary medicine bureau under MOA within the prescribed period of time.

Where animals are eradicated and animal products and relevant goods are destroyed through mandatory measures taken in the course of prevention, control and elimination of animal epidemics, the people's governments at or above the county level shall provide compensation. The specific rates and measures for compensation shall be determined and adopted by the department of finance under the State Council together with other departments concerned. Compensation shall be made for animals that die of stress caused by mandatory vaccination given in accordance with law. The specific rates and measures for compensation shall be determined and adopted by the department of finance under the State Council together with other departments concerned.

Prevention and Control of Pollution

According to the Regulations on the Prevention and Control of Pollution Caused by Large-scale Rearing of Livestock and Poultry (《畜禽規模養殖污染防治條例》) promulgated by the State Council on 11 November 2013 and became effective on 1 January 2014:

- Livestock and poultry farms and rearing districts which are built, reconstructed or expanded shall be in compliance with the development plan of animal husbandry and the pollution prevention and control plan of livestock and poultry rearing, meet the requirements for animal epidemic prevention, and undergo environmental impact assessment. An environmental impact report shall be prepared for any large scale livestock or poultry farm or rearing district which has a potential material impact on the environment;
- In the livestock and poultry farms and rearing districts, there must be relevant facilities for faeces of livestock and poultry, shunting sewage and drains, and storage of faeces and sewage, and comprehensive utilisation and harmless treatment facilities for anaerobic

digestion and stack retting of faeces, organic fertiliser processing, methane producing, separation and delivery of dregs and fluid of methane, sewage treatment and corpse treatment;

- China encourages and supports comprehensive use of wastes of livestock and poultry rearing by way of putting manure back to farmland, producing methane and organic fertiliser, among other uses;
- China encourages and supports the disposal and containment of wastes of livestock and poultry rearing by way of combining planting and rearing to utilise wastes such as manure of livestock and poultry and sewage nearby;
- China encourages and supports comprehensive utilisation, such as producing methane and organic fertiliser, and construction of facilities for delivery and utilisation of dregs and fluid of methane, methane electricity generation, among other uses; and
- The facilities for prevention and control of pollution caused by livestock and poultry farms must be designed, constructed and used concurrently with the main structure. Methods adopted by a livestock or poultry farm for comprehensive use of wastes of livestock and poultry rearing must be put in place at the time when the farm is put into operation. The inspection carried out by environmental protection authorities on completed facilities for prevention and control of pollution caused by livestock and poultry farms shall include the implementation progress of the measures adopted for comprehensive use of wastes generated from livestock and poultry rearing.

LAWS AND REGULATIONS RELATING TO THE FOOD INDUSTRY IN GENERAL

Food Safety

The Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "**Food Safety Law**"), which was adopted by the Standing Committee of the NPC on 28 February 2009 and amended on 24 April 2015 and 29 December 2018, and its implementation regulations, which was promulgated by the State Council on 20 July 2009 and amended on 6 February 2016 and 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:

- strengthen the role of local government in the supervision and coordination of food safety regulation work;
- strengthen food safety risk monitoring and assessment, and early intervention into and quick control over food safety accidents;
- revise the standards for the use of food additives and strengthen regulation of use of food additives;
- establish a food recall system;
- abolish the food safety inspection exemption system;
- clarify the fundamental principles in formulating food safety standards; and
- develop a licencing system for food distribution.

Food Production

According to the Food Safety Law, China implements a licencing system for food production. According to the Measures for Administration of Food Production Licences (《食品生產許可管理辦法》), which became effective on 17 November 2017 and was amended on 1 March 2020, food production enterprises must meet the required production conditions stipulated therein and must obtain food production licences. An enterprise intending to produce food shall apply to the local market regulatory department at or above the county level at the place where the enterprise is located. The effective period for a food production licence is five years.

According to the Regulation of the People's Republic of China for the Administration of Manufacturing Licences of Industrial Products (《中華人民共和國工業產品生產許可證管理條例》), which took effect on 1 September 2005, and the Implementation Measures of "Regulation of the People's Republic of China for the Administration of Manufacturing Licences of Industrial Products" (《中華人民共和國工業產品生產許可證管理條例實施辦法》), which took effect on 1 August 2014, China imposes a production permit system on dairy products, meat products, beverages, rice, flour, edible oils, alcoholic beverages and other products which have a direct connection with human health. If an entity intends to produce products listed on the government-formulated catalogue of industrial products that require manufacturing licences, such entity should apply for and obtain manufacturing licence from its local administration of quality and technology supervision at the provincial level. The term of a manufacturing licence is five years.

According to the Rules for the Implementation of the Management and Supervision of Food Manufacturing and Processing Enterprises (for trial implementation) (《食品生產加工企業質量安全監督管理實施細則(試行)》), which took effect on 1 September 2005, China imposes on the food market a permit system to ensure food safety. Enterprises participating in food manufacturing or processing are required to fulfil government-set standards regarding the production of safe food and obtaining manufacturing licence(s) for industrial products, and the manufactured or processed food would need to pass safety tests and be stamped (or labelled) with food safety stamps (or stickers) to indicate that such food is sufficiently safe to leave the producers and enter target markets.

The Use of Food Additives

According to PRC laws on food safety, the use of food additives, unless absolutely necessary and proved by risk assessments to be harmless to health, should be completely avoided. The health administrative agencies of the State Council require that the standards regarding the use of food additives, in particular, the allowable food additives and their scope of applications and dosage levels, should be updated in a timely manner on the basis of technical requirements and the results of food safety risk analysis. Food manufacturers should use food additives in accordance with such standards regarding the allowable food additives and their scope of applications and dosage levels and may not use any chemical other than food additives that might be injurious to health.

When purchasing raw materials, food additives and food-related products in order to produce food, the food manufacturers should examine the licences and qualification documents of their suppliers. In case the suppliers are unable to furnish the qualification documents, the food manufacturers should inspect the products provided by such suppliers in accordance with the standards regarding food safety. The food manufacturers may not purchase or use raw materials, food additives or food-related products that are not compliant with the food safety standards. The food manufacturers shall inspect raw materials, food additives or food-related products they purchase for the production of food and keep for at least two years records of the names, volumes, specifics, date of purchase, and names and contacts of the suppliers thereof, among other relevant information.

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 contents, list of ingredients, name, address and contact information of the manufacturer, and the code of safety standard adopted by the manufacturer.

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

Food Standardisation

Under the Standardisation Law of the PRC (《中華人民共和國標準化法》), which became effective on 1 January 2018, standards relating to the protection of personal health and the safety of persons and property, as well as standards imposed by other laws and regulations, are classified as "mandatory standards". Food hygiene standards are part of mandatory standards.

Food Inspection

According to the Food Safety Law and its implementation regulations, China has implemented an inspection system relating to food production and operation. The food safety supervision and administration department of a people's government at or above the county level shall, on a regular or unscheduled basis, conduct sampling inspections of food and publish the inspection results according to the relevant provisions, and shall not exempt any food from such inspection. A food production enterprise may itself inspect the food produced by it or employ a food inspection institution that satisfies the requirements of the relevant laws and regulations to do so.

Food Recall

In accordance with PRC laws on food safety, China has launched a food recall system. According to the Administrative Measures on the Administration of Food Recall (《食品召回管理辦法》), which became effective on 1 September 2015, food recall is divided into three levels, namely, Recall of Level One, Level Two and Level Three, on the basis of the severity of the associated health hazards. The acts of food recall are categorised as "proactive recall" and "ordered recall". In the situations that the food manufacturers or dealers find that the food they manufacture or handle is unsafe, they shall immediately cease production or dealing, and recall and dispose of such unsafe food products pursuant to the foregoing provisions. Non-compliance in this regard will result in the food manufacturers or dealers being subject to warnings from or fines or other administrative penalties imposed by the food and drug regulatory authorities.

PRODUCT QUALITY

Product Quality Law of the PRC

Products that we manufacture are subject to the PRC laws and regulations in relation to product quality. The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which became effective on 29 December 2018, is the principal law governing the supervision and administration of product quality.

According to the Product Quality Law, manufacturers 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 manufacturer shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by any defective product of the manufacturer unless the manufacturer is able to prove that:

- it has not circulated the product;
- the defect did not exist at the time when the product was circulated; or
- the state of scientific or technological knowledge at the time when the product was circulated was not such that it allowed the defect to be discovered.

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

Safety of Agricultural Products

The Agricultural Products Safety Law of the PRC (《中華人民共和國農產品質量安全法》) (the "**Agricultural Products Safety Law**"), which was promulgated by the Standing Committee of the NPC on 29 April 2006 and amended on 26 October 2018, governs the supervision and administration of the quality and safety of primary agricultural products, including plants, animals, microorganisms and other products obtained in the course of agricultural activities. The Agricultural Products Safety Law regulates the agricultural products in the following aspects to ensure that they meet the requirements necessary to protect people's health and safety, including:

- the quality and safety standards of agricultural products;
- the production places of agricultural products;
- the production of agricultural products; and
- 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 places of agricultural products. 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; or otherwise, these products shall not be sold.

PRODUCT LIABILITY

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which was promulgated by the NPC on 12 April 1986 and was amended on 27 August 2009, and the Protection of Consumers' Rights and Interests Law of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated by the Standing Committee of the NPC on 31 October 1993 and became effective on 1 January 1994, as amended by the Standing Committee of the NPC on 27 August 2009 and 25 October 2013, both manufacturers and distributors shall be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture or distribute.

The Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), which was promulgated by the Standing Committee of the NPC on 26 December 2009 and became effective on 1 July 2010, provides that where a product endangers personal life or property safety due to its defect, the manufacturer and the distributor(s) thereof shall bear liability in tort.

LAWS AND REGULATIONS RELATING TO FOREIGN TRADE

Import and Export of Goods

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, respectively, by the Standing Committee of the NPC and the Measures for Record-Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》), which was promulgated on 25 June 2004 by MOFCOM and became effective on 1 July 2004 and amended on 18 August 2016 and 30 November 2019, foreign trade operators engaged in goods import and export in China shall go through record-filing and registration with the foreign trade authority under the State Council or the agencies authorised by such authority. Where a foreign trade operator fails to do so, the customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

As provided for in the Customs Law of the PRC (《中華人民共和國海關法》) which became effective on 5 November 2017, by the Standing Committee of the NPC, as well as other related regulations, the declaration of imported or exported goods and the payment of duties may be made by the consignees or consigners thereof or by their entrusted customs brokers that are registered with the approval of the customs. The consignees or consigners of imported or exported goods and the customs brokers engaged in customs declaration shall be registered with the customs in accordance with the law.

According to the Law on Inspection of Imported and Exported Commodities of the PRC (《中華人民共和國進出口商品檢驗法》), which became effective on 29 December 2018 and its implementation regulations, inspection of imported and exported goods which are listed in the catalogue of imported and exported goods subject to compulsory inspection, which was prepared by the state administration for commodity inspection, shall be conducted by the commodity inspection authorities; imported and exported goods which are not subject to compulsory inspection shall be inspected on a sampling basis. Consignees and consignors or their authorised agencies may apply to the commodity inspection authorities for inspection.

According to the Regulations of the PRC on Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》), which was promulgated on 10 December 2001 by the State Council and became effective on 1 January 2002, China applies a uniform administration system to the import and export of goods. China allows free import and export of goods and maintains fair and orderly import and export trade in goods pursuant to the law. No entity or individual may impose or maintain prohibitive or restrictive measures against import and export of goods, except for goods of which the import or export is explicitly prohibited or restricted by laws or administrative regulations.

LAWS AND REGULATIONS RELATING TO PROPERTIES

Rural Land Contracting

According to the Property Law of the PRC (《中華人民共和國物權法》) which was promulgated on 16 March 2007 and became effective on 1 October 2007 (the "**Property Law**"), arable land, woodland, grassland and other land used for agricultural purpose and owned collectively by farmers through the economic collective of which the farmers are members, or owned by the State but used collectively by farmers through the economic collective, may be contracted to third parties, or contractors.

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 promulgated by the Standing Committee of the NPC on 29 August 2002 and became effective on 1 March 2003, as amended on 27 August 2009 and 29 December 2018 (the "**Rural Land Contracting Law**"), contractors of rural land can be members of the economic collective that owns or uses the relevant land, or enterprises and individuals outside the economic collective. A contractor of rural land is primarily entitled to the following rights:

- using and benefiting from the use of contracted land, transferring the right to operate the contracted land, and independently organising the operation of the contracted land;
- transferring the land operation right in accordance with the law;
- obtaining compensation if the contracted land is expropriated or occupied by the government in accordance with the laws; and
- other rights specified by the laws.

At the same time, a contractor of rural land must undertake the following obligations:

- maintaining the agricultural usage of the contracted land and refraining from using the land for non-agricultural purposes;
- protecting and using the contracted land in accordance with the laws and refraining from causing any permanent damage to the contracted land; and
- other obligations specified by the laws.

The awarding party of contracted land, primarily the economic collective that owns or uses the relevant land, is entitled to monitor whether the contractor is using the contracted land in agreed manners. However, it may not interfere with normal operations of the contractor in accordance with the laws.

Under the Property Law and the Rural Land Contracting Law, the contracting term for arable land shall be 30 years, for grassland shall be between 30 to 50 years, and for woodland shall be between 30 to 70 years.

Contracting Rural Land to Non-member of Economic Collective

According to the Rural Land Contracting Law, the decision to contract the rural land to an enterprise or individual that is not a member of the economic collective which owns the land must be made in accordance with relevant procedures, which require (i) the approval by at least two-thirds of the members of the economic collective or two-thirds of the representatives for members of the economic collective, and (ii) the approval by the competent government at the township level.

Transferring Right to Operating Contracted Land

The Property Law and the Rural Land Contracting Law provide that a contractor of rural land may transfer its right to operate the contracted land through subcontracting, leasing, exchanging, assignment or other means by entering into written agreements with the transferee. The transferee could be members of the economic collective that owns the relevant contracted land, or enterprises and individuals outside the economic collective as long as such enterprises and individuals engage in agricultural production activities.

A transfer of the contractor's right to operate the contracted land must comply with, among other things, the following principles:

- such transfer must be based on voluntary negotiation between the contractor and the transferee;
- such transfer must not alter the (i) nature of the ownership or (ii) agricultural usage of the contracted land;
- the term of transfer may not exceed the remainder of the contracting term;
- the transferee must be capable of conducting agricultural production activities; and
- members of the same economic collective shall enjoy priority in obtaining the right to operate the contracted land under same conditions.

According to the Measures for the Administration of Transferring Right to Operating Contracted Rural Land (《農村土地承包經營權流轉管理辦法》) which was promulgated by the MOA on 19 January 2005 and became effective on 1 March 2005, the relationship between the contractor and the awarding party of the contracted land will not be affected if the contractor transfers its right to operating the contracted land to a third party. If the transferring is accomplished through assignment, prior consent from the awarding party must be obtained. If the transferring is accomplished though the other means, the contractor only needs to file the transfer with the awarding party timely.

If a contractor intends to authorise the awarding party or an intermediary agency to transfer its right to operate the contracted land to a third party, it shall issue a letter of authorisation that specifies particulars such as the scope and term of authorisation. Without the written authorisation of the contractor, no organisation or individual may transfer the right to operate the relevant contracted land.

Leasing of Collectively-owned land

According to the Organic Law of Villagers' Committee of the PRC (《中華人民共和國村民委員會組織法》) which was took effect on 29 December 2018, disposal of any property collectively owned by an economic collective of villagers must be approved by the villagers' meeting after deliberation. The villagers' meeting may also authorise the meeting of representatives of villagers to approve the disposal after deliberation. If a lessee leases collectively-owned land from an economic collective of villagers, the aforementioned requirements must be complied with. If the leased land has been classified as agricultural land, the lessee must not use the land for non-agricultural purposes, unless the allowed usage of the leased land has been converted into non-agricultural purposes in accordance with the PRC laws.

Land Used for Agricultural Facilities

According to the Circular of the Ministry of Land and Resources and the Ministry of Agriculture on the Further Promotion of the Healthy Development of Facility Agriculture (《國土資源部、農業部關於進一步支持設施農業健康發展的通知》) which was issued on 29 September 2014 ("**2014 Circular**"), land used for agricultural facilities is divided into land for production facilities, land for ancillary facilities and land for supporting facilities, which is in nature agricultural land and shall be administered as such, and accordingly, no governmental approval of cultivated land conversion is required for the use of agricultural land for agricultural facilities. No such land can be put into use without the signing of a land use agreement with the local government at township or town level and rural collective economic organisation. After the signing of such agreement, the township government or town government shall promptly submit the land use agreement and construction plans of the facilities to be built on such land to the competent department of land and resources and agricultural department at the county level for record keeping as required. In addition, prior approval by the government at the county level must be obtained to use any land for agricultural facilities. Land used for agricultural facilities must not be used for non-agricultural purposes without going through the legal requirements under the PRC laws.

On 17 December 2019, the Circular of the Ministry of Natural Resources and the Ministry of Agriculture and Rural Affairs on Issues Concerning the Management of Facility Agricultural Land (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, the "**2019 Circular**") was issued, according to which the 2014 Circular has expired and automatically revoked. The 2019 Circular stipulates that land used for agricultural facilities is divided into land directly for crop cultivation and land for livestock and poultry aquaculture, including related land used for storage, drying, packaging, disposal, inspection, and etc. General cultivated land can be used for facility agricultural land, while permanent basic farmland shall not be used as facility agricultural land in principle unless certain procedures for allocation are completed. Rural collective economic organisation is responsible to file the use of facility agricultural land to township government, and the township government consolidates such information periodically and reports to natural resources authority at the county level.

REGULATIONS RELATING TO EMPLOYMENT

The PRC National People's Congress promulgated the Labour Contract Law of PRC (《中華人民共和國勞動合同法》) which became effective on 1 January 2008 and was amended on 28 December 2012, and the State Council promulgated Implementing Rules for the Labour Contract Law of PRC (《中華人民共和國勞動合同法實施條例》) on 18 September 2008. The labour contract law and the implementing rules impose requirements concerning, among others, the execution of written contracts between employers and employees, the time limits for probationary periods, and the length of employment contracts. Also, under the labour contract law an employer is not permitted to establish staffing companies to place workers with themselves or their subsidiaries, and no enterprises is permitted to provide work placement business without obtaining a work placement licence, for an enterprise that acts in violation of such provisions, the labour administrative department shall order it to stop the illegal act, confiscate all illegal gains and impose a fine between one and five times the amount of illegal gains, if there is no illegal gain, a fine of no more than RMB50,000 shall be imposed.

The PRC Social Insurance Law (《中華人民共和國社會保險法》) became effective on 1 July 2011 and was amended on 29 December 2018. In accordance with the PRC Social Insurance Law and other relevant laws and regulations, enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan, a housing provident fund, and a handicapped employment security fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the PRC Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day, as the case may be. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. In addition, the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) requires companies operating in China to withhold individual income tax on employees' salaries based on the actual salary of each employee upon payment.

According to the Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Health and Other Departments on Establishing a New Rural Cooperative Medical Care System (Guo Ban Fa [2003] No. 3) (《國務院辦公廳轉發衛生部等部門關於建立新型農村合作醫療制度意

見的通知》(國辦發[2003]3號)), it is necessary to strengthen the publicity and education of the New Rural Cooperative Medical Care System (now unified as the Basic Medical Insurance for Urban and Rural Residents) and adopt various forms to promote the importance of the Basic Medical Insurance for Urban and Rural Residents and local specific practices for farmers, guide them to continuously enhance self-care and mutual aid awareness, and mobilise the broad masses of farmers to participate in the Basic Medical Insurance for Urban and Rural Residents scheme voluntarily and actively. According to the Several Opinions of the State Council on Solving the Problem of Migrant Workers (Guo Fa [2006] No. 5) (《國務院關於解決農民工問題的若干意見》(國發[2006]5號)), migrant/ rural workers may voluntarily participate in the Basic Medical Insurance for Urban and Rural Residents of their original domicile. Pursuant to the Opinions of the Ministry of Health, the Ministry of Civil Affairs, the Ministry of Finance, the Ministry of Agriculture and the State Administration of Traditional Chinese Medicine on Solidifying and Developing the New Rural Cooperative Medical Care System (Wei Nong Wei Fa [2009] No. 68) (《衛生部、民政部、財政部、農業部、中醫藥局關於鞏固和發展新型農村合作醫療制度的意見》(衛農衛發[2009]68號)), rural/ migrant workers shall be actively guided to participate in the Basic Medical Insurance for Urban and Rural Residents scheme.

Pursuant to the Opinions of the State Council on Integrating the Basic Medical Insurance System for Urban and Rural Residents (Guo Fa [2016] No. 3) (《國務院關於整合城鄉居民基本醫療保險制度的意見》(國發[2016]3號)), the PRC Government established the unified Basic Medical Insurance for Urban and Rural Residents through integrating the basic medical insurance system for urban residents and the New Rural Cooperative Medical Care System. Migrant workers and persons in flexible employment shall participate in the basic medical insurance for urban employees in accordance with the law, and may participate in the Basic Medical Insurance for Urban and Rural Residents in accordance with local regulations if encountered difficulties. All regions shall improve the approaches of participation in the insurance, realise coverage of all eligible residents and avoid repeated participation in the insurance.

According to the Opinion of the State Council on Establishing a Unified Basic Pension Insurance System for Urban and Rural Residents (Guo Fa [2014] No. 8) (《國務院關於建立統一的城鄉居民基本養老保險制度的意見》(國發[2014]8號)), the State Council has decided to integrate the New Rural Social Pension Insurance and the Social Pension Insurance for Urban Residents, and establish a unified Basic Pension Insurance for Urban and Rural Residents.

According to Article 8 of the Notice of the Ministry of Human Resources and Social Security and the Ministry of Finance on Printing and Distributing the Interim Measures for the Connection of Urban and Rural Pension Insurance Systems (Ren She Bu Fa [2014] No. 17), insured personnel may not receive urban employee pension insurance and pension insurance for urban and rural residents at the same time.

The employer fully bears the relevant fees after receiving the invoices for reimbursement provided by the rural employees without requiring the employees to bear the fees under the Basic Medical Insurance for Urban and Rural Residents and the Basic Pension Insurance for Urban and Rural Residents, as compared to social security fund and housing provident fund contributions schemes.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright. Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of PRC (《中華人民共和國著作權法》) and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

Trademark. The PRC Trademark Law (《中華人民共和國商標法》) and its implementation rules protect registered trademarks. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. The Trademark Office under the SAIC is responsible for the registration and administration of trademarks throughout the PRC, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the initial or extended term. Trademark licence agreements must be filed with the Trademark Office for record.

Patent. Pursuant to the PRC Patent Law (《中華人民共和國專利法》) and its implementation rules, once a patent for an invention or utility model has been granted, unless otherwise provided by the Patent Law, no entity or individual may use the patent, patented product or patented process for production or business purposes without the authorisation of the patent owner. Once a patent has been granted for a design, no entity or individual may manufacture, sell or import any product containing the patented design without the permission of the patent owner. If a patent is found to have been infringed, the infringer must, in accordance with relevant regulations, cease such infringement, take remedial action and pay damages.

Domain Name. Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology of PRC (the "**MIIT**") on 24 August 2017 and took effect on 1 November 2017. The MIIT is the major regulatory authority responsible for the administration of the PRC Internet domain names. The registration of domain names in PRC is on a "first-apply-first-registration" basis. A domain name applicant will become the domain name holder upon the completion of the application procedure.

JAPANESE LAWS AND REGULATIONS

GENERAL OVERVIEW OF THE JAPANESE LEGAL SYSTEM

Primary Features

The Japanese legal system has the following significant features:

- The Japanese legal system is a hybrid civil law system with characteristics of both civil law systems, such as the French and German civil legal systems, as well as common law systems, such as the United States legal system.
- Under Japanese law, any act shall not be subject to criminal prosecution unless such act is explicitly and clearly described as a crime under a strict contextual interpretation of the applicable statutory provisions.
- Court rulings, although they have a de facto binding effect on inferior courts, do not modify existing law or create new law. Laws can only be adopted or modified through the legislative process.
- Court rulings, similar to court rulings in other civil and common law systems elsewhere, may be overturned by laws and regulations and/or amendments to existing laws and regulations enacted or adopted by legislative or executive authorities.
- The highest court in Japan is the Supreme Court.

THE LABOUR LAWS

There are various labour-related laws enacted in Japan, including the Labour Standards Act (Act No. 49 of 1947, as amended), the Industrial Safety and Health Act (Act No. 57 of 1972, as amended), and the Labour Contract Act (Act No. 128 of 2007, as amended). The Labour Standards Act provides, among other things, the minimum standards for working conditions such as working hours, rest periods, days off and annual paid leave. The Industrial Safety and Health Act requires, among others, the implementation of measures to secure employee safety and protect the health of workers in the workplace. The Labour Contract Act regulates, among others, the change to labour contracts and working rules, dismissals and disciplinary actions.

THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT

The Foreign Exchange and Foreign Trade Act (Act No.228 of 1949, as amended) aims to control foreign exchange and foreign trade. When "a resident" has paid from Japan to a foreign state or received a payment made from a foreign state to Japan, or when "a resident" has paid to or received a payment from a non-resident, the "resident" thereof shall report to the Minister of Finance, except in case that, among others, each payment is not more than JPY30,000,000 or is a payment for imported or exported goods which customs clearance is made in Japan.

LAW AND REGULATIONS RELATING TO EXPORTATION

JAPAN

The export of processed chicken meat products to Japan is subject to the following regulations under Japanese law to prevent the outbreak and spread of infectious livestock diseases and ensure food safety.

Act on Domestic Animal Infectious Diseases Control of Japan (Act No. 166 of 1961, as amended), (the "Domestic Animal Infectious Diseases Control Act")

The purpose of the Domestic Animal Infectious Diseases Control Act is to promote the livestock industry by preventing the outbreak or spread of domestic animal infectious diseases. Under the Domestic Animal Infectious Diseases Control Act, import of items that are from or via regions prescribed by relevant ordinance of the Ministry of Agriculture, Forestry and Fisheries of Japan and are designated by the Minister of Agriculture, Forestry and Fisheries of Japan (the "**MAFF**") is prohibited in order to prevent the spread of infectious diseases. As at the Latest Practicable Date, chicken meat imported from the PRC is so designated, and thus its import to Japan is in principle prohibited.

As an exception to this prohibition, chicken meat carrying a certificate from a PRC government agency or another person designated by the MAFF to the effect that the chicken meat has been heat-processed at a facility designated by the MAFF and in accordance with the standards set by the MAFF, may be imported to Japan from the PRC. The standards for heat-processed chicken meat products to be exported from the PRC to Japan are provided for in the "Animal Health Requirements for heat-processed poultry meat and its products to be exported to Japan from the People's Republic of China" concluded between the governments of Japan and the PRC, which can be summarised as follows:

- Processed chicken meat to be exported to Japan must be slaughtered at slaughter facilities approved by the government of the PRC and processed at processing facilities approved by the government of the PRC.
- Heat processing must take place at a facility designated by the MAFF as being capable of a heat processing that meets a certain standard.
- The designation of a heat processing facility is valid for two years.

Processed chicken meat products must undergo inspection by animal quarantine officers when imported into Japan and be issued with a certificate of import quarantine.

Food Sanitation Act of Japan (Act No. 233 of 1947, as amended) (the "Food Sanitation Act")

The purpose of the Food Sanitation Act is to prevent the sanitation hazards resulting from eating and drinking by enforcing the regulations and other measures necessary, from the viewpoint of public health, to ensure food safety and thereby to protect citizens' good health. The Food Sanitation Act prohibits the import of (i) food that is rotten, covered with harmful substances, or contaminated with pathogens, (ii) food that does not meet the criteria established by the Minister of Health, Labour and Welfare of Japan (the "**MHLW**"), (iii) containers and packaging which contain or are covered in harmful substances and (iv) a certain category of food (including chicken meat) for sale that is not produced or processed in countries, regions or facilities which are designated by the MHLW (applicable on 1 June 2021 or later). Also, a person who intends to import food (including chicken meat) for sale must submit a food import notification to the MHLW containing specified information and must attach a certificate issued by a government agency of the exporting country certifying that it is not the meat of poultry or products thereof which have or are suspected to have any disease and other matters.

When the MHLW finds it necessary to prevent food sanitation hazards, it may order a person who imports food which is found likely to violate the Food Sanitation Act, judging from circumstances at production sites and other circumstances, to receive inspections by the MHLW or a registered conformity assessment body regarding said food. A person who has received such order shall not sell said food until he or she receives said inspections and receives notice of the results thereof.

Customs Act of Japan (Act No. 61 of 1899, as amended) (the "Customs Act")

The Customs Act provides for the establishment, payment, collection and return of customs duties, and the customs procedures with respect to the export and import of goods. A person intending to import goods must declare to the director-general of the customs house the volume and price of such goods for the purpose of determining customs duties, and other necessary information. For the import of chicken meat in particular, during inspection it is necessary to demonstrate to the customs house that the chicken meat satisfies the criteria provided for in the Domestic Animal Infectious Diseases Control Act and the Food Sanitation Act and receive confirmation from the customs house, because chicken meat must satisfy the criteria provided for in the Domestic Animal Infectious Diseases Control Act and the Food Sanitation Act as stated above.

THE EUROPEAN UNION (NETHERLANDS)

General Overview of Importation on Poultry Meat

Within the European Union ("**EU**") import tariffs are harmonised under the Treaty on the Functioning of the European Union (TFEU). As a result of this all member states of the EU levy the same import tariffs on import of poultry meat from third countries. As a member state of the EU, the Netherlands is part of the EU free trade union and the customs union. This allows free transportation of goods within the territory of the EU, during which no additional custom duties are levied.

Pursuant to Commission Decision 2002/994/EC, import of poultry meat from the PRC to the Netherlands is prohibited, unless the products are accompanied by a declaration of the competent authority of PRC stating that each consignment has undergone a chemical test in order to ensure that the products do not present a danger to animal or human health. The chemical test must be carried out to detect the presence of chloramphenicol and nitrofuran and its metabolites in particular.

Commission Regulation (EC) No.136/2004 and Veterinary Control Regulation Third Countries 2018

Prior to physical arrival of the chicken meat to the territory of the EU, the veterinary staff of the border inspection post that the products will arrive using (part 1 of) the Common Veterinary Entry Document (the "**CVED**"). Prior to introduction of the poultry meat into the common market, each consignment is subject to veterinary checks by the Netherlands Food and Consumer Product Safety

Authority (the "**NVWA**"), under responsibility of an official veterinarian appointed by the NVWA. After completion of the veterinary checks (part 2 of) the CVED can be completed under the responsibility of the official veterinarian. The CVED shall be signed by that official veterinarian or by another official veterinarian operating under supervision of the former, to give veterinary clearance to the consignment.

Council Regulation (EC) No. 834/2007 of 28 June 2007 on Organic Production and Labelling of Organic Products and Repealing Regulation (EEC) No. 2092/91

Additional rules apply to import of organic products. The products must comply with the EU-rules affecting its production and either be subject to control of a control authority recognised by the EU, or be subject to control measures of equivalent effectiveness which are permanently and effectively applied, provided that the products are covered by a certificate issued by the competent or recognised control authority. The original certificate accompanies the goods to the premises of the first consignee, after that the importer keeps the certificate for a period of not less than two years.

If an irregularity is found in compliance with the requirements, the control authority is authorised to ensure that no reference to the organic production method is made in the labelling and advertising of the production affected by the irregularity. Depending on the severity of the infringement, the control authority can prohibit marketing, labelling and advertising which refers to organic production method for a certain period.

Product liability articles 6:185 and 6:187 (3) of the Dutch Civil Code

According to Dutch law the producer of a product is responsible for the damage that is caused by a defect of the product. When goods are imported to the EU from a third country, the importer is considered to be the producer and is therefore liable for damages caused by a defect of the product. It is important to note that this concerns a strict liability. The producer is therefore exposed to a higher liability risk.

Regulation (EU) 2016/1036 on Protection Against Dumped Imports and Regulation (EU) 2016/1037 of the European Parliament and of the Council on Protection Against Subsidised Imports

The EU has measures in place against dumped and subsidised Imports. Dumping is considered to take place when the export price of the products is less than its normal value, i.e. the market price for the products in the exporting country, or cost of production including, a reasonable amount for selling, general and administrative costs, and profit.

A subsidy is considered to occur if there is a financial contribution by a government in the country of origin or export. An investigation into dumping or subsidising of Products can be initiated upon a complaint by any natural or legal person in the EU. A dumping investigation examines whether: (i) dumping has taken place, (ii) the EU industry suffers material injury through that, (iii) a causal link exists between dumping and injury; and (iv) measures are not against the EU interest. A subsidy investigation examines whether: (i) imports from countries are subsidised; (ii) the EU industry suffers material injury; (iii) there is a causal link between the injury and the subsidised imports; and (iv) put in measures in place is in the European Interest.

THE UNITED KINGDOM

Introduction

The UK exited the EU on 31 January 2020. By virtue of the transition period in the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (dated 19 October 2019), EU law will continue to apply in and in relation to the UK until 31 December 2020. Whilst it was thought possible in light of disruption caused by the COVID-19 pandemic that this transition period may be extended beyond that date, on 12 June 2020, the UK Government confirmed that it would not seek an extension. During the transition period, it is intended that the UK and EU would reach an arrangement as to their future trading relationship. Immediately after the end of the transition period, the UK regulatory regime will mirror the EU regulatory regime, but it is possible that thereafter the UK regulatory regime will diverge from that of the EU in certain respects. Accordingly, the regulatory requirements for the importation of poultry meat products from the PRC into the UK are not expected to substantively change immediately after the transition period, although it is possible that the UK's regulatory requirements could diverge over time.

Therefore, as at 31 March 2020 and until at least 31 December 2020, the below EU law shall continue to apply.

Regulation (EC) No. 798/2008

The export of the poultry products, including exporting processed (cooked) chicken products (the "**Poultry Products**") from the PRC to customers in the United Kingdom ("**UK**") is governed by Regulation (EC) No. 798/2008, as amended (the "**2008 Regulation**"). The 2008 Regulation sets out the veterinary certification requirements governing the import of, *inter alia*, poultry; poultry meat and mechanically separated poultry meat into the EU and the UK from third countries.

The 2008 Regulation lays down a list of third countries from which such products may be imported into the EU, which includes the PRC and specifically Shandong.

Under the 2008 Regulation, the Group is required to complete a veterinary certificate in order to export the Poultry Products from the PRC to the UK. The certificate requires, *inter alia*, compliance with the following: (1) public health attestations; (2) animal health attestations; and (3) an animal welfare attestation. These attestations provide confirmation that various EU regulatory requirements surrounding food safety and hygiene have been complied with.

Other Relevant Legislation

Other applicable legislation includes Regulation (EC) No. 853/2004, as amended (the "**2004 Regulation**"), the Commission Decision 2007/777/EC, as amended (the "**2007 Decision**"), the Commission Decision 2002/994/EC (the "**2002 Decision**") and Regulation (EC) No. 543/2008, as amended (the "**543 Regulation**").

The 2004 Regulation sets out certain legal requirements which apply to the import of food products into the UK from outside the EU. In particular, it states that the third country of dispatch must appear on a list, (and the PRC does appear on this list, as specified in the 2008 Regulation), and the establishment (i.e. facility) from which the product is dispatched must be listed, which includes the third plant of Shandong Fengxiang Food Development Co., Ltd.

The 2007 Decision sets out the animal and public health conditions and model certificates required for the import of meat products from third countries. The Poultry Products fall within the definition of "meat products" and must comply with the following: come from an approved third country (see above); come from an EU approved establishment (see above); and be accompanied by a health certificate.

There is significant overlap between the 2008 Regulation and 2007 Decision and their respective certificates. In our view, it appears that both pieces of legislation apply to the Poultry Products. Accordingly, there is some ambiguity as to which certificate should be used for the export of the Poultry Products from the PRC to the UK.

Whilst the certificate provided under the 2008 Regulation is more recent, given that the Group has been using the certificate from the 2007 Decision and, as far as we are aware, without any issues being raised at the Border Inspection Post at the UK border, we do not consider this to be problematic. In our opinion, there is nothing to suggest that the Group should not continue using the certificate from the 2007 Decision for the export of the Poultry Products to the UK going forward.

The 2002 Decision sets out certain protective measures with regard to poultry meat products imported from the PRC. Pursuant to the 2002 Decision, the Poultry Products may not be imported into the UK unless they are accompanied by a declaration of the PRC's competent authority stating that each consignment has undergone a chemical test to ensure that the products do not present a danger to animal or human health. In particular, the chemical test must be carried out to detect the presence of chloramphenicol and nitrofuran and its metabolites (as is the case here).

The 543 Regulation sets out the rules applicable to the marketing of frozen, pre-packaged poultry meat products, which includes "poultry cuts". The Poultry Products fall within the definition of "poultry cuts" (which includes chicken breast and chicken breast fillet). The requirements for such products are as follows: (1) the pre-packages may contain one or more poultry cuts of the same type and species (as is the case here) and (2) the pre-packages must bear an indication of the weight of the product.

MALAYSIA

Animals Act 1953 (the "Animals Act")

The Animals Act governs, among other things, the control of the movement of, the licensing requirements of importation and exportation of and the prevention of spreading diseases of animals, birds and carcasses into, within and from Malaysia. It is administered by the Department of Veterinary Services (the "**DVS**") of the Ministry of Agriculture and Agro-based Industry.

The Animals Act provides that a person requires a permit from the Director General of Quarantine and Inspection under the MAQIS Act (as defined below) to import, among other things, any carcass. All applications to import poultry carcasses, products or parts into Malaysia must be through the local agent or a Malaysian based/registered company.

Malaysian Quarantine and Inspection Services Act 2011 (the "MAQIS Act")

The MAQIS Act regulates, among other things, the certification for import of animals and carcasses and enforcement relating to food and matters connected to it. It is administered by the Ministry of Agriculture and Agro-based Industry.

The application for the permit to import any carcass shall be made by the local agent or a Malaysian based/registered company.

Any person who is involved in importing, among other things, carcass, without the requisite permit, licence or certificate shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding six years or to both and, for a second or subsequent offence to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding seven years or to both.

The MAQIS Act also requires any person who is involved in the importation of carcasses to comply with any import conditions as may be specified in the permit, licence or certificate issued. Any person who contravenes this commits an offence and shall, on conviction, be liable to the same penalties set out above.

Pursuant to the Malaysian Quarantine and Inspection Services (Issuance of Permit, Licence and Certificate) Regulations 2013 issued under the MAQIS Act, an application for a permit, to import shall only be made after the applicant is registered as an importer or agent with the Director General under the Malaysian Quarantine and Inspection Services (Registration of Importers, Exporters or Agents) Regulations 2013.

The Regulations for the Importation of Poultry Carcasses, Products or Parts thereof into Malaysia (revised in 2014) (the "**Regulations**") issued under the MAQIS Act requires all application to import frozen, chilled carcasses or parts and value added or heat treated poultry products (the "**Products**") to be made by a local agent or a Malaysian based/registered company. Each consignment of Products shall be accompanied by the following:

(a) a valid import permit issued by the Malaysian Quarantine and Inspection Services Department permitting the importation into Malaysia under the MAQIS Act;

(b) an official veterinary health certificate in English dated within seven days of the said application issued by the government veterinary authority of the exporting country;

(c) a halal certificate issued or endorsed and signed by the authorised personnel of the registered Islamic organisation in the exporting country that has been approved by the Department of Islamic Development Malaysia ("**JAKIM**") (i.e. Shandong Halal Certification Service) that the slaughtering process has been done according to Muslim rites and that all slaughtering, chilling, freezing, storing, transportation and all other acts in connection with handling and consignment have been done separately from the other species of animals.

The Director General of DVS may at any time when deemed necessary, suspend the importation of the Products either temporarily or permanently in the event of disease outbreaks or suspected disease outbreaks or in case of importation in contravention of the above regulations.

Malaysian Protocol for the Halal Meat and Poultry Productions (the "Protocols")

The Protocols issued by JAKIM is applicable to any establishment/abattoir which intends to export poultry meat and products to Malaysia under the Animals Act. The establishment/abattoir is required to be approved by both the DVS and JAKIM. Upon approval of both departments, the establishment/abattoir (including any poultry processing plant) will be listed in the Malaysian approved plants list on the DVS website.

Should the carcasses and Products not comply with the requirements of the Protocols, these carcasses and Products shall be considered as non-halal conformance and shall be removed from the halal system and shall be processed in another establishment or processed after the completion of all halal carcass processes.

Trade Descriptions Act 2011 (the "TDA")

The TDA prohibits false trade descriptions and false or misleading statements, conduct and practices in relation to the supply of goods and is administered by the Ministry of Domestic Trade, Co-operatives and Consumerism (the "**MDTCC**").

No person shall make any false representation by any means that any goods supplied by him are of a kind supplied to or approved by any person including any government or government department or agency or any international body or agency whether in Malaysia or abroad. Any body corporate that contravenes this shall on conviction be liable to a fine not exceeding RM500,000 and for a second or subsequent offence, to a fine not exceeding RM1,000,000.

In addition, where any body corporate:

(a) applies a false trade description to any goods;

(b) supplies or offers to supply any goods to which a false trade description is applied; or

(c) exposes for supply or has in his possession, custody or control for supply any goods to which a false trade description is applied,

it shall have commited an offence and on conviction be liable to a fine not exceeding RM250,000. For a second or subsequent offence, the fine shall not exceed RM500,000.

TDA further provides that if the person committing an offence under the act is a body corporate, any person who at the time of the commission of the offence was a director, chief executive officer, chief operating officer, manager, secretary or other similar officer of the body corporate or was purporting to act in any such capacity or was in any manner or to any extent responsible for the management of any of the affairs of the body corporate or was assisting in such management:

(a) may be charged severally or jointly in the same proceedings with the body corporate; and

(b) if the body corporate is found guilty of the offence, shall be deemed to be guilty of that offence unless, having regard to the nature of his functions in that capacity and to all circumstances, he proves:

    (i) that the offence was committed without his knowledge, consent or connivance; and

    (ii) that he had taken all reasonable precautions and exercised due diligence to prevent the commission of the offence.

The Trade Descriptions (Certification and Marking of Halal) Order 2011 (the "**Order**") issued under the TDA provides that all imported food and goods marketed in Malaysia shall not be described as halal unless the imported food and goods are certified as halal by the foreign halal certification body recognised by JAKIM. Any body corporate that violates the Order is guilty of an offence and upon conviction may be fined up to RM200,000, and for a second or subsequent offence, to a fine not exceeding RM500,000. The importer or manufacturer of the food and goods which have been certified as halal by the foreign halal certification body recognised by JAKIM shall mark on the said food and goods, the name of the said certification body. Pursuant to the Order, the Shandong Halal Certification Service is a recognised Foreign Halal Certification Body.

Under to the Trade Descriptions (Definition of Halal) Order 2011 issued under the TDA, any person who supplies or offers to supply any food through any representation or act which is likely to mislead or confuse any person that the food is halal or can be consumed by a Muslim commits an offence and shall, on conviction, be liable to a fine not exceeding RM5,000,000, and for a second or subsequent offence, to a fine not exceeding RM10,000,000.

Food Act 1983 (the "Food Act")

The Food Act governs the food safety and quality control, including standards, hygiene, import and export, advertisement and accreditation of laboratories. The objective is to protect the public from health hazards and fraud in the preparation, labelling, sale and use of foods and for other related matters.

The Food Act applies to all foods, including every article imported which are sold or represented for use as food or drink for human consumption or which enters into or is used in the composition, preparation, preservation, of any food or drink.

Under the Food Act, any person who:

(a) where a standard has been prescribed for any food, prepares, packages, labels or advertises any food which does not comply with that standard, in such a manner that it is likely to be mistaken for food of the prescribed standard, commits an offence and is liable on conviction to imprisonment for a term not exceeding three years or to fine not exceeding RM10,000 or to both;

(b) prepares, packages, labels or sells any food in a manner that is false, misleading or deceptive as regards its character, nature, value, substance, quality, composition, merit or safety, strength, purity, weight, origin, age or proportion or in contravention of any regulation made under the Food Act commits an offence and is liable on conviction to imprisonment for a term not exceeding three years or to fine not exceeding RM10,000 or to both; and

(c) prepares or sells any food that has in or upon it any substance which is poisonous, harmful or otherwise injurious to health commits an offence and shall be liable, on conviction, to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 10 years or to both.

Countervailing and Anti-Dumping Duties Act 1993 (the "CADDA")

Malaysia's international rights and obligations in the area of countervailing and anti-dumping are governed by her membership in the World Trade Organisation (the "**WTO**") and of the WTO Agreements on Anti-Dumping and Subsidies & Countervailing Measures. The administrative body in Malaysia in relation to this area is the Ministry of International Trade and Industry (the "**MITI**").

The CADDA addresses the investigation and determination of subsidies being provided on, and the dumping of, merchandise imported into Malaysia, the imposition of countervailing and anti-dumping duties to offset such subsidies or dumping, and other matters connected therewith.

The Malaysian Government may initiate an investigation to determine the existence, degree and effect of any alleged subsidy and/or dumping upon the submission of a written petition by or on behalf of the domestic industry producing the like product. The Malaysian Government may, in special circumstances, initiate a countervailing and/or anti-dumping duty investigation on its own accord without having received a written petition if it has sufficient evidence of each of the matters listed above. Evidence of both subsidy and/or dumping and injury shall be considered simultaneously in the decision whether to initiate an investigation and after that during the course of the investigation, starting on a date not later than the earliest date the provisional measures may be applied.

Trademarks Act 2019 (the "TMA")

The TMA governs the registration of trademarks. Any person who claims to be the bona fide proprietor of a trademark may apply to register the trademark if the person is using or intends to use the trademark, or has authorised or intends to authorise another person to use the trademark, in the course of trade. "Trademark" is defined in the TMA to mean any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings. Trademarks created in languages other than English or Malay require prior certified translation and transliteration before registration.

KOREA

Maintenance of Food Safety

For the sake of maintenance of food safety, Korea has quite detailed and strict requirements in force for the approval of food importation. As for the processed poultry products being imported into Korea, the Special Act on Imported Food Safety Control (the "**Special Act**") partially amended as the Act No. 16716 on 3 December 2019 and entered into force on 4 June 2020 shall apply prevailingly, and then the Livestock Products Sanitary Control Act (the "**Control Act**") amended as the Act No. 17091 and entered into force on 24 March 2020 shall apply. Should there be any issue that has not been stipulated under the foregoing Acts, then the other relevant acts such as the Food Sanitation Act amended as the Act No. 17091 and entered into force on 24 March 2020 and the Framework Act on Food Safety partially amended as the Act No. 15708 and entered into force on 12 June 2018 shall be applicable.

The Ministry of Food and Drug Safety (the "**MFDS**") is a Korean government agency responsible for enforcing the food safety regulations. The MFDS, upon its discretion, promulgates public notices as to the standards for assessment of harm, evaluation procedures, specific importation sanitary control requirements, which also shall apply to the importation of the processed poultry products into Korea.

First of all, Article 11(3) of the Special Act and the MFDS Public Notice No. 2020-28, States (Regions) Permitted for Importation of Livestock Products and Importation Hygiene Requirements (the "**MFDS Public Notice No. 2020-28**") prescribe the types of livestock products, importation of which into Korea is permitted, per each foreign state and the respective importation hygiene requirements.

In particular, pursuant to Article 3 and the Attached Table of the MFDS Public Notice No. 2020-28, the importation of processed livestock products from the PRC into Korea is permitted only for the processed poultry products that were subjected to the thermal processing for more than 30 minutes at the core temperature 70°C, more than 5 minutes at 75°C, or more than 1 minute at 80°C.

Article 4 of the MFDS Public Notice No. 2020-28 provides the hygiene requirements for the overall imported livestock products, which include, inter alia, that the exporting state's hygiene inspection shall attest the products are fit for human consumption and that the products are in compliance with the relevant sanitary control, inspection and processing regulations of Korea especially in relation to the harmful residue (e.g., antimicrobial, agricultural pesticides, hormonal substance, heavy metal and radioactive matter), the pathogenic microorganism (e.g., salmonella, staphylococcus aureus, clostridium perfringens, Listeria monocytogenes, and enterohemorrhagic Escherichia coli) and the food itself.

According to Article 5 of the MFDS Public Notice No. 2020-28, the importation of the processed poultry products from the PRC to Korea is only allowed if the PRC government as the exporting state has duly inspected whether the relevant products are in compliance with all such hygiene requirements and then issued the exportation hygiene certificate (or, the health certificate) as mutually arranged by the Korean government and the PRC government.

Furthermore, the Attached Table 1 of the MFDS Public Notice No. 2020-19, Method and Standard for On-Site Due Diligence at Foreign Manufacturing Sites and Foreign Processing Facilities (the "**MFDS Public Notice No. 2020-19**"), which was promulgated as per the Special Act sets forth the general hygiene requirements applicable to the foreign manufacturing sites' environments, operational sites, food processing facilities, ingredients, manufacturing, processing, storages, inspections, employees, and other equipment. The Minister of the MFDS may order to conduct the on-site inspections, following the prior consultation with the exporting state government and the relevant foreign manufacturing sites in accordance with the Article 6 of the Special Act and the MFDS Public Notice No. 2020-19, so as to inspect whether the hygiene requirements are satisfied in good order. Should there be any rejection of, interference with or avoidance of such due diligence, and/or should the MFDS find the products imported from the foreign manufacturing sites potentially harmful as a result of such due diligence, the MFDS may take an importation cessation measure against the products manufactured at the foreign manufacturing sites.

Besides the foregoing, the hygiene requirements for the processed livestock products imported from the PRC to Korea might be further arranged as per mutual negotiation between the Korean government and the PRC government.

In the meantime, Article 15-2 of the Control Act stipulates that if any livestock products that have been butchered, handled, processed, packed, distributed and/or sold in a certain state or region are proven to be 'harmful' or acknowledged to be potentially 'harmful', an importation and/or sale of such livestock products may be prohibited. Article 2.6 of the Food Sanitation Act defines being 'harmful' hereinabove as having a detrimental factor that is inherent in food, food additives, appliances, containers or packages and that may cause harm or be likely to cause harm to human health.

Under Article 33-2(1) of the Control Act, the MFDS must conduct a risk assessment on any potentially harmful livestock products, and any such products determined to contain harmful elements may be prohibited from being imported into Korea. Also, while the risk assessment is pending, the MFDS may impose a temporary import ban after deliberation by the Livestock Product Sanitation Deliberative Committee if it is determined that prompt measures are necessary to protect the health of the public.

Furthermore, the Control Act prohibits the importation of livestock products which have been prohibited from being imported, are not declared or otherwise unauthorised to be imported, or have expired.

On the other hand, if toxic or harmful substances are found in food products based on the inspection carried out in accordance with Article 21(1) of the Special Act, the importation of such products into Korea will be immediately prohibited. If a notice of nonconforming product is received after the inspection under the Special Act, the importer must return the imported food to the exporting state or export it to another state, or with the approval of the Minister of Agriculture, Food and Rural Affairs (the "**MAFRA**"), convert it into feed or completely dispose of it pursuant to Article 34(1) of the Enforcement Rules of the Special Act.

Prevention of Contagious Diseases of Domestic Animals

The processed poultry products fall under the category of the specified quarantine item as set out in Article 31 of the Act on Prevention of Contagious Diseases of Domestic Animals (the "**Prevention Act**") partially amended as the Act No. 16780 on 11 December 2019 and entered into force on 11 June 2020 and Article 31(1) of the Enforcement Rules of the Prevention Act. Thus, the processed poultry products are subject to the quarantine and importation restrictions of Korea for the sake of prevention of occurrence or spread of contagious diseases of domestic animals.

Pursuant to Article 32 of the Prevention Act and the MAFRA Public Notice No. 2020-36, Import Prohibition Regions for Specified Quarantine Items, importations from the PRC to Korea is only permitted for the heat-processed poultry products.

Article 34(2) of the Prevention Act and the Attached Table 1 of the MAFRA Public Notice No. 2016-113, Import Sanitation Conditions for Heated Poultry Products from China, stipulates sanitation conditions for heat-processed poultry products exported from the PRC to Korea.

Conditions include that the PRC must classify Highly Pathogenic Avian Influenza and Velogenic Viscerotropic Newcastle Disease as diseases that require mandatory reporting, periodically monitor the diseases, and implement appropriate quarantine policies in case any of the diseases arises in the PRC. Furthermore, conditions relating to the location, facility and treatment methods of poultry farms, slaughterhouses, processing plants and heat treatment facilities in respect of the manufacture of exported livestock products are set out in detail. In addition, it is stipulated that residues causing public health hazards should not exceed the limit imposed by Korean regulations, food poisoning bacteria such as Salmonella, Staphylococcus aureus, Enteritis Vibrio, Clostridium, Perfringens, Listeria, Monocytogenes, Escherichia coli, O157, H7 should not be detected, and ingredients such as ionising radiation or UV treatment and broiler meat, which adversely affect the composition or nature of poultry meat, should not be administered.

The export quarantine certificate issued by the PRC government's veterinarian prior to shipment for export of processed meat products from the PRC to Korea must accurately state whether all of the above conditions have been met.

If all the conditions set forth in the Prevention Act, its sub-statutes, and the MAFRA's public notices are not satisfied, for example if products are exported without the above export quarantine certificate, the importation of such products into Korea will be prohibited. In such case, the product may be returned to the exporter under Article 33 of the Prevention Act, and if such a return may interfere with livestock disease control or is determined to be impossible, it may be processed by other safe methods such as incineration or burial.

Consumer Protection

Under Article 2 of the Consumer Basic Act which was amended as Act No. 16178 on 31 December 2018 and came into force on 1 July 2019, importers who import, distribute or sell their goods to Korea, as well as those who manufacture or process the goods, fall under business operators who are subject to the Consumer Basic Act and the nationality of the business operator is not relevant. Therefore, even if the exporter does not directly carry on any business within the Korea, the exporter should use efforts to protect consumers in Korea and actively cooperate with the consumer protection policy implemented by the Korean government and local governments.

In addition, manufacturers who manufacture and process meat products bear liability for their products, even if they are exporters who do not directly carry on any business within Korea, pursuant to the Product Liability Act which was partially amended as Act No. 14764 on 18 April 2017 and came into force on 19 April 2018. In this case, the product liability refers to the liability of manufacturers for damages to life, body or property caused by defective products.

In other words, if (i) processed meat products are manufactured and processed differently than originally intended, regardless of whether the exporter has fulfilled the manufacturing and processing precautionary obligations, or (ii) the exporter fails to provide a reasonable explanation, instruction, warning or other indication, although they could reduce or avoid the damage or risk that could be caused by the processed meat products, or (iii) they lack the normally expected level of safety, such that the consumer who consumed the processed meat products suffered life or physical damages, such damages should be indemnified.

However, under Article 3(2) of the Product Liability Act, if the exporter was aware of the defect in the processed meat product but caused serious damage to life or body as a result of not taking necessary measures with respect to the defect, the exporter must indemnify the amount prescribed by the court to the extent that the amount does not exceed three times the actual damage caused.

Anti-dumping and Countervailing Duties

Korea is a member of the WTO. The Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, GATT 1994 (the "**WTO Antidumping Agreement**"), which is a part of the Marrakesh Agreement Establishing the World Trade Organisation came into force in Korea on 1 January 1995 after the approval of the General Assembly on 16 December 1994. Thus, the WTO Antidumping Agreement is currently in effect in Korea.

The Customs Act, which was partially amended on 31 December 2018 by Act No. 16093 and came into force on 1 July 2019 reflects most of the standards and procedures associated with investigations, decisions and impositions of the WTO Antidumping Agreement. The Korea Trade Commission is in charge of investigating and evaluating damages to domestic industries caused by dumping or importing unfairly subsidised foreign goods and proposing anti-dumping duties, countervailing duties, and safeguard measures to the Ministry of Strategy and Finance.

Since the PRC joined the WTO in 2001, if Chinese goods are imported to Korea below normal price and there is actual damage to Korean industry, the WTO Antidumping Agreement will apply and such goods may be subject to antidumping duties as provided in Article 51 and below of the Customs Act.

Furthermore, if goods that are indirectly subsidised in respect of their manufacture, production or export in the PRC are exported to Korea and there is actual damage to Korean industry, such goods may be subject to countervailing duties in accordance with Article 57 and below of the Customs Act.

MONGOLIA

Mongolian Legislation on Food

Mongolia adopted its initial Food Law in January 1995 (the "**1995 Food Law**"). The 1995 Food Law was the principal legislation providing for standards applicable to the production and sale of food products in Mongolia from April 1995 through October 1999. In 1999, the Mongolian Parliament enacted a new Food Law (the "**1999 Food Law**"), superseding and replacing the 1995 Food Law. Under the 1999 Food Law, individuals and legal persons could import food products upon complying with the relevant requirements provided for in such law and related regulatory standards promulgated thereunder.

On 20 December 2012, the Mongolian Parliament enacted a new Food Law (the "**2012 Food Law**"), superseding and replacing the 1999 Food Law. The 2012 Food Law became effective on 1 March 2013. The 2012 Food Law provides that food products may be imported into Mongolia only by a legal person registered in Mongolia. The stated objectives of the legislators at the time was that these amendments and the resulting 2012 Food Law were to more strictly regulate the importation of food products and to raise the awareness of food safety responsibilities.

At the same time as adopting the 2012 Food Law, the Mongolian Parliament enacted a new food safety law (the "**Food Safety Law**") which law also came into effect on 1 March 2013. The Food Safety Law is a separate law that regulates food safety matters at all stages of food production, including at the time of import into Mongolia. The import of food products must comply with the general safety requirements of the Food Safety Law, including but not limited to, packaging and labelling requirements, submission to a risk-based inspection of all imported food products, maintenance of certain food safety indicators at the required levels, and the storage of food products in compliance with required conditions.

Mongolian Legislation on Food Imports

In addition to the 2012 Food Law and the Food Safety Law, the import of food products into Mongolia is regulated under the Customs Law of Mongolia adopted on 20 May 2008 (the "**Customs Law**") and the Law on Cross Border Quarantine Inspection of Animals and Plants, and Animal and Plant Raw Materials and Products enacted on 28 November 2002 (the "**Quarantine Law**").

Under the Customs Law, the General Customs Authority of Mongolia, a subordinate agency of the Ministry of Finance of Mongolia (the "**Customs Authority**"), conducts customs control over all food products crossing the customs border of Mongolia. The Customs Authority is the office where customs clearances are made and import procedures are determined in regard to food products.

Under the Quarantine Law, the General Agency for Specialised Inspection, a subordinate agency of the Deputy Prime Minister of Mongolia (the "**Specialised Inspection Agency**"), conducts quarantine control over food products crossing the customs border of Mongolia. The Specialised Inspection Agency is the office that inspects imported food products and issues permission in regard to such importation.

In addition to the laws set forth above, the requirements of Mongolian National Standard MNS 0703:2014 (General Technical Requirements — Poultry Products) which became effective on 8 December 2014 apply to the import of poultry products. The MNS 0703:2014 provides a set of requirements covering the preparation and classification of poultry products, quality, physical and chemical indicators, and packaging and storage requirements.

The labelling requirements applicable to food products are regulated under the Food Safety Law and Mongolian National Standard MNS 6648:2016 (Requirements for Labelling of Packaged Food Products) which became effective on 1 January 2018. In this connection, product labels must be non-detachable from the product, clear and legible to the customer, and contain all the requisite information including product name, manufacturer's information, weight, serial number, and use by date, storage period and conditions, ingredients and nutritional content, direction of use and potential side effects. Information on the labels of imported food products must be in Mongolian, English or Russian.

Permissions to Import

Prior to importation, an "import declaration" must be obtained from the Specialised Inspection Agency upon request by the legal person importing the food products based on the lodgment of requisite documentations including an application, registration certificate of the legal person, and a copy of the relevant sales agreement. The "import declaration" is granted for a period of up to six months and is applicable only to the requested quantity of products. A new "import declaration" must be obtained upon its expiration or an increase in the declared quantity. Customs clearance is made based on the "import declaration".

At importation, an "import certificate" in regard to the particular shipment must also be obtained from a quarantine officer of the Specialised Inspection Agency at the customs border (the **"Quarantine Officer**"). The Quarantine Officer grants the import certificate permitting import of the food products with reference to the "import declaration" and based on an inspection of the food products. The import certificate serves as confirmation that the imported food products underwent the requisite food inspection and have been deemed safe for import and sale within the territory of Mongolia.

Customs Clearance

Under the Customs Law, poultry raw materials/products are perishable goods requiring special storage and transportation conditions. Poultry products must be transported at a specific temperature by refrigerated trucks or containers equipped with an adequate cooling system. The Customs Authority conducts customs inspections of such food products and the relevant documentation based on the "import declaration". Pursuant to the Customs Law, perishable goods are subject to an expedited clearance procedure where the goods can be cleared without lodging all necessary customs documentation on the condition that such documentation will be filed at a later date. In this connection, the importing legal person confirms in writing that the missing customs documentation will be lodged within a period stated by the Customs Authority. Customs and other taxes and duties, however, are to be paid by the importing legal person in advance.

SINGAPORE

Food Importation Requirements

Overseas food establishments looking to export their products to Singapore are not required to obtain any specific licence or permit insofar as their activities are limited to exporting and do not extend to importing, as the importer is responsible for ensuring that the food imports comply with the relevant requirements. However, there are certain regulations that need to be complied with before foreign food exports can be imported and sold by local distributors.

Singapore Food Agency

The Singapore Food Agency (the "**SFA**") is a statutory board under the Ministry of the Environment and Water Resources, which oversees food safety standards in Singapore. One of the primary functions of the SFA is to support the assessment of the safety of food imported into Singapore by ensuring that it complies with Singapore food standards. All food and food products entering Singapore must originate from sources approved by the SFA. The relevant legislation that the SFA administers in relation to the import of poultry meat products is the Wholesome Meat and Fish Act.

Wholesome Meat and Fish Act (Chapter 349A, 2000 REV ED)

The Wholesome Meat and Fish Act (the "**Act**") requires any person who imports any meat product or fish product into Singapore to apply for a licence from the Director-General, Food Administration (the "**Director-General**"). In addition, any licensee who imports any meat products or fish products for sale, supply or distribution in Singapore must, among other things, obtain a permit from the Director-General for each consignment of meat products or fish products imported by him, and the import of each consignment must be conducted in accordance with the terms of the permit.

Although the Act does not expressly stipulate the requirements to be met by foreign food exporters, the Act is relevant to exporters to the extent that importers of meat products or fish products are only permitted to deal with foreign food exporters that meet certain Singapore food safety standard requirements. Meat and meat products exported by foreign food exporters to Singapore must satisfy the requirements under the guidelines formulated by the SFA in accordance with the administration of the Act.

Accreditation by the SFA

As at the Latest Practicable Date, accreditation will need to be done at three levels:

a) Accreditation of the exporting country: Meat and meat products may only be imported from approved sources. The SFA has approved the import of poultry products from China; however, as at the Latest Practicable Date, only heat-treated poultry products are permitted to be imported from China.

b) Accreditation of the exporting establishment: Overseas food establishments located in countries approved by the SFA are required to obtain accreditation from the SFA to export meat and meat products to Singapore. The application for the accreditation of the food establishment needs to be submitted through the competent authority of the exporting country, which will verify and endorse the submission prior to forwarding the application to the SFA for review. If the review is satisfactory, the SFA may conduct an inspection visit to the exporting country and the food establishment before granting approval to the establishment to export to Singapore. Establishments that have obtained accreditation from the SFA will be listed on the Accredited Overseas Meat and Egg Processing Establishment online database maintained by the SFA.

c) Accreditation of the product: After the exporting establishment has been approved by the SFA, it will have to apply to the SFA to obtain approval for the specific product to be exported. The application must include product-related information, and is required to be verified and endorsed by the competent authority of the exporting country, before it is forwarded to the SFA for assessment.

Veterinary Conditions

Under the guidelines set out by the SFA for the importation of poultry and poultry products, as at the Latest Practicable Date, poultry exporters are required to ensure that:

a) the country/zone has been free from highly pathogenic avian influenza and low pathogenicity avian influenza of the H5 and H7 subtypes for the past three months prior to export, or the products have been subjected to heat treatment that is sufficient for inactivation of avian influenza virus in accordance with OIE guidelines;

b) the meat has been derived from animals which were born and bred in the country of origin since birth;

c) the meat has been derived from animals which have passed ante-mortem and post-mortem inspection carried out by veterinarians or meat inspectors under the direct supervision of government veterinarians, and which have been found to be free from infectious and contagious diseases;

d) the meat has been derived from animals which were slaughtered, processed, packed and stored under sanitary conditions under official veterinary supervision in establishments approved by the Director-General for export to Singapore;

e) the meat has not been treated with chemical preservatives or other substances injurious to health; and

f) the meat has been inspected and found fit for human consumption and every precaution must be taken to prevent contamination prior to export.

Health Certificate

As at the Latest Practicable Date, each consignment of meat and meat products exported to Singapore must be accompanied by an import permit issued by the SFA, and a veterinary health certificate issued by the competent authority of the exporting country, to certify that the imports comply with Singapore's animal health and food safety requirements.

Food Regulations (Chapter 283, Regulation 1, 2005 REV ED)

The Food Regulations (the "**Regulations**") set out permissible limits of food additives, minerals and nutrient supplements, and also specify particular requirements that various foods must comply with. Every package of imported food must bear a label, marked on or securely attached in a prominent and conspicuous position to the package, containing such particulars, statements, information and words in English as may be required under the Regulations.

HISTORY AND DEVELOPMENT OF THE GROUP

Overview

The Group's history can be traced back to the 1990s when Mr. Liu XJ, our founder, non-executive Director and a Controlling Shareholder, recognised that there were great potentials in the PRC poultry industry. Mr. Liu XJ started his career since 1971 and used his savings to establish Fengxiang Group in 1994. He commenced his poultry business in Shandong in 1996 based on his previous working experience. For further details on Mr. Liu XJ, see "Directors, Supervisors and Senior Management".

In 2010, the Company was established as a joint stock limited liability company under the PRC law. For the purpose of streamlining the business of chicken breeding, slaughtering and processing of chicken meat products, Mr. Liu XJ restructured his poultry business and the Company became the holding company of the Group. We currently adopt a vertically integrated business model for our chicken meat products and have divided our businesses into three main divisions, (i) chicken breeding; (ii) slaughtering and processing; and (iii) sales of chicken meat products, chicken breeds and other products (including certain non-poultry products).

With the support from the local Sichuan government, we established a joint venture under our control, namely Xingwen Tianyang, with the Xingwen County Government in May 2016 and commenced breeding and production business of Sichuan Mountain Black Bone Chicken, a high nutritional value chicken meat product.

Since our establishment, our businesses have been conducted in the PRC and we gradually establish and grow our export business of which we supply a wide range of premium quality chicken meat products to customers in Japan, Malaysia, the European Union, Korea, Mongolia and Singapore mainly through Fengxiang Industrial and Fengxiang Food Development. Among all, Japan remains as the largest broiler meat product exporting country as at 31 December 2019. As such, we established Japan Fengxiang in 2017 and a research institution in Tokyo to enhance our research and development efforts as well as to improve our technical knowhow.

Throughout the years, we have built strong and long-term relationship with our customers. According to the Frost & Sullivan Report, we ranked as the second largest fully integrated white-feathered broiler producer in the PRC in terms of commercial broiler production volume in 2019 and with track record of exporting both raw and processed white-feathered chicken meat products overseas, we were the largest fully integrated white-feathered broiler meat exporter in the PRC in terms of export revenue and export volume in 2018.

BUSINESS MILESTONES

Set out below are the key milestones of the Group:

Year	Events
1996	Fengxiang Group, our predecessor operating the poultry business, was granted the self-operated import and export right (進出口經營權) by the Ministry of Foreign Trade and Economic Cooperation, PRC (對外貿易經濟合作部)
1996	We expanded to overseas markets
1997	We established Fengxiang Food Development
1998	We commenced our first processing production line

Year	Events
2006	We were selected as one of the 17 enterprises exempted from the export food and agricultural products quality surveillance inspection (出口食品農產品免疫企業) by the State General Administration of Quality Supervision, Inspection and Quarantine, PRC (國家質量監督檢驗檢疫總局)
2010	The Company was established
2014	Our construction plan of white-feathered broilers breeding engineering and research centre (聊城市白羽肉雞健康養殖工程技術研究中心) in Liaocheng, Shandong was approved by the Ministry of Science and Technology of Liaocheng, PRC (聊城市科技局)
2016	We were awarded with the certificate of supplier (of Hong Kong Export Grade) (供港生鮮供應商證書) by the International Brand Management Centre, China Association of International Trade (中國國際貿易學會國際品牌管理中心)
	We launched our "優形 (iShape)" brand and sell and market our ready-to-eat chicken meat products
	We were accredited as a "new high-tech enterprise" (高新技術企業)
2017	Japan Fengxiang was established
2018	We were awarded Cobb Champion-Exceptional Performance in the Category of Company Average Number of Chicks Produced (科寶冠軍—2017年公司雛雞平均生產數量卓越表現) by Cobb-Vantress, Inc.
2019	We were awarded the honour of Enterprise with Outstanding Contribution in the Shandong food industry (山東省食品工業功勛企業) in July 2019 by the Shandong Food Industry Association (山東省食品工業協會) and the Shandong Industry-University-Research Institute Collaboration Association (山東省產學研合作促進會)
2020	The sales of our online marketplaces in February, March and April 2020 hit RMB10 million

CORPORATE DEVELOPMENT OF THE COMPANY

Major changes in the Company's shareholding structure and registered capital

The Company was established as a joint stock limited liability company in the PRC on 17 December 2010 with a registered capital of RMB86 million. The principal business of the Company is breeding, slaughtering and processing, sale of poultry, and production and sale of animal feeds and organic fertiliser. On the date of its establishment, the Company was owned as to 60% and 40% by GMK Holdings and Fengxiang Investment, respectively.

As part of the family arrangement, on 21 December 2010, Mr. Liu XJ and Ms. Zhang XY as the then shareholders of GMK Holdings, approved the increase of registered capital of GMK Holdings pursuant to the capital contribution of approximately RMB2,624.3 million, RMB515.4 million, RMB380.2 million and RMB380.2 million by Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, respectively. Subsequent to the capital contributions, GMK Holdings was owned as to 67.22% by Mr. Liu XJ, 13.58% by Ms. Zhang XY, 9.6% by Mr. Liu ZG and 9.6% by Mr. Liu ZM.

In November 2011, the registered capital of the Company was increased to RMB215 million pursuant to the capital contribution of RMB129 million by Fengxiang Group as a new shareholder.

The Company was owned as to 24% by GMK Holdings, 16% by Fengxiang Investment and 60% by Fengxiang Group. From November 2011 to August 2013, the Company experienced a series of increase of registered capital.

On 12 December 2018, Mr. Liu XJ and Ms. Zhang XY further transferred their 20.8% interest in GMK Holdings in aggregate to Mr. Liu ZG and Mr. Liu ZM. Subsequent to the transfer, GMK Holdings was owned as to 51% by Mr. Liu XJ, 9% by Ms. Zhang XY, 20% by Mr. Liu ZG and 20% by Mr. Liu ZM.

On 26 July 2019, GMK Holdings transferred 4.99% of its equity interests in the Company to Guangdong Hengqin at a consideration of RMB107 million. The consideration was determined with reference to the then net asset value of the Company as at 31 May 2019. The registration of such transfer with the Administration for Industry and Commerce was completed on 31 July 2019.

As at the Latest Practicable Date, the Company had a registered capital of RMB1,045 million and was owned as to 19.01% by GMK Holdings, 16% by Fengxiang Investment, 60% by Fengxiang Group and 4.99% by Guangdong Hengqin.

The transfer of equity interest in GMK Holdings and the Company within the members of the Liu Family as stated above was due to family arrangement and is not pre-IPO investments under the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange.

OUR SUBSIDIARIES

As at the Latest Practicable Date, we had seven subsidiaries. Set forth below are the establishment and development of our subsidiaries.

Fengxiang Food Development

Fengxiang Food Development was established as a limited liability company in the PRC on 22 April 1997 with a registered capital of RMB43.4 million by Fengxiang Group and L.D.C. (法國LDC公司) ("**LDC**"), a limited liability company registered under the laws of the French Republic and an independent third party. It commenced operations on the same date. On the date of establishment, Fengxiang Food Development was owned as to 35% and 65% by Fengxiang Group and LDC, respectively. The principal business of Fengxiang Food Development includes production and sale of chicken meat products, import and export of self-operated and distributed products and technology.

From September 2000 to April 2005, Fengxiang Food Development underwent a series of equity transfers and Fengxiang Food Development came under the full control of the Liu Family.

In January 2002 and 18 April 2005, LDC entered into two equity transfer agreements, with Fengxiang Investment and Wintime International Development Limited (永泰國際發展有限公司) ("**Wintime**"), a limited liability company incorporated in Hong Kong on 11 January 2005 which is owned as to 100% by Fortune City International Limited, which in turn is owned as to 100% by Mr. Liu ZM, one of the Controlling Shareholders, respectively. At the relevant time, LDC agreed to transfer its 20% and 45% equity interest in Fengxiang Food Development to Fengxiang Investment and Wintime, at a nominal consideration of RMB1.0 based on the net asset value of Fengxiang Food Development as at October 2001 which was nil and at a consideration of approximately RMB1.2 million which was determined with reference to the equity attributable to the owners of Fengxiang Food Development as at 31 December 2004, respectively. The transfers were completed on 17 June 2002 and 22 September 2005, respectively. Subsequent to the transfers, Fengxiang Food Development was wholly-owned by the Liu Family.

Following the establishment and restructuring of the Company in 2010, the Company acquired the entire equity interest of Fengxiang Food Development from the Liu Family and Fengxiang Food Development became a wholly-owned subsidiary of the Company on 22 December 2011.

After a series of increase of registered capital of Fengxiang Food Development over the years, as at the Latest Practicable Date, Fengxiang Food Development had a registered capital of approximately RMB412.2 million.

Fengxiang Industrial

Fengxiang Industrial was established as a limited liability company in the PRC on 20 December 2011 by the Company with a registered capital of RMB86.9 million. It commenced operations on the same date. Fengxiang Industrial is primarily engaged in the processing and sale of poultry products.

After a series of increase of registered capital, Fengxiang Industrial had a registered capital of RMB606.9 million.

For the purpose of streamlining our corporate structure, on 12 March 2019, the Company, being the sole equity owner of Fengxiang Industrial and Yanggu Golden Phoenix Colour Printing & Packing Co., Ltd. (陽穀金鳳彩印包裝有限公司) (“**Yanggu Golden Phoenix**”), resolved to merge Yanggu Golden Phoenix into Fengxiang Industrial (the “**Merger**”). Yanggu Golden Phoenix was a company established under the laws of the PRC with a registered capital of RMB12.6 million. After completion of the Merger, Fengxiang Industrial was the surviving entity, and the registered capital of Fengxiang Industrial was increased to RMB619.5 million, the Company remained as the sole equity owner of Fengxiang Industrial. The Merger was approved by the Company by way of shareholders’ resolutions on 12 March 2019 and the registration of the Merger was duly registered with the Administration for Industry and Commerce on 18 June 2019.

Yanggu Xiangyu Organic Fertiliser

Yanggu Xiangyu Organic Fertiliser was established as a limited liability company in the PRC on 9 October 2014 by the Company with a registered capital of RMB19.8 million. It commenced operations on the same date. Yanggu Xiangyu Organic Fertiliser is primarily engaged in the production and sales of fertilisers.

After a series of increase of registered capital, as at the Latest Practicable Date, Yanggu Xiangyu Organic Fertiliser had a registered capital of RMB65 million.

Fengxiang Food

Fengxiang Food was established as a limited liability company in the PRC on 18 November 2015 by the Company with a registered capital of RMB60 million. It commenced operations on the same date. Fengxiang Food is primarily engaged in the production and sale of processed poultry products.

On 31 May 2016, the Company and Xizang Xinfengxiang, a limited partnership owned as to 49.5%, 49.5% and 1% by Mr. Liu ZG, Mr. Liu ZM and Xinfengxiang Guangming Investment Management Co., Ltd. (新鳳祥光明投資管理有限公司) (“**Xinfengxiang Guangming**”) (a limited liability company owned as to 50% and 50% by Mr. Liu ZG and Mr. Liu ZM), respectively, entered into an equity transfer agreement pursuant to which the Company agreed to transfer its 20% equity interest in Fengxiang Food to Xizang Xinfengxiang, at nil consideration. On the same date, the Company and Fengxiang Group entered into an equity transfer agreement pursuant to which the Company agreed to transfer its 80% equity interest in Fengxiang Food to Fengxiang Group, at nil consideration as no registered capital of Fengxiang Food was paid up as at 31 May 2016 and as part of their intragroup transfers. The aforesaid transfers were completed on 30 September 2016.

On 26 April 2018, the Company, Xizang Xinfengxiang and Fengxiang Group entered into an equity transfer agreement pursuant to which Xizang Xinfengxiang and Fengxiang Group agreed to transfer 20% and 80% equity interest in Fengxiang Food to the Company, at a total consideration of approximately RMB5.7 million, respectively. The consideration was determined with reference to the then net asset value of Fengxiang Food as at 31 March 2018. The aforementioned transfers were completed on 21 May 2018.

As at the Latest Practicable Date, Fengxiang Food had a registered capital of RMB60 million.

Japan Fengxiang

Japan Fengxiang is a joint stock corporation incorporated in Japan with limited liability *(kabushiki-kaisha)* on 28 December 2017 by the Company with a registered capital of 50 million Japanese Yen. It commenced its business operations on the same date. Japan Fengxiang is primarily engaged in food research and development.

As at the Latest Practicable Date, Japan Fengxiang had a registered capital of JPY50 million.

Xingwen Tianyang

Xingwen Tianyang was established as a limited liability company in the PRC on 26 May 2016 by the Company with a registered capital of RMB10 million. It commenced business on the same date. At the time of establishment, Xingwen Tianyang was held as to 90% and 10% by the Company and Xingwen County Shihai Agricultural Investment Company Limited (興文縣石海農業投資有限公司) (**"Xingwen Shihai"**), respectively. Xingwen Shihai is wholly-owned by Xingwen County Development Investment Group Company Limited (興文縣發展投資有限責任公司), which in turn is wholly-owned by Sichuan Xingwen County Finance Bureau (四川省興文縣財政局), an independent third party. Xingwen Tianyang is primarily engaged in breeding and processing of Sichuan Mountain Black Bone Chicken.

As at the Latest Practicable Date, Xingwen Tianyang had a registered capital of RMB10 million.

Yucheng Fengming

Yucheng Fengming was established as a limited liability company in the PRC on 18 August 2017 by Fengxiang Industrial and Shandong Yucheng Fengxiang Chicken Co., Ltd. (山東禹城鳳祥雞業有限公司) ("**Shandong Yucheng**"), a wholly-owned subsidiary of Fengxiang Group, with a registered capital of RMB33 million and deregistered on 2 November 2018. At the time of the establishment, Yucheng Fengming was owned as to 60% by Fengxiang Industrial and 40% by Shandong Yucheng. It commenced operations on the same date. On 22 June 2018, Shandong Yucheng and Fengxiang Industrial entered into an equity transfer agreement pursuant to which Shandong Yucheng agreed to transfer its 40% equity interest in Yucheng Fengming to Fengxiang Industrial, at a consideration of approximately RMB12.7 million. The consideration was determined with reference to the then net asset value of Yucheng Fengming as at 31 May 2018. The transfer was completed on 13 July 2018. Subsequent to the said transfer, Yucheng Fengming became an indirectly wholly-owned subsidiary of the Company. Yucheng Fengming is primarily engaged in the production and sale of poultry products.

As at the Latest Practicable Date, Yucheng Fengming had a registered capital of RMB33 million.

The PRC Legal Advisers have advised that, all requisite approvals from relevant competent departments and internal procedures involved in relation to all historical increases of registered capital and equity transfers of each of the PRC subsidiaries of the Group have been obtained and complied with, and all registered capital had been actually paid-up. The Japanese Legal Advisers have advised that Japan Fengxiang is validly existing under the Japanese laws.

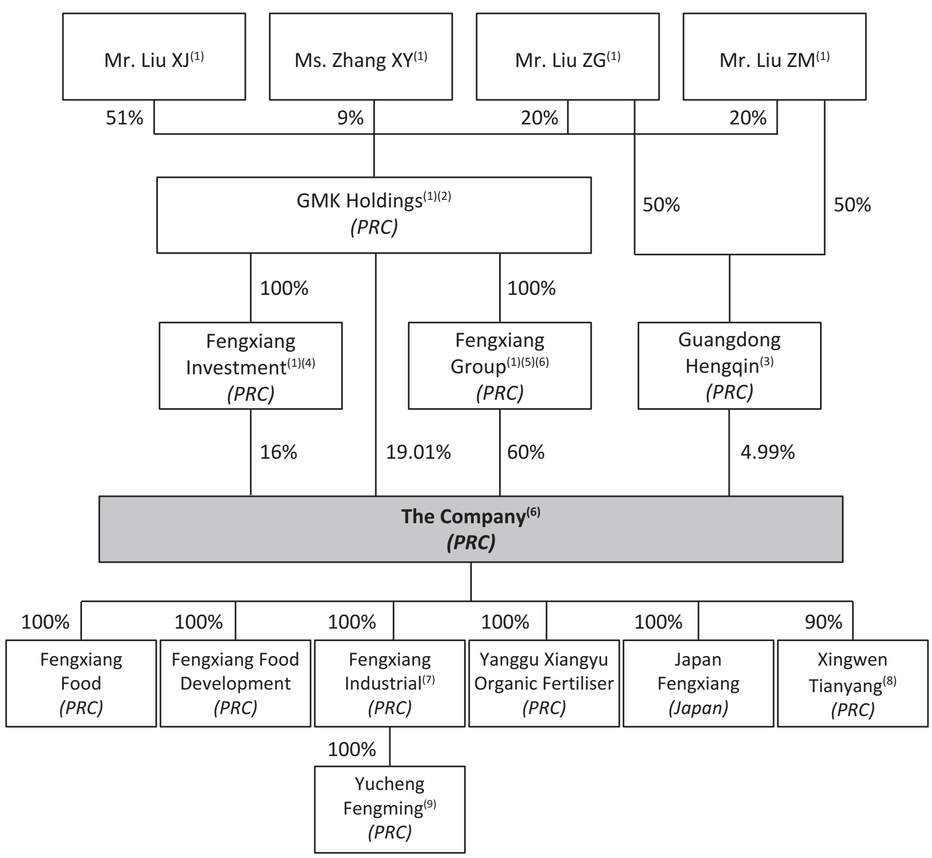
REORGANISATION FOR LISTING

For the purpose of better business delineation between the Group and its Controlling Shareholders, Fengxiang Supermarket was disposed of by the Company to Fengxiang Group on 13 July 2016. The Company then acquired Fengxiang Food from Xizang Xinfengxiang and Fengxiang Group on 21 May 2018. On 13 July 2018, the remaining 40% equity interests of Yucheng Fengming was acquired by Fengxiang Industrial and Yucheng Fengming became an indirectly wholly-owned subsidiary of the Company. For details, see "— Our Subsidiaries — Yucheng Fengming" above.

According to the accounting treatment, Fengxiang Supermarket has been excluded for the preparation of the Group's historical financial information throughout the Track Record Period as stated in the Accountants' Report in Appendix I to this prospectus.

GROUP STRUCTURE

The following chart sets forth our group structure as at the Latest Practicable Date and prior to the Global Offering:



Notes:

1. Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM are the ultimate shareholders of the Company. Mr. Liu XJ and Ms. Zhang are spouses and parents of Mr. Liu ZG and Mr. Liu ZM. Mr. Liu ZG and Mr. Liu ZM are brothers and sons of Mr. Liu XJ and Ms. Zhang XY. Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, through GMK Holdings, Fengxiang Group, Fengxiang Investment, Guangdong

Hengqin, Xinfengxiang Guangming and Xizang Xinfengxiang, directly or indirectly hold, in aggregate of 100% of total issued share capital of the Company prior to the Global Offering and all of the foregoing individuals and entities are considered to be a group of Controlling Shareholders of the Company.

2. GMK Holdings is a limited liability company established in the PRC on 29 October 2009 which is owned as to 51%, 9%, 20% and 20% by Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, respectively as at the Latest Practicable Date and is one of the Controlling Shareholders.

3. Guangdong Hengqin is a limited partnership established in the PRC on 13 April 2015 which is held as to 99% by Xizang Xinfengxiang and 1% by Xinfengxiang Guangming. Xizang Xinfengxiang is held as to 49.5% by Mr. Liu ZG, 49.5% by Mr. Liu ZM and 1% by Xinfengxiang Guangming. Xinfengxiang Guangming is a limited liability company established in the PRC on 26 March 2015, which is owned as to 50% by Mr. Liu ZG and 50% by Mr. Liu ZM, is the general partner of Guangdong Hengqin and Xizang Xinfengxiang.

4. Fengxiang Investment is a limited liability company established in the PRC on 15 September 2000 which is a wholly-owned subsidiary of GMK Holdings and is one of the Controlling Shareholders.

5. Fengxiang Group is a limited liability company established in the PRC on 30 June 1994 which is a wholly-owned subsidiary of GMK Holdings and is one of the Controlling Shareholders.

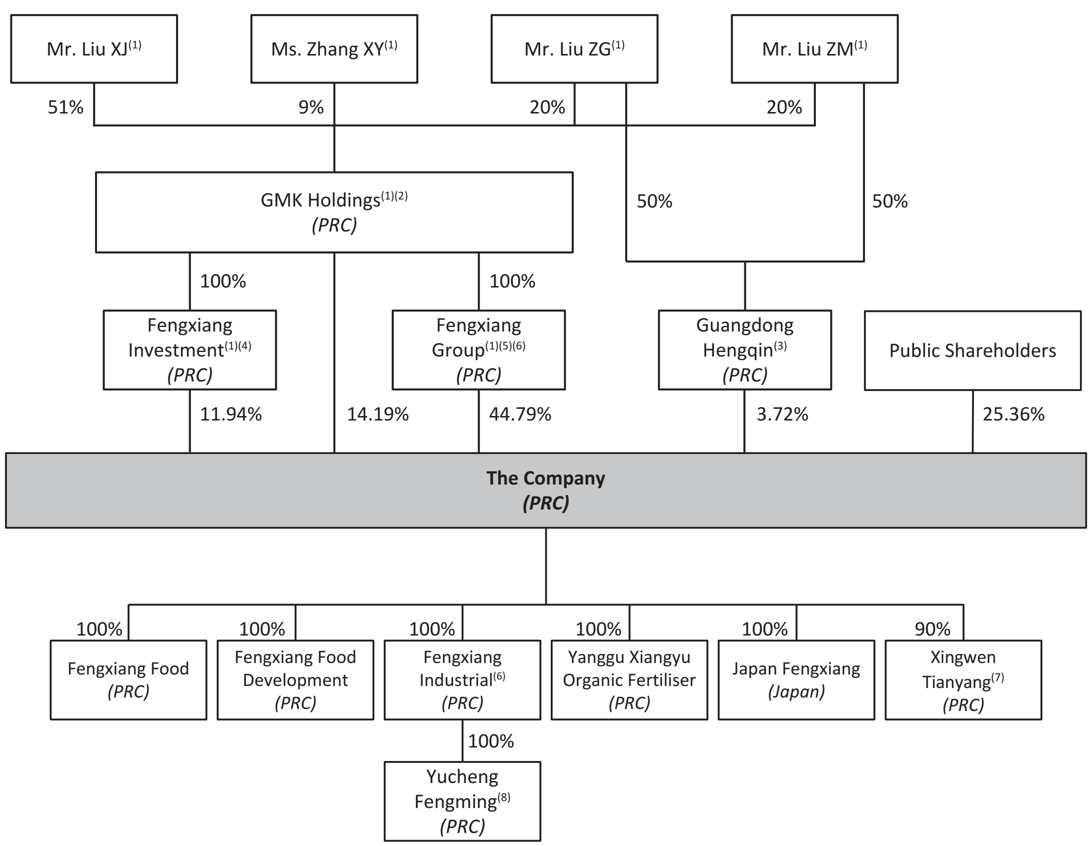
6. On 20 June 2016, the Company and Fengxiang Group entered into an equity transfer agreement pursuant to which the Company agreed to transfer its entire equity interest in Shandong Fengxiang Supermarket Co., Ltd. (山東鳳祥超市有限公司) ("**Fengxiang Supermarket**"), a wholly-owned insignificant subsidiary of the Company to Fengxiang Group. The disposal was completed on 29 December 2016 and Fengxiang Supermarket ceased to be a subsidiary of the Company.

7. On 12 March 2019, Yanggu Golden Phoenix was merged into Fengxiang Industrial with Fengxiang Industrial as the surviving entity after the Merger. As a result of the Merger, Yanggu Golden Phoenix was deregistered on 18 June 2019.

8. Xingwen Tianyang is a limited liability company established in the PRC on 26 May 2016 which is owned as to 90% by the Company and 10% by Xingwen Shihai. Xingwen Shihai is wholly-owned by Xingwen County Development Investment Group Company Limited (興文縣發展投資有限責任公司), which in turn is wholly-owned by the Sichuan Xingwen County Finance Bureau (四川省興文縣財政局), an independent third party.

9. On 18 August 2017, Yucheng Fengming was owned as to 60% by Fengxiang Industrial and 40% by Shandong Yucheng. On 22 June 2018, Shandong Yucheng and Fengxiang Industrial entered into an equity transfer agreement pursuant to which Shandong Yucheng agreed to transfer its 40% equity interest in Yucheng Fengming to Fengxiang Industrial, The transfer was completed on 13 July 2018. Subsequent to the said transfer, Yucheng Fengming became an indirect wholly-owned subsidiary of the Company.

The following chart sets forth our group structure immediately upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised:



Notes:

1. Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM are the ultimate shareholders of the Company. Mr. Liu XJ and Ms. Zhang are spouses of each other and parents of Mr. Liu ZG and Mr. Liu ZM. Mr. Liu ZG and Mr. Liu ZM are brothers of each other and sons of Mr. Liu XJ and Ms. Zhang XY. Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, through GMK Holdings, Fengxiang Group, Fengxiang Investment, Guangdong Hengqin, Xinfengxiang Guangming and Xizang Xinfengxiang, directly or indirectly hold, in aggregate of approximately 74.64% of total issued share capital of the Company immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and all of the foregoing individuals and entities are considered to be a group of Controlling Shareholders of the Company.
2. GMK Holdings is a limited liability company established in the PRC on 29 October 2009 which is owned as to 51%, 9%, 20% and 20% by Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM, respectively as at the Latest Practicable Date and is one of our Controlling Shareholders.
3. Guangdong Hengqin is a limited partnership established in the PRC on 13 April 2015 which is held as to 99% by Xizang Xinfengxiang and 1% by Xinfengxiang Guangming. Xizang Xinfengxiang is held as to 49.5% by Mr. Liu ZG, 49.5% by Mr. Liu ZM and 1% by Xinfengxiang Guangming. Xinfengxiang Guangming is a limited liability company established in the PRC on 26 March 2015, which is owned as to 50% by Mr. Liu ZG and 50% by Mr. Liu ZM, is the general partner of Guangdong Hengqin and Xizang Xinfengxiang.
4. Fengxiang Investment is a limited liability company established in the PRC on 15 September 2000 which is a wholly-owned subsidiary of GMK Holdings and is one of the Controlling Shareholders.
5. Fengxiang Group is a limited liability company established in the PRC on 30 June 1994 which is a wholly-owned subsidiary of GMK Holdings and is one of the Controlling Shareholders.
6. On 12 March 2019, Yanggu Golden Phoenix was merged into Fengxiang Industrial with Fengxiang Industrial as the remaining entity surviving the merger. As a result of the merger, Yanggu Golden Phoenix was deregistered on 18 June 2019.
7. Xingwen Tianyang is a limited liability company established in the PRC on 26 May 2016 which is owned as to 90% by the Company and 10% by Xingwen Shihai. Xingwen Shihai is wholly owned by Xingwen County Development Investment Group Company Limited (興文縣發展投資有限責任公司), which in turn is wholly owned by the Sichuan Xingwen County Finance Bureau (四川省興文縣財政局), an independent third party.
8. On 18 August 2017, Yucheng Fengming was owned as to 60% by Fengxiang Industrial and 40% by Shandong Yucheng. On 22 June 2018, Shandong Yucheng and Fengxiang Industrial entered into an equity transfer agreement pursuant to which Shandong Yucheng agreed to transfer its 40% equity interest in Yucheng Fengming to Fengxiang Industrial, at a consideration of approximately RMB12.7 million. The consideration was determined with reference to the then net asset value of Yucheng Fengming as at 31 May 2018. The transfer was completed on 13 July 2018. Subsequent to the said transfer, Yucheng Fengming became an indirectly wholly-owned subsidiary of the Company.

OVERVIEW

We are the second largest fully integrated white-feathered broiler producer in the PRC in terms of commercial broiler production volume in 2019 with a market share of 3.1% according to the Frost & Sullivan Report. With track record of exporting both raw and processed white-feathered broiler products overseas, we are also the largest fully integrated white-feathered broiler meat exporter in the PRC in terms of export revenue and export volume in 2018 with a market share of 8.6% and 10.4%, respectively, according to the Frost & Sullivan Report. Our market share in the total production of white-feathered broilers and yellow-feathered broilers in the PRC in 2019 is 1.7% in terms of numbers of birds produced and 1.4% in terms of tonnes produced, according to the Frost & Sullivan Report.

We are principally based in Shandong in the PRC. We produce our chicken meat products substantially from white-feathered broilers. We also manufacture and market a wide range of processed chicken meat products. Our main products include (1) chicken meat products, which mainly consist of raw chicken meat products and processed chicken meat products; and (2) chicken breeds. For the four years ended 31 December 2016, 2017, 2018 and 2019, our raw chicken meat products contributed to approximately 62.4%, 54.7%, 53.8% and 48.1% of our total revenue, respectively, and our processed chicken meat products contributed to approximately 26.7%, 37.4%, 37.0% and 36.5% of our total revenue, respectively. We also produce a small portion of chicken meat products from Sichuan Mountain Black Bone Chicken bred in Sichuan in the PRC, in which part of our production facilities are based, with their sales amounting to approximately nil, 0.03%, 0.12% and 0.22% of our total revenue for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

Apart from our leading domestic market position in the PRC, we have an established and growing export business supplying a wide range of premium quality chicken meat products to overseas customers in Japan, Malaysia, the European Union, Korea, Mongolia and Singapore. Our white-feathered chicken meat products are halal certified by adopting Islamic slaughter rituals. We have built strong and long-term relationships with our customers by consistently providing them with high quality poultry products. Our major domestic and overseas customers include internationally renowned food processors and traders as well as sizable fast food restaurant chains operators (and their poultry meat suppliers and sourcing agents). Throughout the Track Record Period, the proportion of revenue generated from domestic sales was approximately 70% and overseas sales was approximately 30%.

One of our key competitive advantages is our vertically integrated business model for our chicken meat products, from chicken breeding, slaughtering and processing to sales of raw and processed chicken meat products. We also produce animal feeds used by our breeder farms and broiler farms for our chicken breeding. We have adopted an integrated "*poultry to plate*" model which enables us to control every stage of the poultry lifecycle, allowing us to effectively manage quality and cost throughout the process starting from the breeding of broilers to the distribution and sale of chicken meat products. As at the Latest Practicable Date, we had 22 breeder farms, three hatcheries, 45 broiler farms (11 of which have been modified from cage-free systems into battery cage systems), eight slaughtering and processing plants, two feedmills and one organic fertiliser plant. As at the Latest Practicable Date, our production facilities located in Shandong covered a total gross floor area of approximately 5.1 million sq.m.

We are dedicated to ensuring a high standard of safety and quality of chicken meat products manufactured by us and the raw materials for our production of animal feeds, Parent Stock Day-old Chicks, chicken breeds and chicken meat products we procure. We have obtained, among other things, ISO22000 (Food Safety) Certificate and ISO9001 (Quality) Certificate. Further, we have been accredited with HACCP (Hazard Analysis and Critical Control Points) for our food processing plant of chilled and frozen chicken meat products. As at the Latest Practicable Date, the Group had 20 veterinarians who have passed the National Veterinarian Qualification Examination of the PRC.

Our poultry business encompasses three divisions: (i) chicken breeding; (ii) slaughtering and processing; and (iii) sales of chicken meat products, chicken breeds and other products (including certain non-poultry products). Our chicken breeding division includes chicken rearing and farming operations. For the four years ended 31 December 2016, 2017, 2018 and 2019, the total number of white-feathered broilers we bred was approximately 111.6 million, 111.4 million, 103.8 million and 101.7 million, respectively. Our slaughtering and processing division includes chicken slaughtering and production of raw and processed chicken meat products. For the four years ended 31 December 2016, 2017, 2018 and 2019, the total volume of white-feathered broilers we processed was approximately 177,000 tonnes, 184,000 tonnes, 174,000 tonnes and 174,000 tonnes, respectively. Our sales division is responsible for our domestic and overseas sales of our chicken meat products, chicken breeds and other products.

We produce a wide range of raw and processed chicken meat products and sell them through both business-to-business (B2B) and business-to-consumer (B2C) models. Our products are sold under B2B sales model through direct sales and distributors to our domestic and overseas customers, mainly include (i) foodservice or industrial customers; (ii) quick service restaurants; and (iii) retail groceries. For our B2C sales model, we sell and market our chicken meat products under our brands, including "鳳祥食品 (Fovo Foods)" and "優形 (iShape)" brands through online and offline sales platforms within the PRC. We intend to further develop our B2C business model through advertising and promotion campaign and through expansion of our sales platforms, in particular, e-commerce channels, to increase our brand awareness in the processed chicken meat market. In addition, we sell chicken breeds to local chicken farmers and other poultry business operators, who are independent third parties.

We believe that continuously delivering high-quality and diversified products to our customers is one of the key factors to maintaining our competitive position and ensure our future growth and success. We selectively develop new products to cater to our customers' needs. We launch new products, introduce additional flavours to our existing products, introduce different packaging and launch upgraded products on a continuous basis to better cater to consumer preferences and improve our product quality. Leveraging on our expertise in new product development, we have significantly expanded the range of poultry products available to our customers and enhanced our product portfolio during the Track Record Period. We have launched 47, 48, 104 and 64 new products for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

Our revenue has an increasing growth trend at a CAGR of 18.6% from approximately RMB2,354.1 million in 2016 to approximately RMB3,926.2 million in 2019. Our profit decreased from approximately RMB119.8 million in 2016 to approximately RMB37.1 million in 2017, but edged up to approximately RMB136.6 million in 2018. Our profit significantly increased to approximately RMB837.4 million in 2019, which was mainly attributable to the increase in the market price of chicken meat products and chicken breeds and partially attributable to the decrease in the average purchase cost of the raw materials in 2019, such as soybean meal.

COMPETITIVE STRENGTHS

We believe the following competitive strengths of the Group enable us to continue to be one of the leading fully integrated white-feathered broiler producers and exporters in the PRC. Leveraging our strong market positioning with a deep knowledge of the white-feathered broiler industry, significant scale, stringent production requirements, strict food safety management, strong management expertise and financial strengths, we believe that we are well positioned to compete in the industry and markets where we operate our business. Our competitive strengths include:

Our vertically integrated business model allows us to (1) enhance our production efficiency and (2) possess a strong capability and flexibility in adapting to and capturing different customers' demands

(1) Enhance production efficiency

We are one of the pioneers in China's large-scale integrated white-feathered broiler production. Our vertically integrated business model covers the entire white-feathered broiler industry value chain, including feed production, chicken breeding, slaughtering and processing, distribution and sale of poultry products which mainly include raw and processed chicken meat products. We are able to produce processed chicken meat products according to customers' orders, including the type and volume of products and delivery schedules. Compared to some of our competitors that focus on either chicken farming (upstream) or slaughtering and processing (downstream), we can better control our overall production process and reduce our production costs, allowing us to continuously enhance our production efficiency and have a high degree of reliability that can help expand our business operations.

We have devoted significant efforts to apply industry best-practices in the design and operation of our entire production process. Through years of accumulated experience, we have developed expertise in site selection and breeding farm design, operation and management, which allow us to continuously enhance our production efficiency and expand our business.

Leveraging our experience and expertise, we have enhanced our labour productivity and our disease prevention and control capabilities, primarily through standardisation and refinement of our production processes. It also allows us to achieve traceability for our products to better ensure safety and quality. We possess advanced breeding techniques with the absence of major avian diseases since our establishment, flexible animal feed production capabilities and tailored dietary management expertise which, the Directors believe, resulted in satisfactory production outcome of our broilers with a stable survival rate of our chicken. Our average finishing weight per broiler increased from 2.04kg in 2016 to 2.08kg in 2019, which reduced our average slaughtering and processing costs per kilogramme of chicken and as a result increased our profit per bird. The average survival rate of our broilers remained stable at 92.9% in 2016, 92.4% in 2017, 91.2% in 2018 and 90.5% in 2019, which demonstrates our ability in maintaining broiler reproductive performance. Our proven ability to expand production capacity and improve operational efficiency has helped us to increase our market share and reduce our production costs and accordingly, benefit from economies of scale.

(2) *Strong capability and flexibility in adapting to and capturing different customers' demands*

The vertically integrated business model has further enhanced our ability to adapt to changing industry trends and customers' preferences whilst maintaining balanced and stable production output. We control every stage of the poultry lifecycle, allowing us to effectively manage the quality and cost from the breeding of broilers to the sale of poultry products and to keep benign growth during market downturn, thereby ensuring stable profit margin and production output.

We are able to (a) manage and plan in advance every procedure within our production stages, such that market fluctuation adjustment can be made immediately according to a preset plan;

(b) effectively control the costs of each production stage and accessory processes, thus effectively control the overall production costs and as such, we have comprehensive capability to withstand market or production risks and pressures; and (c) we are able to produce processed chicken meat products according to customers' orders, including the type and volume of certain products and delivery schedules.

We offer our diversified products to various types of customers in different regions. Leveraging the experiences accumulated from breeding and production of white-feathered broilers as well as the established industry position, we have been further expanding our product portfolio by our strong ability to develop new chicken meat products to provide more diversified selection of products to our existing customers as well as to attract new customers. We believe that our fully integrated model has provided us with strong capability and flexibility in our production and sales of chicken meat products which has enabled us to successfully capture the increasing market demand for chicken meat products, achieve ongoing product improvement, continuously expand our product offerings as well as maintain our competitiveness in the chicken meat products industry.

We have established a stable and diversified customer base with major renowned customers in local and overseas markets

We have established a stable and diversified customer base over the years. We have operated our business primarily through a B2B model, which accounted for 98.0%, 98.0%, 96.7% and 93.6% of our total revenue for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. We provide our local and overseas customers with a large diversified selection of chicken meat products. We have built a strong market reputation of distinct advantages in product quality, large scale production and stable supply benefiting from our vertically integrated business model. The Directors believe that through the Group's proven track record, the recognition we enjoy can be demonstrated by our stable and long-term relationships with our major customers. Our top five customers during the Track Record Period have been our customers mostly for over 20 years and contributed to approximately 35.8%, 40.0%, 37.7% and 28.9% of our total revenue for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

Due to the large demand of chicken meat products from our major customers and their specific requirements of such products, the Directors believe it is difficult for chicken meat producers with smaller production capacities to compete with us in attracting the orders from these customers.

Our chicken meat products are able to meet the stringent quality control standards set by the importing countries. We are the largest white-feathered broiler meat exporter with full product line in the PRC in terms of export revenue and export volume in 2018 with a market share of 8.6% and 10.4%, respectively, according to the Frost & Sullivan Report with track record of exporting both raw and processed white-feathered broilers products overseas. According to the Frost & Sullivan Report, we are the largest Chinese exporter of raw and processed chicken meat products among our top five competitors in terms of export revenue in 2018. We export our chicken meat products to Japan, Malaysia, the European Union, Korea, Mongolia and Singapore. Our white-feathered chicken meat products are halal certified by adopting Islamic slaughter rituals. Revenue generated from our overseas sales was approximately RMB550.3 million, RMB661.3 million, RMB960.6 million and RMB966.4 million, representing approximately 23.4%, 27.2%, 30.1% and 24.6% of our total revenue for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

Because of the sizable differences in chicken meat prices in different regions of the world, we closely follow global market developments to provide cost-competitive products and value-added services for our major customers, supported by the bargaining power we enjoy given our leading market positioning. Our strong customer relationships bring stable sources of orders and provide us with opportunities to openly interact and discuss with our local and overseas customers with a view to better understand their needs and requirements, which we believe increases our appeal to existing and new customers.

We have established a strict and comprehensive food safety and hygiene system and quality control system to effectively ensure high standards of product quality and safety

The safety and hygiene of our chicken meat products are crucial to the success of the Group. If we sell contaminated products to the public, the confidence of the consumers in our products will be seriously affected, which will in turn adversely affect our business. We have established a strict and comprehensive food safety and hygiene system and quality control system in order to guarantee the quality of our chicken meat products. We are dedicated to ensuring a high standard of safety and quality of (i) the chicken meat products manufactured by us, and (ii) the raw materials for our production of animal feeds, the Parent Stock Day-old Chicks, the broiler eggs and the chicken meat products we procured. We have obtained, among other things, (i) ISO22000 (Food Safety) Certificate, and (ii) ISO9001 (Quality) Certificate. For further details about our food safety and hygiene system and quality control system, see "— Quality Assurance" below and "— Food Safety Management System of the Group" below.

In recent years, food safety incidents in China have underscored the difficulties and challenges that food enterprises face in controlling the sources of their raw materials. These incidents have significantly increased Chinese consumers' sensitivity to and awareness of food safety. To ensure the safety and quality of our products, we have developed and maintained strict technical specifications and procedures for each step of our production processes. We have established a sound and comprehensive product traceability system, and have obtained and maintain quality and safety management system certifications. Our products meet the required standards of the Ministry of Agriculture ("**MOA**") and the China Food and Drug Administration ("**CFDA**") and complied with the relevant tests in relation to the presence of veterinary drugs or prohibited chemicals.

We have developed and maintained supplier management and control measures across our operations and established a supplier-admission system that includes hierarchical management of our suppliers based on their performance. We have also put in place a raw material inspection system to ensure the quality of our raw materials. We have our own production facilities for our animal feeds, which we use for the breeding of our broilers. For example, each batch of animal feeds supplied by us is inspected before entering our chicken farms. We conduct sampling tests on each type of feed for important hygiene indicators such as mycotoxins. We also conduct annual performance evaluations of our raw material suppliers and Parent Stock Day-old Chicks suppliers based on factors, among other things, product quality and service standards.

We have implemented strict hygiene measures on our breeder farms, broiler farms and slaughtering and processing facilities. All our broilers are grown in sheds which only specific staff are allowed to have access to, and all staff who enter such site are required to undergo comprehensive hygiene procedures before entering such site. Such hygiene measures require significant costs and may not be implemented by small-size producers selling similar products. By implementing comprehensive hygiene procedures, the safety and hygiene of our chicken meat products can be guaranteed and the consumers will be confident with our products.

We export our chicken meat products to Japan, Malaysia, the European Union, Korea, Mongolia and Singapore which impose stringent requirements on food quality and safety. We have been maintaining steady supply to these countries, which further proves the safety and quality of our chicken meat products.

The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any material fines or other penalties from relevant government authorities regarding our product quality or safety, and we were not required to undertake any mandatory product recalls.

We have mature and advanced production technology and market-oriented research and development capabilities, which allow us to meet increasing market demand for safe and high-quality chicken meat products

To enlarge the benefit of our fully integrated operations and to further control the costs at each production stage, we leveraged on the experience from our business operations to create and develop new technologies which allow us to meet increasing market demand for safe and high-quality chicken meat products. The Group's research and development capabilities are reflected in our (a) production equipment and breeding technology; and (b) market-oriented product development which meet the market demand.

(1) Advanced production equipment and mature breeding technology

We are committed to maintaining a competitive research and development team comprising 45 members and have invested substantially in research and development. For the four years ended 31 December 2016, 2017, 2018 and 2019, our research and development expenses incurred were approximately RMB6.2 million, RMB8.3 million, RMB13.5 million and RMB16.3 million, respectively. In contrast with smaller producers, we have devoted significant resources to research and development in environmental protection and the development of sustainable chicken breeding techniques and facilities. We have three research institutions in Shandong, Shanghai and Tokyo. Our technology research and development team is centrally managed by our research institution in Shandong, which is responsible for implementing overall planning and co-ordination of research and development projects. Our dedicated research and development team gradually explored a set of production technology process to facilitate our vertically-integrated business model, and we have developed (a) breeding equipment and technology (such as aerial fog shed cleansing equipment and box-shaped breeding equipment); (b) slaughtering and cutting technology (such as nine-piece chicken cutting technology, automatic selecting and cutting lines); and (c) processed food production technology (such as boiling line, frying line and fire-curing line) to enhance our production efficiency and ensure environmental protection by minimising pollutant discharge.

Our stringent quality control system together with our research and development effort devoted to each stage of our production process has allowed the Group to better prevent disease prevention and control and enhance food safety. As at the Latest Practicable Date, the Company had never experienced any large-scale disease epidemics in breeding.

(2) Market-oriented product research and development capabilities

High quality chicken meat products forms our core competitive advantage. We emphasise catering to our customers' preference on healthy food supply. Hence we spent research and development efforts into the following aspects: (a) raw materials for our animal feeds are strictly selected (for instance, no mildew in corn); (b) the raw chicken meat products we produce contain high protein and nutrition and low amount of medicine residue; (c) our cooked food products contain no additives. Apart from ensuring product quality and food safety, in response to ever changing consumption patterns, we devote resources to research, development and upgrading products as well as processing technologies to enhance our business growth and competitiveness. Our dedicated product development centres continuously develops new processed chicken meat products, especially ready-to-cook chicken meat products. For the four years ended 31 December 2016, 2017, 2018 and 2019, we launched 47, 48, 104 and 64 new processed chicken meat products, respectively.

We have an experienced management team and professional working team

Members of our senior management team have an average of over approximately 20 years of industry experience in various aspects of our business, including livestock farming, meat processing and sales of poultry products. Many of our senior management members gained management expertise while serving in positions within the Group, and they have achieved outstanding results in corporate management and project execution. In addition, some of our senior management members previously worked in multinational livestock farming enterprises (especially poultry related enterprises), and the experience they brought to us has helped us develop into an industry leader in chicken breeding.

Mr. Liu XJ, the founder and a non-executive Director, has extensive experience in the poultry industry and has served as the leading figure of the Group for many years. He led the Group in its growth from a local meat processor in China into one of the leading chicken meat producers in the PRC. Mr. Liu ZG, the chairman of the Board and an executive Director, has approximately nine years of experience in the poultry industry since he joined the Company. He brings to the Group his extensive corporate and business management experience and insight. Mr. Xiao Dongsheng, Mr. Ow Weng Cheong and Mr. Wang Jinsheng, the executive Directors, each provide great contributions to the Group with their outstanding leadership and experience in business operations, significantly contributing to the fast growth and international expansion of the Group. These industry experts have assisted us in optimising our chicken breeding techniques, improving our animal quarantine systems, enhancing automation, researching and developing high-quality processed chicken meat products and improving our quality control system. We have made continuous improvement in our management systems, including strategy development, staff training and performance-based incentive systems establishment.

BUSINESS STRATEGIES

We intend to fund our business strategies by utilising net proceeds from the Listing with details set out below. Any shortfall in relation to our expansion of production capacities for white-feathered broilers production is intended to be financed by internal resources and/or external borrowings of the Group.

Expand our production capacities for white-feathered broilers production to further enhance our vertically integrated business model

We will continue to expand our operations across the entire broiler industry value chain to enhance the vertical integration of our business. We intend to enhance the production capacities of our breeder farms, hatcheries and broiler farms through the implementation of battery cage systems. As at the Latest Practicable Date, we had modified 11 of our broiler farms from cage-free system to caged systems, respectively, with a view to expand our efficiency and production capacity in our existing production base. According to the Frost & Sullivan Report, the cage breeding method is widely adopted by leading players and increasingly utilised by industrial broiler producers and it enables more organised, efficient and intensive production. The average feed conversion ratio is also generally higher compared to other breeding methods.

PricewaterhouseCoopers ("**PwC**") has been engaged by the Company to perform a limited assurance engagement on the calculation of the unit cost of production per kilogramme and European Production Index ("**Calculation of Unit Cost and EPI**") of six chicken farms ("**Certain Chicken Farms**") of the Group for the period from 1 September 2018 to 31 May 2019 prepared by the Company (the "**Schedule**") in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA (the "**PwC Report**"). For details of PwC's responsibilities, see "— Our Expansion Plan — Reasons for Establishing Battery Cage Systems" below. According to the Schedule reported on by PwC, the adoption of the three battery cage broiler farms, which had been converted into battery cage systems by the Group as at the time of preparation of the Schedule, had a lower weighted average unit cost of production of RMB7.10 per kg as compared with the three comparable cage-free broiler farms of RMB7.55 per kg for the period from 1 September 2018 to 31 May 2019, the difference represented a 5.96% increase in cost efficiency. In addition, the Schedule showed that three of our comparable cage-free broiler farms had an European Production Index ranging from 241.52 to 254.71 while the three battery cage broiler farms, which had been converted into battery cage systems by the Group as at the time of preparation of the Schedule, had an European Production Index ranging from 292.83 to 353.66 for the period from 1 September 2018 to 31 May 2019. The Directors believe that a higher European Production Index generally represents a higher broiler production management level, higher breeding efficiency and an enhanced profitability of the broilers. To further expand our production capacities for white-feathered broilers and enhance our market share, we intend to procure the facilities necessary for 25 broiler farms with battery cage systems, one slaughtering and processing plant, ten breeder farms, one hatchery, one feedmill and one organic fertiliser plant in Shandong. For further details of our expansion plan, see "— Our Expansion Plan — Battery Cage Systems" below.

Our goal is to establish the most complete and competitive chicken meat supply chain with a dominant position in the PRC. With the increase in our production capacity through adopting battery caged systems for 11 of our broiler farms, together with modern equipment and facilities, high quality products, brand name recognition as well as rising market demand, we will be able to increase our sales and expand our domestic and export businesses.

We intend to utilise up to an aggregate of approximately RMB1,458.3 million to fund our production capacity expansion plan, and we expect to utilise approximately 45.0% of the net proceeds, or HK$627.8 million (equivalent to RMB572.3 million), to procure facilities necessary for broiler farms with battery cage systems, slaughtering and processing plant, breeder farms, hatchery, feedmill and organic fertiliser plant. Any shortfall is intended to be financed by internal resources and/or external borrowings of the Group. See "Future Plans and Use of Proceeds" for further information on our implementation plan of this business strategy.

Continue to expand our sales and distribution network and tap into new markets

We believe maintaining an effective and extensive sales and distribution network is crucial to our business success and future growth. According to the Frost & Sullivan Report, the market size of processed meat and seafood by retail value generated by e-commerce in China witnessed a rapid growth in the past few years, increasing from approximately RMB1,354.4 million in 2015 to approximately RMB5,507.8 million in 2019, representing a CAGR of 42.0%. It is expected that there will be an increasing demand from modern retail outlets and fresh food e-commerce platforms for raw and processed chicken meat products in light of the modernisation of distribution chain. As we see significant growth potential in such channels for our processed chicken meat products in the PRC, we intend to actively expand our current e-commerce network, such as through JD.com (京東),

Suning (蘇寧易購), Fresh Hema (盒馬鮮生) and Tmall.com, to deepen our market penetration and cater the purchasing patterns of our consumers. We will continue to sell our ready-to-eat chicken products under our "優形 (iShape)" brand to cater for health-conscious and younger consumers through online sales platform and convenience stores and we will offer wider variety of products to cater for our B2C business model.

We plan to further our cooperation with other well-recognised e-commerce operators through measures such as showcasing our products on B2C platforms and participating in online marketing campaigns to enhance our brand and product awareness. We will continue to explore more effective marketing strategies related to data analysis of different target groups of customers and research different digital marketing trends that enable us to reach out to potential customers in cost-effective ways in order to acquire a better understanding of our potential customers' preferences, build trust and confidence with our existing customers, promote our chicken meat products and enhance our corporate brand image.

Further, we export our chicken meat products to Japan, Malaysia, the European Union, Korea, Mongolia and Singapore. During the Track Record Period, our revenue generated from our overseas sales was approximately RMB550.3 million, RMB661.3 million, RMB960.6 million and RMB966.4 million, representing approximately 23.4%, 27.2%, 30.1% and 24.6% of our total revenue for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. We intend to further expand our overseas export sales and distribution network globally to penetrate into new geographic markets for a broader range of customers. Before entering into new markets, we will conduct research to understand, among others, the market demand and the applicable laws and regulations in order to mitigate potential business risks.

Continue to expand and diversify our product portfolio with a focus on processed chicken meat products

According to the Frost & Sullivan Report, processed chicken meat products have a higher profit margin compared to raw chicken meat products. For the four years ended 31 December 2016, 2017, 2018 and 2019, our processed chicken meat products accounted for approximately 26.7%, 37.4%, 37.0% and 36.5% of our total revenue, respectively, which is consistent with our general strategy of shifting from raw chicken meat products to processed meat products. We believe that continuous product innovation and differentiation is an important factor for us to further increase the market share of our chicken meat products. We plan to invest in and strengthen our market-oriented product development activities to continuously provide new and innovative products to differentiate ourselves from other competitors in terms of quality, appearance, taste and range of our chicken meat products and accommodate the changing preferences of our consumers. For example, with growing health awareness among consumers in general, we intend to focus our product development efforts on producing ready-to-eat and protein-rich processed chicken meat products. We believe it is important to expand our product offerings and diversify our product portfolio in response to changing consumer tastes and preferences in order to stay competitive in the processed chicken meat industry in the PRC.

To deepen our market penetration, we intend to continue to develop our processed chicken meat products by (i) expanding our range of cooked chicken meat products to meet everchanging consumer demands; (ii) widening our product offering in cooked, semi-cooked and seasoned chicken meat products; (iii) accelerating the expansion of sales channels and platforms, in particular, e-commerce channels for our processed chicken meat products to attract new customers; and (iv) expanding our marketing efforts across a variety of media channels with a focus on further developing our brands, such as placing advertisements on social media, providing sponsorships to athletes in the PRC and engaging KOLs to promote our brand and products. We primarily target athletes and KOLs based on a selection criteria. We plan to select well-known top-class athletes who excel in their individual fields on a national level, and select KOLs based on their influence on social media (including the number of online followers) and the target customers of our relevant products or brands. We plan to enter into agreements with athletes and KOLs for a term of one year and pay them annual fees based on various factors including their experience, credentials and popularity. We believe that our strong product development capabilities coupled with our established brand names and sales and distribution network provide a solid foundation for us to develop and introduce new ready-to-eat chicken meat products to the market. We believe we can solidify our market position and expand our market share in the industry, especially in the B2C sector and achieve synergies in our product development activities, branding and sales and marketing of such new and improved products, leveraging our existing experience and strengths in these areas.

Strengthen our research and development capabilities to diversify our product portfolio and to improve our expertise and technical knowhow

It is our intention to invest additional resources to further strengthen our research and development capabilities to diversify our product portfolio of our processed chicken meat products to capture more business opportunities both domestically and overseas to improve our expertise and technical knowhow in relation to our product quality, production techniques and efficiency. We aim at satisfying different needs and ever-changing preferences of our customers. We will lay emphasis on diversifying our product offerings, including extensive research and development for new products and market research on consumer trends. We believe that our ability to adopt product diversification alongside our vertically integrated business model will enable us to respond quickly and efficiently to market demands and optimise our product portfolio to enhance profitability. Other than enhancing the quality of our products on which we have always placed primary emphasis, we will also aim at improving production technology and reducing production costs. We have established three research institutions in Shandong, Shanghai and Tokyo for our products to collect feedback from consumers and develop more formulas, flavours and packaging options for our products according to the changing consumption patterns and consumer demands as well as to improve our technical knowhow, including breeding efficiency, disease control and the production process of our chicken meat products. For the four years ended 31 December 2016, 2017, 2018 and 2019, we launched 47, 48, 104 and 64 new products (including new flavours, new packaging and product upgrades), respectively. We will continue to strengthen our strong domestic market position and our growing export business by (i) recruiting and training our research and development personnel to ensure a strong talent pool and market competitiveness; (ii) purchasing research and development machineries to facilitate our growing need of research and development capabilities; (iii) expanding the scale our Tokyo research institution to further gain leading food processing technologies and food design concepts; and (iv) strengthening our breeding research and development capabilities in relation to intelligent and efficient farming technologies, in particular, by investing in environmental control technologies and feed formulation fine-tuning technologies, which we believe will increase our breeding efficiency. It is our present intention to increase our total headcount of research and development personnel by around 52 over the next three years. We plan to hire (i) engineers (with at least one year of requisite experience in environmental control, engineering or research and development, and having received tertiary education related to mechanical engineering, animal husbandry, heating, ventilation and air conditioning (HVAC) and/or food science); (ii) research and development managers to oversee and manage our overall breeding and product development process (with at least five years of related experience and having received tertiary education related to food science and engineering); (iii) feed formulation specialists to fine-tune and enhance our animal feed formulae (with at least five years of related experience, and having received tertiary education in animal nutrition); (iv) chefs to develop innovative food concepts (with at least three years of related experience and senior chef qualification); and (v) breeding and veterinary technicians to strengthen our breeding and environmental control technology capabilities (who have received tertiary education related to animal husbandry, heating, ventilation and air conditioning (HVAC) and/or mechanical engineering for breeding technicians and at least five years of experience and having received tertiary education in veterinary medicine for veterinary technicians). Subject to market condition and talents available in the market, we intend to hire five engineers, one research and development manager, one feed formulation specialist, one chef and three breeding and veterinary technicians in 2020, hire seven engineers, two chefs and 18 breeding and veterinary technicians in 2021, and hire eight engineers, one research and development manager, one feed formulation specialist, one chef and three breeding and veterinary technicians in 2022. We offer attractive compensation to attract and retain talented employees and further align our interests and those of our employees in our common goals by offering junior and senior research and development personnel with an expected average annual remuneration of approximately RMB100,000 and RMB280,000, respectively.

It is currently intended that the above enhancements will be carried out in a time horizon of three years and by stages commencing after Listing, and we have allocated approximately HK$34.9 million out of the net proceeds from the Global Offering for this pursuit.

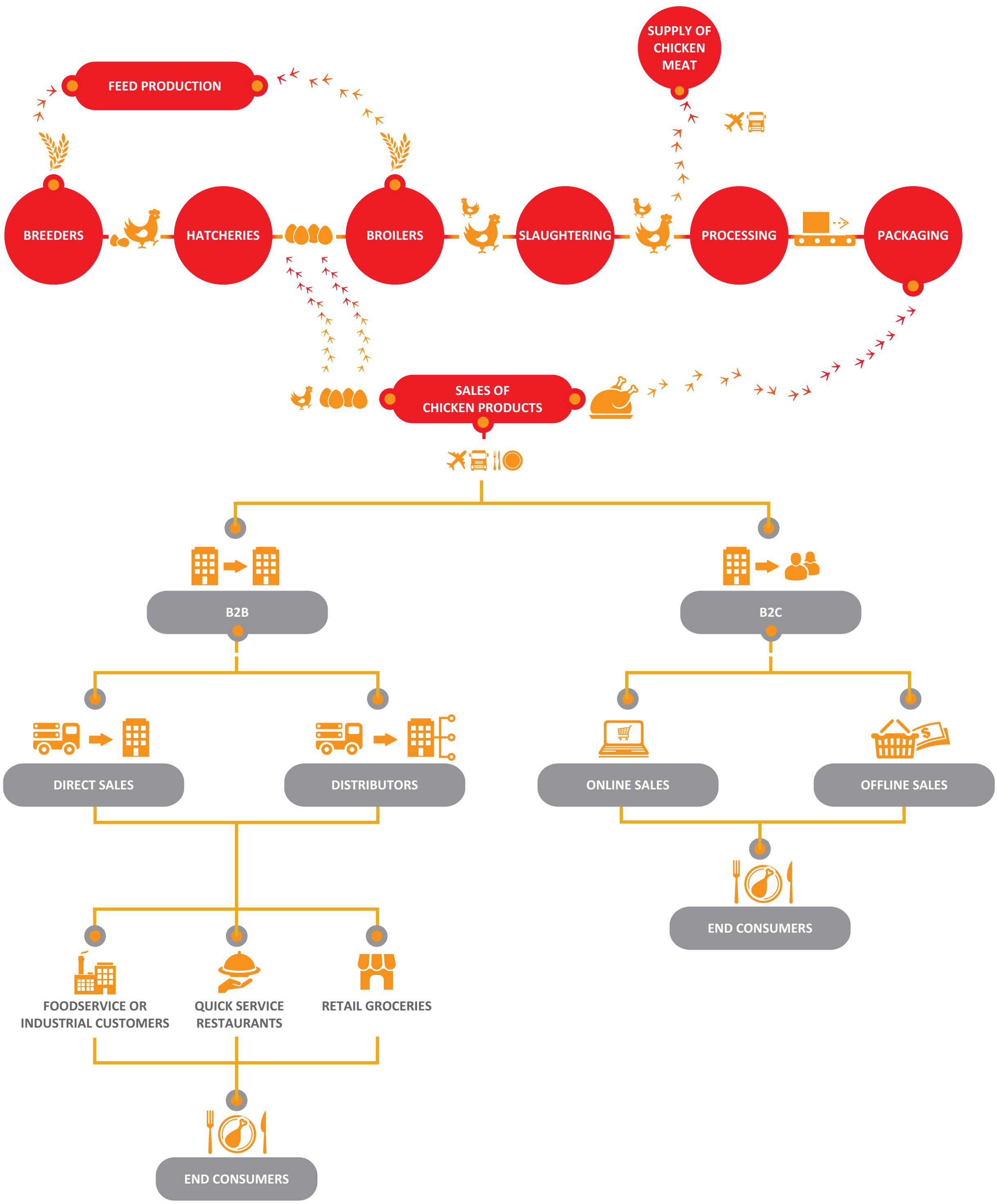
Pursue appropriate strategic alliance, joint ventures or other acquisition opportunities

We have developed our business primarily through organic growth. Going forward, we may also pursue strategic alliance, joint ventures or other acquisition opportunities. We will identify suitable acquisitions and business opportunities in the poultry industry based on factors such as brand recognition, development potential, complementary effect to our existing chicken meat products, distribution coverage, management and price. We primarily target Parent Stock Day-Old Chick suppliers that possess mature breeding technologies and capabilities with (i) reputable and experienced management; (ii) a solid track record of at least five years; (iii) a good operating platform to enhance our vertically integrated business model with a designed annual production capacity of at least 100,000 sets of Grandparent Stock Chicks; and (iv) a registered capital of at least RMB100 million. We will also consider opportunities to acquire domestically and/or internationally renowned chicken meat product brands to complement our existing business, enhance our competitiveness and further solidify our leading market position. We seek to balance a variety of considerations in selecting our strategic investment or acquisition targets. We believe suitable acquisitions will allow us to gain experience and expertise in developing new products and will provide us with the appropriate platform to expand our types of product offerings in the future. We believe that we can continue to grow our business through acquisitions and other collaboration opportunities.

We believe our successful track record will help us identify alliance and acquisition candidates and execute transactions. Our management plans to carefully evaluate every proposed acquisition, investment or strategic cooperation opportunity that may arise from time to time that can add long-term value to the Shareholders. As at the Latest Practicable Date, we had not identified any target nor entered into any binding commitment for any strategic alliance or acquisitions.

BUSINESS MODEL

Our vertically integrated business model extends across the entire poultry industry value chain including feed production, chicken breeding, slaughtering and processing, distribution and sale of poultry products. Our vertically integrated "poultry to plate" business model helps us to ensure food safety and the quality of our products and allows us to capture value across the entire poultry industry value chain. Our business model is summarised below.



Note: We also sell chicken breeds to local chicken farmers and other poultry business operators.

PRODUCTS

We offer raw and processed chicken meat products to our customers. Most of our raw chicken meat products are sourced from our white-feathered broilers and a small portion is sourced from our Sichuan Mountain Black Bone Chicken. Our processed chicken meat products are sourced from white-feathered broilers. We manufacture and market a range of poultry products which mainly include:

(1) chicken meat products (mainly consist of raw chicken meat products and processed chicken meat products); and

(2) chicken breeds.

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

	Year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Revenue								
White-Feathered Chicken Products								
Chicken meat products	2,097,888	89.1	2,240,995	92.1	2,902,846	90.8	3,320,625	84.6
Raw chicken meat products	1,469,917	62.4	1,330,977	54.7	1,719,278	53.8	1,887,398	48.1
Processed chicken meat products	627,971	26.7	910,018	37.4	1,183,568	37.0	1,433,227	36.5
Chicken breeds	149,367	6.3	69,875	2.9	172,110	5.4	426,448	10.9
Sub-total	2,247,255	95.4	2,310,870	95.0	3,074,956	96.2	3,747,073	95.5
Others(Note)	106,849	4.6	123,522	5.0	122,143	3.8	179,144	4.5
Total	2,354,104	100.0	2,434,392	100.0	3,197,099	100.0	3,926,217	100.0

Note: Other products comprise sale of Sichuan Mountain Black Bone Chicken, animal feeds, chicken by-products (including chicken feather, chicken blood and unused chicken organs), mature breeders, broiler eggs that do not satisfy our production requirements, packing materials and miscellaneous products.

The Company adjusts its product segment mix pursuant to market conditions and trends after assessing its profitability of the product segments as a whole. The Directors confirm that there had not been any changes in our business focus during the Track Record Period and up to the Latest Practicable Date.

WHITE-FEATHERED CHICKEN MEAT PRODUCTS

We process most parts of the broilers into different types of white-feathered chicken meat products. Our white-feathered chicken meat products are divided into two main categories: (1) raw chicken meat products; and (2) processed chicken meat products which include (a) cooked; (b) semi-cooked; and (c) seasoned chicken meat products. Our cooked chicken meat products comprise ready-to-eat chicken meat products and frozen chicken meat products. We also process other parts of the broilers as by-products which do not form part of our chicken meat products.

Chicken meat products are primarily sourced from different parts of broilers, which include:

Raw chicken meat products:

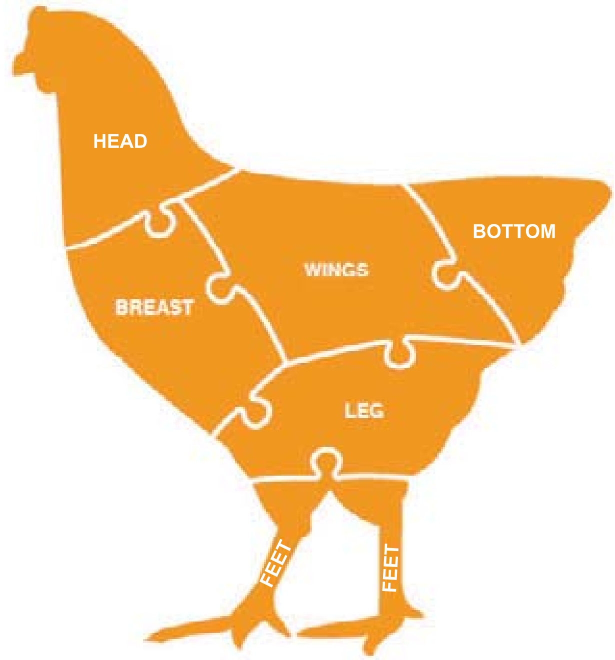
- whole chicken
- breast
- wings
- legs
- head
- feet
- bottom

Processed chicken meat products:

- whole chicken
- breast
- wings
- legs

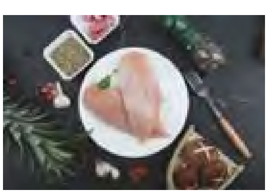
Other chicken by-products:

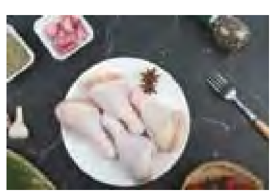
- feather
- blood
- organs



Raw Chicken Meat Products

We offer raw white-feathered chicken meat products, which include whole frozen chickens and chicken portions, such as chicken wings, chicken breast, chicken drumsticks, chicken drumettes, bone-in chicken thighs, boneless chicken fillets, chicken head, chicken feet and chicken legs. Our broilers are then cut into portions according to our internal or customers' requirements, which will be chilled or frozen depending on the product nature. The following are sample pictures of our raw chicken meat products:


Chicken breast


Chicken drumsticks


Chicken drumettes


Chicken wings

Processed Chicken Meat Products

We market our processed chicken meat products under our own brand names of "鳳祥食品 (Fovo Foods)", "優形 (iShape)" and "五更爐 (Wu Genglu)". We believe that our processed chicken meat products are well positioned in the market and are expected to have substantial growth potential within this growing market.

We intend to continue to penetrate the processed chicken meat product market through expanding our geographic coverage and developing and launching new processed chicken meat products to meet consumer demand. Our processed chicken meat products comprise cooked, semi-cooked and seasoned chicken meat products. Depending on the processing methods, these processed products are required to be chilled or frozen.

As at the Latest Practicable Date, we had seven slaughtering and processing plants for the production of our raw and processed white-feathered chicken meat products, all of which were located in Shandong, with an aggregate production capacity of approximately 120 million birds and 230,000 tonnes per annum, respectively. The raw chicken meat we use in our processed chicken meat production is either supplied by ourselves, or procured from independent third party suppliers in the PRC and overseas. For the four years ended 31 December 2016, 2017, 2018 and 2019, we processed approximately 193,000 tonnes, 210,000 tonnes, 220,000 tonnes and 229,000 tonnes of chicken meat products, respectively.

Cooked chicken meat products

Our cooked chicken meat products comprise ready-to-eat chicken meat products and frozen chicken meat products. Our cooked chicken meat products are fully cooked and sterilised. After high temperature processing, our cooked chicken meat products are chilled or frozen and boxed. End consumers will need to reheat our frozen cooked chicken meat products before consumption according to the instructions provided on the packaging. Our end consumers may readily consume the ready-to-eat chicken meat products and no further processing is required. The followings are sample pictures of our cooked chicken meat products:


Homemade Valencia flavoured chicken legs
(瓦倫西亞秘製飄香風味即食雞腿)


Thailand chinsin lemon flavoured chicken legs
(泰國沁心檸檬風味即食雞腿)


iShape steamed chicken breast slices
(優形蒸雞胸肉切片)


iShape MINI salad chicken breast (black pepper flavour)
(優形沙拉雞胸肉MINI (黑胡椒味))

Semi-cooked chicken meat products

Our semi-cooked chicken meat products are processed. After thermal processing, our semi-cooked chicken meat products are chilled or frozen and boxed. End consumers will need to further process (including steaming, grilling, roasting or frying) our semi-cooked chicken meat products before consumption according to the instructions provided on the packaging. The followings are sample pictures of our semi-cooked chicken meat products:

Lexiang chicken nuggets
(樂享雞塊)

Spicy chicken wings
(香辣翅中)

Taiwanese fried chicken
(鹽酥雞)

Water chesnut chicken meatballs
(馬蹄雞肉獅子頭)

Seasoned chicken meat products

Our seasoned chicken meat products include raw chicken meat flavoured with certain ingredients or spices. The followings are sample pictures of our seasoned chicken meat products:

Sichuan chicken fillet (川香雞柳)

Microwave chicken wings (微波雞翅)

Grilled chicken drumsticks (炙烤雞腿肉)

Deep fried chicken steak (黃金戰甲大雞排)

We also offer ready-to-cook pre-prepared meal solutions, including Chinese cuisine. The followings are sample pictures of our ready-to-cook pre-prepared meal solutions:

Chicken with mushroom (香菇滑雞) *Ingredients: chicken, diced mushroom, chili pepper*

Curry chicken (咖喱雞塊) *Ingredients: chicken, potato and onion*

Fish flavoured shredded chicken (魚香肉絲) *Ingredients: shredded chicken, carrot, chili, black fungus*

Chicken Breeds

We sell some of our chicken breeds hatched from broiler eggs to other independent third parties for breeding into broilers. The sales volume of our chicken breeds is based on the average selling prices of chicken breeds, which is market-driven. We sold approximately 30.0%, 29.9%, 31.0%, 37.3% and 27.7% of our chicken breeds to other third parties in terms of the number of chicken breeds sold as a percentage of the number of chicken breeds hatched based on the production volume of our hatcheries for the four years ended 31 December 2016, 2017, 2018, 2019 and after the Track Record Period and up to the Latest Practicable Date.

For the four years ended 31 December 2016, 2017, 2018 and 2019, our revenue from chicken breeds was approximately RMB149.4 million, RMB69.9 million, RMB172.1 million and RMB426.4 million, representing approximately 6.3%, 2.9%, 5.4% and 10.9% of our total revenue, respectively. Our revenue from chicken breeds segment increased by approximately 147.8% from approximately RMB172.1 million in 2018 to approximately RMB426.4 million in 2019, primarily due to a significant increase of approximately 91.9% in average selling price in chicken breeds from 2018 to 2019.

Other Products

We sell other products, including sale of animal feeds, chicken by-products (such as chicken feather, chicken blood and unused chicken organs), mature breeders, broiler eggs which do not satisfy our production requirements, packing materials and miscellaneous products.

Price Range and Average Selling Prices

The following table illustrates the price range and average selling prices of our major white-feathered chicken meat products and chicken breeds during the Track Record Period:

		Year ended 31 December			
		2016	2017	2018	2019
Product segment		**(RMB)**	**(RMB)**	**(RMB)**	**(RMB)**
White-Feathered Chicken Products					
Raw chicken meat products	Price range *(per kg)*	7.98 to 9.30	7.21 to 9.62	8.56 to 11.52	10.77 to 12.69
	Average selling price *(per kg)*	8.7	8.4	9.9	11.8
Processed chicken meat products	Price range *(per kg)*	17.86 to 20.95	17.81 to 20.11	17.58 to 19.87	19.56 to 21.58
	Average selling price *(per kg)*	19.7	19.1	19.3	20.6
Chicken breeds	Price range *(per bird)*	1.72 to 4.21	0.55 to 3.02	2.00 to 6.79	2.31 to 10.44
	Average selling price *(per bird)*	3.1	1.5	3.7	7.1

There is no material difference in the selling price of chicken meat products from broilers raised under battery cage systems compared with those raised in a cage-free environment.

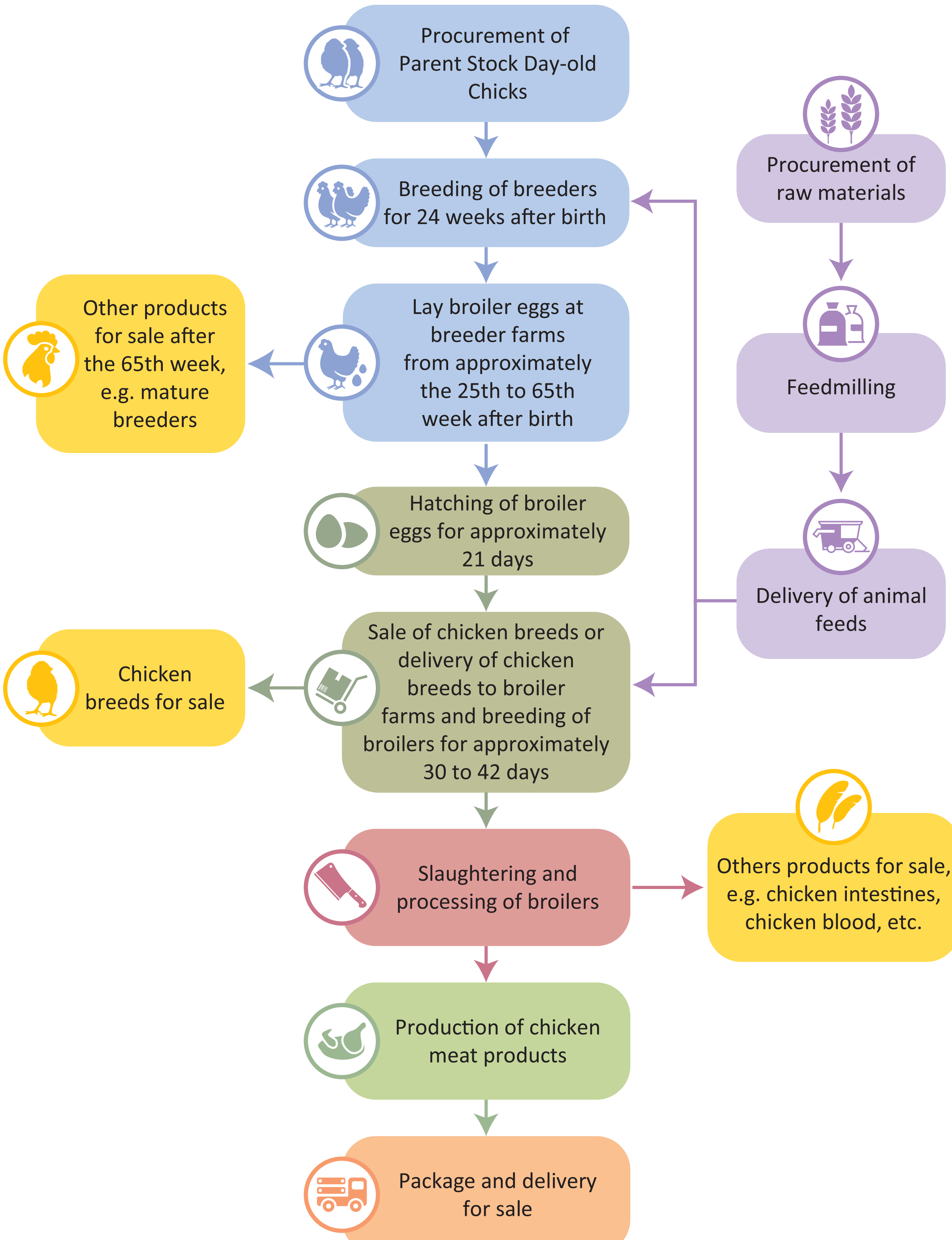
The average selling price of our raw chicken meat products increased by approximately 19.2% from the year ended 31 December 2018 to the year ended 31 December 2019 due to the outbreak of African Swine Fever in August 2018, which led to the increase in consumption demand for chicken meat to compensate for the abrupt drop of pork consumption.

The average selling price of our processed chicken meat products remained relatively stable during the Track Record Period.

The average selling price of our chicken breeds increased by approximately 91.9% from the year ended 31 December 2018 to the year ended 31 December 2019 similarly due to growing demand for chicken meat products in light of the outbreak of African Swine Fever as well as the expected short supply of Grandparent Stock Chicks from overseas. During the Track Record Period, the gross profit margin of our sale of chicken breeds experienced significant volatility due to price fluctuations. For details, see “Financial Information — Gross Profit and Gross Profit Margin”.

PRODUCTION

Production process for our white-feathered broilers is set out as follows:



Procurement of Parent Stock Day-old Chicks and Breeder Farms

Our production process starts with our purchase of Parent Stock Day-old Chicks. During the Track Record Period, we mainly purchased our Parent Stock Day-old Chicks from breeding companies producing Parent Stock broiler breeders. As at the Latest Practicable Date, these suppliers imported Grandparent Stock Chicks from overseas, such as New Zealand, and are independent third parties. We procured our Parent Stock Day-old Chicks from five Parent Stock Day-old Chicks suppliers which we had relationships for approximately four to 16 years as at the Latest Practicable Date. The costs for procuring the Parent Stock Day-old Chicks from our Parent Stock Day-old Chicks suppliers for the four years ended 31 December 2016, 2017, 2018 and 2019 were approximately RMB32.0 million, RMB21.4 million, RMB32.8 million and RMB46.3 million, respectively. During the Track Record Period, the Group's procurement costs for Parent Stock Day-old Chicks were generally evenly spread across our four major Parent Stock Day-old Chick's suppliers as detailed below.

The following table sets forth the details of and number of sets of Parent Stock Day-old Chicks supplied from our Parent Stock Day-old Chicks suppliers in the four years ended 31 December 2016, 2017, 2018 and 2019:

	Year ended 31 December			
	2016	2017	2018	2019
	(approx.)	(approx.)	(approx.)	(approx.)
Parent Stock Day-old Chicks Supplier A[(1)]	314,000	533,000	713,000	527,000
Parent Stock Day-old Chicks Supplier B[(2)]	131,000	255,000	87,000	237,000
Parent Stock Day-old Chicks Supplier C[(3)]	174,000	—	84,000	86,000
Parent Stock Day-old Chicks Supplier D[(4)]	325,000	333,000	182,000	115,000
Parent Stock Day-old Chicks Supplier E[(5)]	75,000	—	—	—
Total	**1,019,000**	**1,121,000**	**1,066,000**	**965,000**

Notes:

(1) Parent Stock Day-old Chicks Supplier A is a wholly-foreign owned limited liability company established in September 2013 with a registered capital of USD15.0 million. Parent Stock Day-old Chicks Supplier A is specialised in the breeding of Grandparent Stock Chicks and the sale of Parent Stock Day-old Chicks.

(2) Parent Stock Day-old Chicks Supplier B is a limited liability company established in the PRC in November 2002 with a registered capital of RMB5.0 million. Parent Stock Day-old Chicks Supplier B is specialised in the breeding and sale of Grandparent Stock Chicks and the sales of Parent Stock Day-old Chicks.

(3) Parent Stock Day-old Chicks Supplier C is a sino-foreign joint venture established in October 1986 with a registered capital of approximately USD15.4 million. Parent Stock Day-old Chicks Supplier C is set up by a state-controlled agricultural enterprise focused on animal feed and a member of an agri-food conglomerate in China and Vietnam. Parent Stock Day-old Chicks Supplier C is one of the first Grandparent Stock Chicks breeding companies established in the PRC and is specialised in the breeding and sale of Parent Stock Day-old Chicks.

(4) Parent Stock Day-old Chicks Supplier D is a sino-foreign joint venture established in November 1988 with a registered capital of approximately RMB61.6 million. Parent Stock Day-old Chicks Supplier D is set up by a state-controlled agricultural enterprise and a poultry company incorporated in the US focused on Grandparent Stock Chicks and Parent Stock Day-old Chicks.

(5) Parent Stock Day-old Chicks Supplier E is a joint-stock limited liability company with a registered capital of approximately RMB576 million, whose shares are listed on the Shenzhen Stock Exchange. Parent Stock Day-old Chicks Supplier E is specialised in the breeding of Grandparent Stock Chicks as well as the breeding and sale of Parent Stock Day-old Chicks and broilers.

The Group chooses to procure the Parent Stock Day-old Chicks mainly from these suppliers because of the vaccinations received by the Parent Stock Day-old Chicks, the relevant suppliers' business relationship with the Group, and the quality and pricing of Parent Stock Day-old Chicks per batch supplied by them satisfy the requirements of the Group.

Since it is an industry norm for PRC's white-feathered broiler breeding companies not to import Grandparent Stock Chicks directly from overseas and in light of our established and stable business relationship with our Parent Stock Day-old Chicks suppliers over years, the Group does not currently have any plan to import Grandparent Stock Chicks from overseas directly.

For each of the four years ended 31 December 2016, 2017, 2018 and 2019, the Group purchased approximately 1.1 million, 1.1 million, 1.1 million and 1.0 million sets of Parent Stock Day-old Chicks and the average purchase price per set of Parent Stock Day-old Chicks was approximately RMB31.4, RMB19.0, RMB30.8 and RMB47.9, respectively. The purchase price of Parent Stock Day-old Chicks may be affected by various factors, including governmental policies on importation of Grandparent Stock Chicks, the breeding timetable and survival rate of such Grandparent Stock Chicks, the timing of supply of Parent Stock Day-old Chicks by our Parent Stock Day-old Chick suppliers and the market demand of chicken meats products at the relevant time. As at the Latest Practicable Date, our Parent Stock Day-old Chick suppliers imported Grandparent Stock Chicks from overseas. The purchase price of Parent Stock Day-old Chicks rose in 2015 as a result of the importation bans of Grandparent Stock Chicks from France and the United States since 2015, which led to the reduced supply of Grandparent Stock Chicks. The importation bans have been uplifted in March and November 2019, respectively. We entered into a strategic cooperation agreement with one of our Parent Stock Day-old Chick suppliers in May 2016 to procure Parent Stock Day-old Chicks at an agreed price for a term of five years. The Directors believe that this enables us to have a more stable supply and better cost control to mitigate the impact of purchase price fluctuations of Parent Stock Day-old Chicks on our operation.

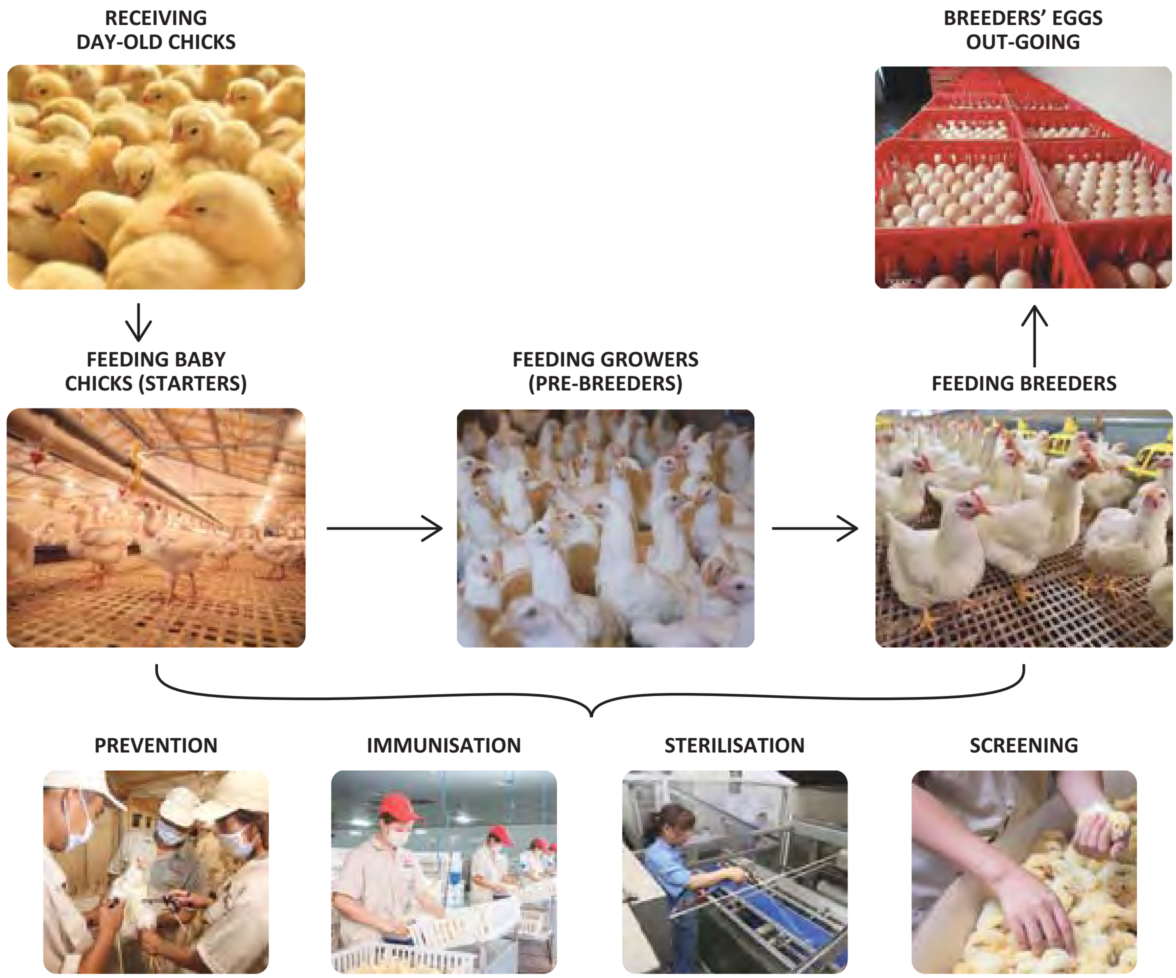
Each female breeder that has been matched with a male breeder for fertilisation constitutes one set of breeders. The mating ratio of female breeders to male breeders is approximately 8.5:1. The Parent Stock Day-Old Chicks will be delivered to our breeder farms in Shandong according to our timetable. The Parent Stock Day-old Chicks will then be grown in our breeder farms for the purpose of laying broiler eggs. As at the Latest Practicable Date, we had 21 breeder farms for our white-feathered broilers.

We have installed automated feeding facilities in each of the breeder farms. The Parent Stock Day-old Chicks will be grown into breeders in our breeder farms and start to lay broiler eggs from approximately the 25th week to the 65th week from birth. For each 65-week cycle, each set of our Parent Stock Day-old Chicks can, on average, lay approximately 160 broiler eggs, which satisfies the quality requirements of the Group. After the 65th week, those mature breeders will be sold and will not be used for the production of our chicken meat products.

In order to ensure that our Parent Stock Day-old Chicks are not infected by disease epidemics, strict biological safety measures are implemented in our breeder farms. Only specific staff are allowed to enter into the breeder farms. Any other people who want to enter into the breeder farms are required to undergo comprehensive quarantine procedures, including staying in the premises specified by the Group for at least 72 hours after such person or staff had entered a breeder farm before entering into another breeder farm. All the transportation vehicles entering and exiting the breeder farms are also required to undergo specific sterilisation procedures.

The survival rate of our breeders was approximately 95.6%, 95.6%, 94.6% and 94.8% for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively, which is calculated by dividing the number of breeders in the breeder farms at the 25th week after birth by the number of Day-old Chicks received by the relevant breeder farms.

The breeding process of our Parent Stock Day-old Chicks at our breeder farms is set out below:



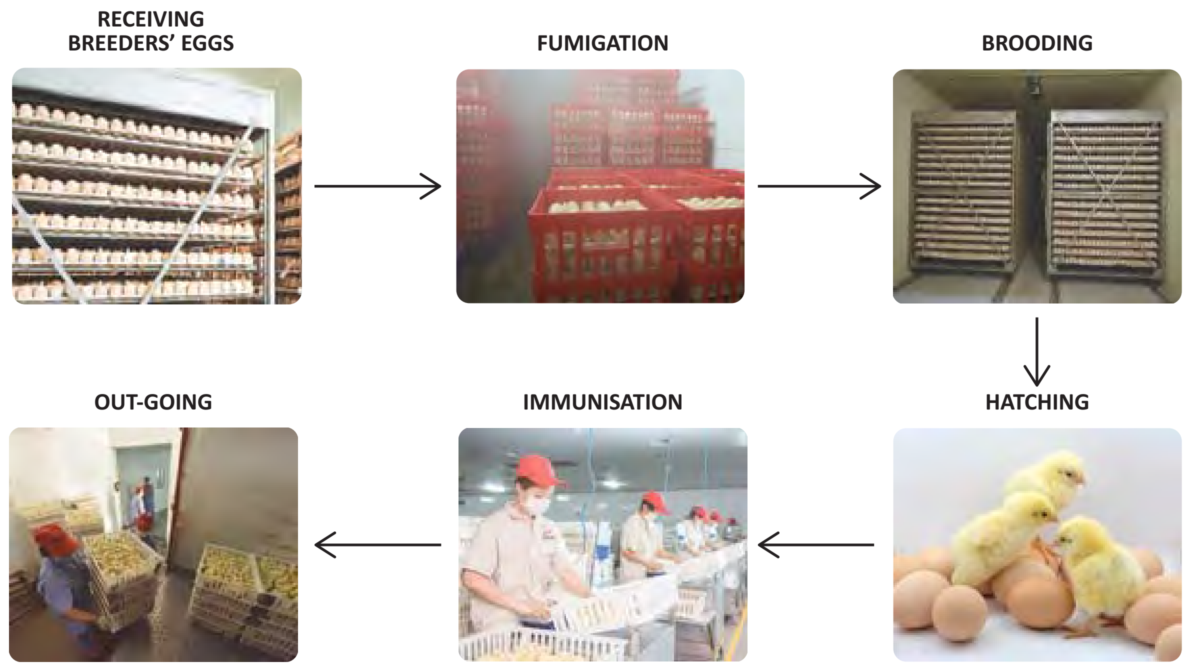
Hatching

After the mature breeders grown in our breeder farms lay the broiler eggs, we collect and deliver the broiler eggs to our hatcheries. We then select those broiler eggs that satisfy our quality requirements.

We have our own hatcheries which are capable of hatching approximately 180 million chicken breeds each year as at 31 December 2019. Broiler eggs are first disinfected by fumigation and then incubated in machines, during which we carefully monitor and maintain the optimum temperature and humidity throughout the entire hatching process. It generally takes approximately 21 days for the broiler eggs to be hatched. Hatched chicken breeds are inspected, selected, vaccinated and then delivered to our broiler farms. The broiler eggs are inspected and graded by an automated computerised system equipped with various detection technologies to detect and remove non-fertile eggs, dead embryos and rotten eggs. As at Latest Practicable Date, we had two hatcheries for hatching our broiler eggs of white-feathered chicken breeds.

The hatching rate of our chicken breeds was approximately 85.2%, 85.0%, 84.3% and 82.8% for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively, which is calculated by the number of out-going chicken breeds divided by the number of broiler eggs received for hatching.

The hatching process of our broiler eggs at our hatcheries is set out below:



Delivery to Broiler Farms and Breeding of Broilers

The hatched chicken breeds will then be delivered to our broiler farms. As at the Latest Practicable Date, we had 45 broiler farms for our white-feathered broilers, which can grow an aggregate of approximately 113 million broilers per year.

After such chicken breeds mature into white-feathered broilers, they will be processed into chicken meat products. It normally takes approximately 30 to 42 days to raise a chicken breed into a broiler ready for slaughter.

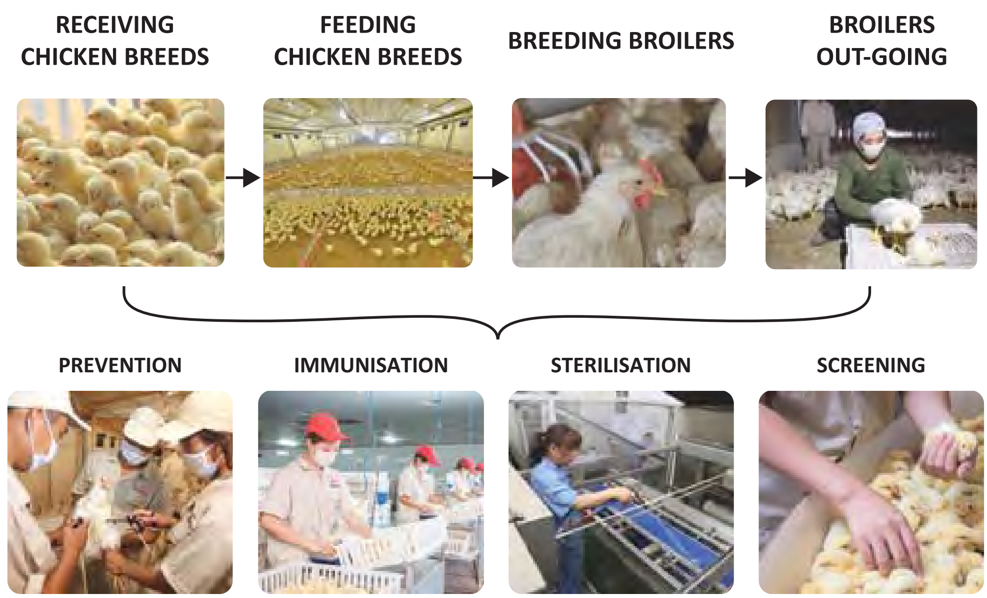
Broiler farms

We have 45 broiler farms for our white-feathered broilers, of which 11 had been modified from cage-free systems into battery cage systems as at the Latest Practicable Date. We erected a number of broiler sheds on both our cage free and battery cage broiler farms, which can accommodate an aggregate of not less than approximately 17 million broilers each cycle on average. Each broiler farm can undergo approximately 6.5 to 7.2 cycles each year, and accordingly the broiler farms can raise an aggregate of not less than 113 million broilers per year based on our designed annual production capacity as at 31 December 2019. We have a specific requirement on the population density of broilers in each broiler shed in order to ensure the even distribution of broilers in the broiler sheds. The average stocking density of broiler in each broiler shed ranges from 12.5 to 20.0 heads per sq.m.

We have installed automated feeding facilities in the broiler sheds of the broiler farms. We carefully monitor and maintain the optimum temperature and humidity throughout the breeding process. In order to ensure that our broilers are not infected by disease or other diseases or viruses, strict hygiene measures are implemented in our broiler farms, including sterilising and disinfecting our broiler farms, ensuring a minimum vacancy period of broiler farms and adopting a set of comprehensive disease prevention and vaccination measures. See "— Quality Assurance — Quality

Control over Breeders and Broilers" below for details of the preventive and management measures adopted by us.

After a shed in the broiler farms is vacated, it will be cleaned and sterilised before another batch of chicken breeds are moved in for breeding. The breeding process of our broilers at our broiler farms is set out below:



Slaughtering and processing

After the chicken breeds in our broiler farms mature into white-feathered broilers, we collect the broilers and deliver them to our slaughtering and processing facilities. We have our own slaughtering and processing facilities which can slaughter and process up to approximately 120 million broilers per year. As at the Latest Practicable Date, we had seven slaughtering and processing plants for our white-feathered broilers.

The key equipment in our slaughtering and processing operations includes automatic slaughtering and portioning machines and food processors such as freezers and choppers. Most of our key slaughtering and processing equipment are imported from manufacturers mainly in the Netherlands and Germany as well as from the PRC. Our white-feathered chicken meat products are halal certified by adopting Islamic slaughter rituals.

After the broilers are offloaded to our slaughtering and processing plants, the broilers will first be hung on a moving line. They are then stunned with an electric current and bled-out. Following bleeding, they are then scalded using hot water and de-feathered. After completely removing the feathers, evisceration follows, where we remove their internal organs and the broilers are thoroughly washed and inspected. Broilers are then pre-cooled to reduce any possible food borne pathogens before they are processed and/or packaged as chicken meat products, including but not limited to chicken wings, chicken breast and chicken legs. See "— Products" above for further details.

Islamic methods of slaughtering

We slaughter broilers adopting Islamic methods in compliance with the Islamic Law, especially in relation to sanitation, food safety, finished product standards and humane handling, in order to ensure that our white-feathered chicken meat products are halal certified.

The halal slaughtering requires that, animals shall be alive or deemed to be alive and healthy to be ritually slaughtered by a Muslim slaughterman with a sharp and clean slaughtering knife. Prior to being slaughtered, stunning is used as a process of rendering animals immobile or unconscious. Animals that are dead before they have bled out will be unsuitable for halal consumption. Animals that are dead due to stunning procedure shall be identified as non-halal conformance, segregated and recorded and be removed from the halal system by the Slaughterman. "Bismillah" must be recited as a blessing by a Muslim slaughterman immediately before slaughtering. The number of slaughtermen shall be adequate to ensure that the act of halal slaughter is conducted properly on each animal.

The slaughtering act shall begin with an incision on the neck and shall hasten the bleeding and death of the animal. The bleeding shall be spontaneous and complete. Slaughtering shall be done only once and without intervention to hasten the death of the animal. The number of animals slaughtered daily and the non-halal conformance carcasses shall be identified and recorded and be available for audit by the supervising body.

During the Track Record Period, we also procured certain chicken meat products from independent third party suppliers both domestically and overseas (generally from Brazil) which satisfy our internal control requirements to meet customers' demand of our processed chicken meat products. For the four years ended 31 December 2016, 2017, 2018 and 2019, the average purchase price of raw chicken meat products procured from independent third party suppliers was approximately RMB12,000, RMB12,000, RMB14,000 and RMB15,000 per tonne and the purchase volume was approximately 14,000 tonnes, 12,000 tonnes, 31,000 tonnes and 45,000 tonnes, respectively. The percentage of cost of raw chicken meat procured to total cost of sales increased from approximately 4.0% for the year ended 31 December 2016 to approximately 15.7% for the year ended 31 December 2019, which was mainly due to an increase in demand of raw chicken meat for the Group's processed chicken meat products and an increase in average procurement cost of such raw chicken meat. For details of our internal control requirements on third party suppliers of chicken meat products, see "Business — Quality Assurance". For the four years ended 31 December 2016, 2017, 2018 and 2019, the cost of raw chicken meat procured by the Group was approximately RMB90.5 million, RMB132.5 million, RMB394.5 million and RMB549.3 million, respectively, representing approximately 4.6%, 6.2%, 14.4% and 20.3% of our cost of sales (before biological assets fair value adjustments) during the same period.

The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any significant problems with the quality of the chicken meat products procured from our suppliers.

Production Process of Chicken Meat Products

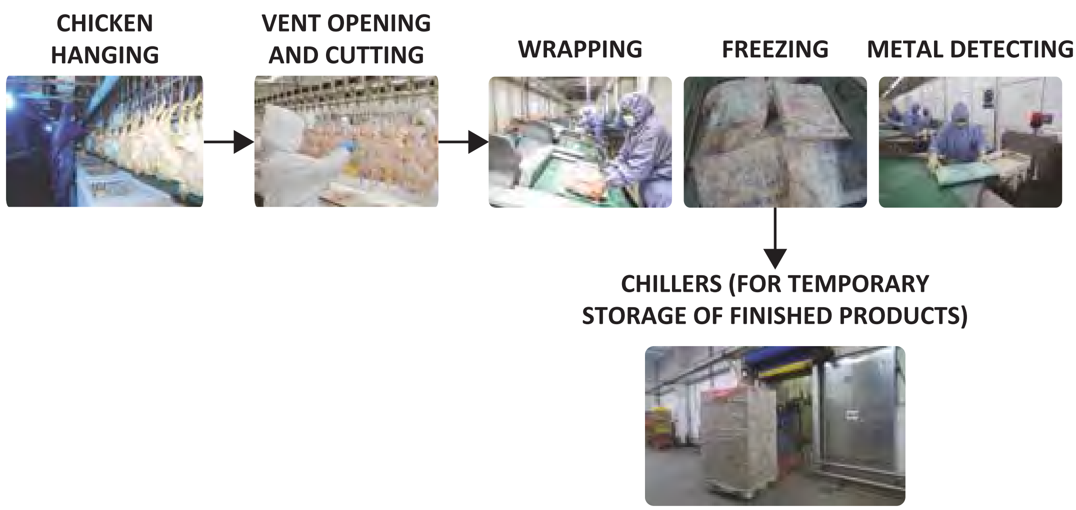
We process most parts of the broilers into different types of chicken meat products. The production processes of the two main categories of our products are as follows:

Raw chicken meat products

The production process for our raw chicken meat products begins with hanging the broilers on a moving line and followed by vent opening and cutting of the raw chicken meat. After the chickens are cut into different parts, they will be weighted, frozen and packaged. We have our own refrigeration facilities to store our chicken meat products. Our raw chicken meat products will generally be stored in our refrigeration facilities for approximately ten to 20 days. Our products will then be delivered to our customers by cold storage trucks. For details of our hygiene and quarantine procedures implemented at our slaughtering and processing plants, see "— Quality Assurance — Quality Control over Chicken Meat Products" below.

Our raw chicken meat products mainly consist of chicken wings, chicken legs and chicken breasts. For the four years ended 31 December 2016, 2017, 2018 and 2019, our raw chicken meat products accounted for approximately 62.4%, 54.7%, 53.8% and 48.1% of our total revenue, respectively.

Our production process of raw chicken meat products is set out as follows:

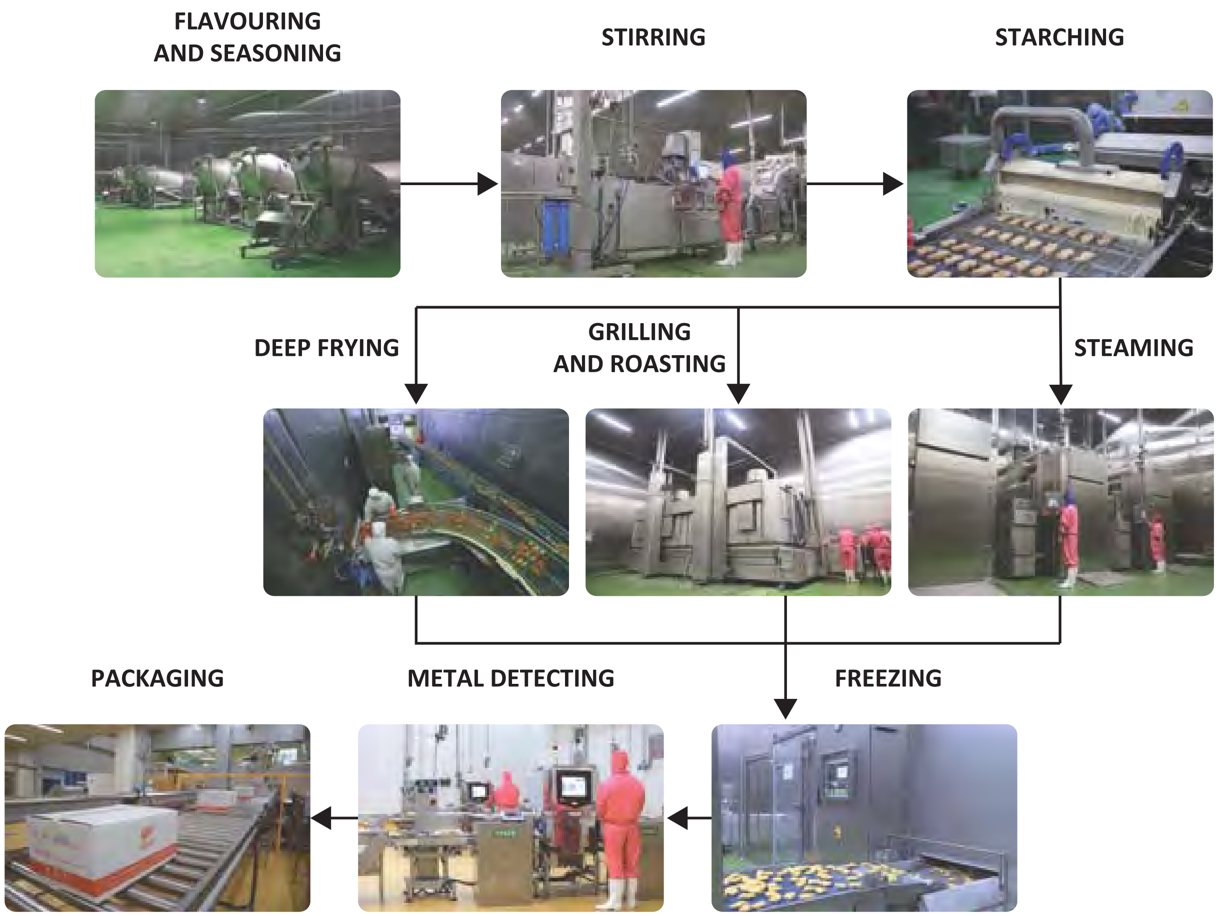


Processed chicken meat products

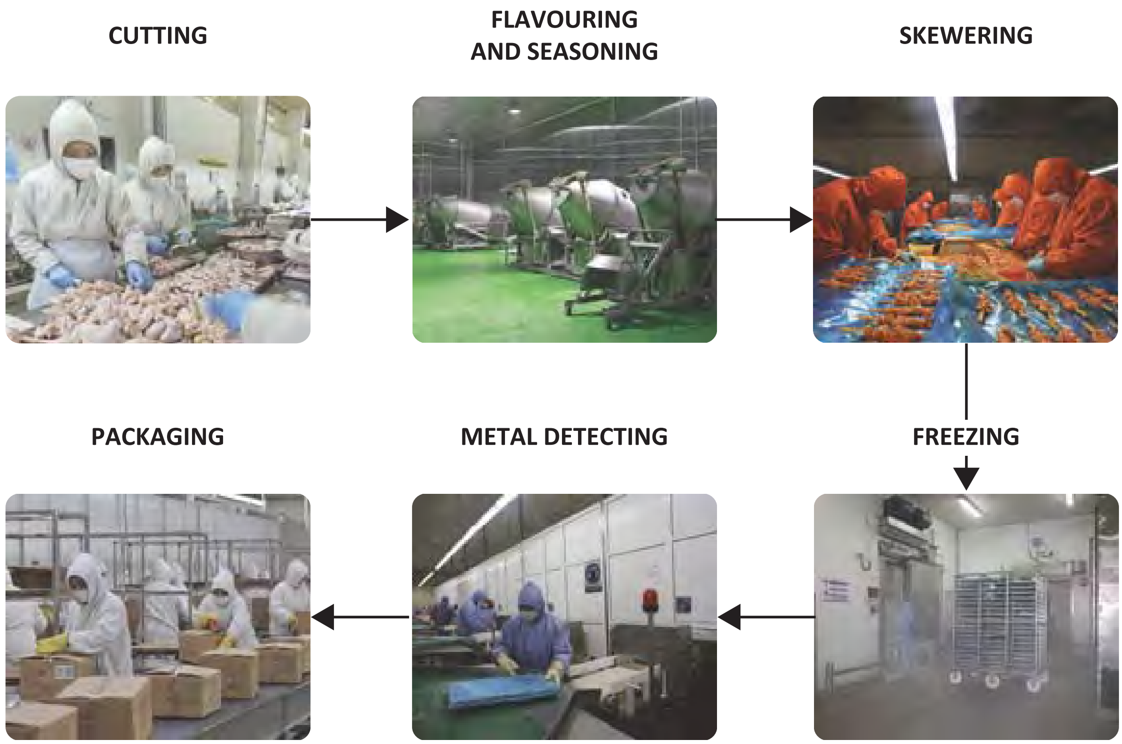
We generally use frozen or chilled raw chicken meat to produce our processed chicken meat products, which is trimmed, minced and mixed with spices and other ancillary ingredients. Depending on the different processing procedures involved for a specific product, the mixture of raw chicken meat and other ingredients is chopped, kneaded or cured. Depending on the type of processed chicken meat product, we then fill the mixed chicken meat paste into moulds to mould the paste into the proper finishing shape. Cooked or semi-cooked chicken meat products are processed at different temperatures. After processing, the cooked or semi-cooked chicken meat products are cooled or frozen and then packaged.

The key equipment in our processed chicken meat product processing operations includes fryers, steam ovens, cutting machines, mincers, choppers, injection moulding machines, smoking machines, automatic packaging machines and coolers. Most of our key processed chicken meat production equipment was imported from manufacturers in Germany, the United States and Japan.

Our production process of cooked chicken meat products and semi-cooked chicken meat products is set out as follows:



Our production process of seasoned chicken meat products is set out as follows:



Animal Feeds Production

Our breeder farms and broiler farms are required to use the animal feeds manufactured by our own animal feeds production facilities. Our animal feeds production facilities occupy a site area of approximately 23,814.05 sq.m. with a gross floor area of approximately 71,210 sq.m. As at 31 December 2019, we had an aggregate annual animal feeds production capacity of 430,000 tonnes. We produced animal feeds of approximately 391,000 tonnes, 418,000 tonnes, 394,000 tonnes and 398,000 tonnes for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

We procure the raw materials of our animal feeds, including corn and soybean meal from third parties. After processing, all animal feeds and other necessary ingredients are then mixed in the required ratio. Lastly, our animal feeds will be delivered directly to our breeder farms and broiler farms by lorries specialised in the delivery of animal feeds.

PRODUCTION FACILITIES

We have our own production facilities for our white-feathered broilers, which are located in Shandong, the PRC. We are capable of (i) breeding approximately 113 million broilers per year; (ii) slaughtering approximately 120 million broilers per year; and (iii) processing approximately 230,000 tonnes of chicken meats per year. As at the Latest Practicable Date, our production team comprised 6,923 employees. The following table sets out the details of our production facilities for our white-feathered broilers as at the Latest Practicable Date:

Existing facility	Function and description	Number	Aggregate site area (sq.m.)
			(approx.)
Breeder farm	Breeding of Parent Stock Day-old Chicks into breeders	21	973,756.7
Hatchery	Incubation of broiler eggs laid by breeders	2	45,295.2
Broiler farm	Breeding of chicken breeds into white-feathered broilers	45	3,451,903.9
Slaughtering and processing plant	Broiler slaughtering and production of our chicken meat products	7	435,711.5
Feedmill	Production of animal feeds for our breeders and broilers	2	71,210.0
Organic fertiliser plant	Fermentation of chicken manure and production of fertilisers	1	158,000.0

Production Capacity and Utilisation Rate

The following table sets forth the production capacity and utilisation rate of our breeder farms, hatcheries and broiler farms during the Track Record Period:

Existing facility	Year ended 31 December			
	2016	2017	2018	2019
	'000 *(approx.)*	'000 *(approx.)*	'000 *(approx.)*	'000 *(approx.)*
Breeder farm[1]				
Designed production capacity[2] *(sets)*	1,600	1,600	1,600	1,720[4]
Actual capacity *(sets)*	1,373	1,387	1,353	1,516
Utilisation rate[3] *(%)*	85.8	86.7	84.6	88.1
Hatchery				
Designed production capacity[2] *(birds)*	180,000	180,000	180,000	180,000
Production volume *(birds)*	159,614	158,829	150,659	162,280
Utilisation rate[3] *(%)*	88.7	88.2	83.7	90.2
Broiler farm				
Designed production capacity[2] *(birds)*	113,000	113,000	114,000	113,000[5]
Production volume *(birds)*	111,620	111,380	103,760	101,742
Utilisation rate[3] *(%)*	98.8	98.6	91.0	90.0

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 8.5:1. Hence, the number of female breeders is equal to the number of the sets of breeders.

(2) The designed production capacity for breeder farms, hatcheries or broiler farms has been calculated as the total designed production capacity of the given breeder farms, hatcheries or broiler farms (as the case may be) in operation at the end of the year.

(3) Utilisation rate is calculated as the actual capacity or production volume (as the case may be) as a percentage of the designed production capacity for the relevant year.

(4) The designed production capacity for our breeder farms for the year ended 31 December 2019 increased to 1,720,000 sets as two of the Group's broiler farms were transformed into breeder farms in late 2018, and were only put into effective operation in early 2019.

(5) The reduction of our designed annual production capacity for broiler farms for the year ended 31 December 2019 to approximately 113,000 birds primarily resulted from the vacancy period of the relevant broiler farms, as a result of the conversion of eight of our broiler farms from cage-free to battery cage systems.

The following table sets forth the production capacity and utilisation rate of our feedmills during the Track Record Period:

	Year ended 31 December			
Existing facility	**2016**	**2017**	**2018**	**2019**
Feedmill				
Designed production capacity[1] *(tonnes)*	404,976	430,000[2]	430,000	430,000
Production volume *(tonnes)*	390,664	417,676	393,607	394,700
Utilisation rate[3] *(%)*	96.5	97.1	91.5	91.8

Notes:

(1) The designed production capacity for our feedmills is calculated on a basis of 26-day basis per month and the given feedmills operating 22 hours per day and calculated as the total designed production capacity of the feedmills in operation at the end of the period.

(2) The designed production capacity for our feedmills increased since 2017 due to certain mechanical upgrades, which increased our animal feeds production efficiency.

(3) Utilisation rate is calculated as the production volume as a percentage of the designed production capacity for the relevant year.

The following table sets forth the production capacity and utilisation rate of our slaughtering and processing facilities during the Track Record Period:

	Year ended 31 December			
Existing facility	**2016**	**2017**	**2018**	**2019**
	'000 *(approx.)*	**'000** *(approx.)*	**'000** *(approx.)*	**'000** *(approx.)*
Slaughtering operations				
Designed production capacity[1] *(birds)*	120,000	120,000	120,000	120,000
Production volume *(birds)*	102,500	103,800	96,100	90,700
Utilisation rate[2] *(%)*	85.4	86.5	80.1	75.6
Processing operations				
Designed production capacity[3] *(tonnes)*	230	230	230	230
Production volume *(tonnes)*	177	184	174	174
Utilisation rate[4] *(%)*	77.0	80.0	75.7	75.7

Notes:

(1) Annual production capacity for our slaughtering operations is calculated on a 300-day basis per year on the assumption that 400,000 birds may be slaughtered per day, and taking into consideration the time required for machinery maintenance, repair and staff breaks.

(2) Utilisation rate is calculated as the production volume as a percentage of the designed production capacity for the relevant year.

(3) Annual production capacity for our processing operations is calculated on a 300-day basis per year, and taking into consideration the time required for machinery maintenance, repair and staff breaks.

(4) Utilisation rate is calculated as the production volume as a percentage of the designed production capacity for the relevant year.

As disclosed in "— Our Expansion Plan" below and "Future Plans and Use of Proceeds", the Group intends to procure facilities necessary for the broiler farms with battery cage systems, new slaughtering and processing plant, breeder farms, hatchery, feedmill and organic fertiliser plant. For details of our production facilities for our Sichuan Mountain Black Bone Chicken which are located in Sichuan, see "— Sichuan Mountain Black Bone Chicken — Our Products and Production Facilities" below.

Remote Control Real-Time Data Information System

We have designed and developed a remote control real-time data information system to carefully monitor and maintain optimum temperature and humidity throughout the breeding process at each of our breeder farms and broiler farms on a 24-hour basis.

The information system monitors and displays the key operation indicators in the broiler farms and breeder farms, including real-time temperature, humidity, animal feed intake, water intake and ventilation. Abnormalities may be detected and resolved in a timely manner through the built-in alarm systems at breeder farms, broiler farms and the data information system.

Further, the Group analyses the breeding data saved in the database of the data information system, allowing the Group to constantly improve its breeding environment and breeding performance based on the analysis results. For details of our information technology system, see "— Information Technology" below.

SICHUAN MOUNTAIN BLACK BONE CHICKEN

Breeding Process

Leveraging our extensive experience in white-feathered broiler production, the Group has been seizing opportunities to explore, invest and develop other high-end chicken meat products to diversify and optimise our product mix. In May 2016, we established a joint venture, namely Xingwen Tianyang, with the Sichuan Xingwen County Finance Bureau (四川省興文縣財政局) to commence breeding and production business of Sichuan Mountain Black Bone Chicken. Sichuan Mountain Black Bone Chicken is a type of high protein chicken meat product with its meat, bones and organs all being black in colour and is originated from Sichuan.

Unlike the breeding method of white-feathered broilers, Sichuan Mountain Black Bone Chicken is raised by a "free range" method and rarely ever caged before transport to slaughter. In addition to animal feed, Sichuan Mountain Black Bone Chicken eats insects and various greens to maintain a natural and high-protein diet. Breeding of Sichuan Mountain Black Bone Chicken requires suitable areas with local natural environment to allow the Sichuan Mountain Black Bone Chicken to have access to outdoor space. As such, we have established separate production facilities in Sichuan, which include breeder farm, hatchery and slaughtering plant and engaged the Contract Farmers to breed our Sichuan Mountain Black Bone Chicken for our chicken meat products. The "free range" breeding method requires certain specific standard of environment and safety requirements, including feeding environment, epidemic disease prevention and control which must be implemented in accordance with the relevant standards and requirements as promulgated by the local government. We and the Contract Farmers are required to follow the abovementioned requirements when breeding the Sichuan Mountain Black Bone Chicken.

Our breeding and production process of Sichuan Mountain Black Bone Chicken starts with the breeding of origin stock day-old black bone chicks (原種代) into Parent Stock Chicks in our Sichuan breeder farm. The broiler eggs laid by the Parent Stock Chicks are then hatched into black bone chicken breeds in our hatchery for approximately three weeks. The black bone chicken breeds are then bred in our breeder farm for approximately 30 to 35 days before they are delivered to our Contract Farmers. The chicken breeds grow into broilers in approximately 140 to 150 days. We collect the broilers from our Contract Farmers and deliver them to our local slaughtering plant to produce black bone chicken meat products or alternatively sold as live broilers in the market. During the Track Record Period, we had 53 Contract Farmers for our Sichuan Mountain Black Bone Chicken. For the four years ended 31 December 2016, 2017, 2018 and 2019, revenue from sale of Sichuan Mountain Black Bone Chicken amounted to approximately nil, RMB0.7 million, RMB3.9 million and RMB8.8 million, respectively, representing approximately nil, 0.03%, 0.12% and 0.22% of our total revenue in these respective periods.

Contract Farming and Controls on Contract Farmers

Under the Contract Farming arrangement, the Contract Farmers purchase Sichuan Mountain Black Bone Chicken breeds, animal feeds, medicine and vaccines from us at agreed prices specified in the contracts and subject to adjustments determined by us or from pharmacies specified by us, and are prohibited from purchasing any animal feeds, Sichuan Mountain Black Bone Chicken breeds, other ingredients, medicine or vaccines from other third parties. In the event that the Contract Farmers are found to be in violation of this requirement, we may refuse to repurchase the broilers from them. We will normally repurchase from the Contract Farmers, and the Contract Farmers are obliged to sell to us all Sichuan Mountain Black Bone Chicken satisfying our requirements at the agreed prices, subject to adjustments. The repurchase price will be calculated with reference to the number of Sichuan Mountain Black Bone Chicken delivered to the Group by the Contract Farmers.

To ensure that the operations of the Contract Farmers meet our quality and hygiene requirements, we have adopted a strict and comprehensive supervision regime on the performance of the Contract Farmers and relevant facilities. We also require the Contract Farmers to strictly follow our instructions regarding the Contract Farming, such as farm sterilisation, disposal of dead broilers and waste materials, health record reporting, prevention on animal diseases, and emergency procedures to deal with the outbreak of animal diseases. We require, among other things, that (1) the Contract Farmers shall not breed and mix Sichuan Mountain Black Bone Chicken breeders that were procured from suppliers other than us; (2) if the Contract Farmers identify any defects in the quality of the Sichuan Mountain Black Bone Chicken breeds during the course of breeding, they must report such defects to us; and (3) the Contract Farmers record the daily number of dead and injured Sichuan Mountain Black Bone Chicken, the amount of daily feed intake and the medicines used on a daily basis. We provide technical consultancy services to the Contract Farmers free of charge and provide breeding epidemic prevention procedures for the Contract Farmers' reference from time to time.

Before the Group collects the Sichuan Mountain Black Bone Chicken from a Contract Farmer, the relevant Contract Farmer is required to provide the certificate issued by the relevant PRC governmental authority responsible for quarantine, certifying that the relevant batch of growers pass the quarantine requirements. We also conducted sample test (including medicine test) on the Sichuan Mountain Black Bone Chicken supplied by the Contract Farmers before slaughtering.

The Directors confirmed that, (a) save for the Contract Farming arrangements as disclosed in this prospectus, the Contract Farmers do not have any relationship or dealing with the Group, the substantial Shareholders, Directors, Supervisors, senior management or any of their respective associates and are independent third parties; and (b) there has been no infection case of avian influenza found in the Sichuan Mountain Black Bone Chicken bred by the Contract Farmers during the Track Record Period and up to the Latest Practicable Date.

For the four years ended 31 December 2016, 2017, 2018 and 2019, we had Contract Farming arrangements with approximately nil, 20, 16 and 53 Contract Farmers in relation to our Sichuan Mountain Black Bone Chicken, all of whom being independent third parties. For the four years ended 31 December 2016, 2017, 2018 and 2019, the Group repurchased approximately nil, 10,000, 43,000 and 139,000 Sichuan Mountain Black Bone Chicken from Contract Farmers and the average repurchase price per Sichuan Mountain Black Bone Chicken was approximately nil, RMB64.7, RMB58.4 and RMB52.2, respectively. The increase in our repurchase volume of Sichuan Mountain Black Bone Chicken from the Contract Farmers in 2019 was mainly due to an increase in market demand for black bone broiler meat, and as a result, we increased the hatching volume of our Sichuan Mountain Black Bone Chicken breeds for the Contract Farming arrangement and engaged more Contract Farmers during the period.

Selection of Contract Farmers

The Group evaluates the suitability of potential Contract Farmers for breeding Sichuan Mountain Black Bone Chicken broilers by assessing the location and area of their farmlands, the proposed number of Sichuan Mountain Black Bone Chicken for breeding and the distance between their farmlands and our production facilities. Our technical staff also assesses factors such as water supply, electricity facilities and accessibility of the farmland as further described below.

In order to ensure that the Contract Farmers will be able to satisfy the requirements of the Group, we have adopted the following selection criteria to select our Contract Farmers:

(i) the farmland has to be situated at an easily accessible location to allow access of breeding equipment and animal feeds;

(ii) the landscape is required to be dry with adequate ventilation;

(iii) there should be sufficient clean water supply to the farmland;

(iv) the soil on which the Sichuan Mountain Black Bone Chicken broiler sheds are erected must be of suitable quality;

(v) the Sichuan Mountain Black Bone Chicken broiler sheds should be equipped with proper feeding system, drainage system, lighting facility, heating devices and ventilation; and

(vi) we have specific requirements on (a) the dimension and the direction of the broilers sheds; and (b) the distances between each of the broiler sheds.

Our Products and Production Facilities

During the Track Record Period, we only sold live and whole Sichuan Mountain Black Bone Chicken to our customers domestically. We commenced sale of Sichuan Mountain Black Bone Chicken in 2017. The price range of our raw Sichuan Mountain Black Bone Chicken meat products per kg for the four years ended 31 December 2016, 2017, 2018 and 2019 was approximately nil, RMB27.0 to RMB34.0, RMB18.0 to RMB32.1 and RMB18.0 to RMB34.0, respectively, and the average selling price per kg was approximately nil, RMB30.3, RMB27.2 and RMB23.9, respectively.

The slaughtering procedures of our Sichuan Mountain Black Bone Chicken are largely similar to that of our white-feathered raw chicken meat products.

Our production facilities for our Sichuan Mountain Black Bone Chicken are located in Sichuan. As at the Latest Practicable Date, we had one breeder farm, one hatchery, one broiler demonstration farm and one slaughtering facility, which are all leased by us. During the Track Record Period, the Contract Farmers delivered to us an aggregate of approximately 190,000 Sichuan Mountain Black Bone Chicken, representing a rate of return of approximately 84.3%, being the number of Sichuan Mountain Black Bone Chicken that has met our requisite breeding requirements divided by the number of Sichuan Mountain Black Bone Chicken breeds reared by the Contract Farmers.

OUR EXPANSION PLAN

Battery Cage Systems

As at the Latest Practicable Date, 11 of our broiler farms adopted battery cage systems. Such broiler farms have three tiers to maximise utilisation of available floor space and optimise stocking density. The battery cages are made of solid iron wires with the cages arranged in long rows with one above another. The bottom of our battery cages is made of iron wire mesh, which allows manure to drop down, together with a conveyer belt between each level to remove manure on a daily basis and prevent it from falling on the broilers below. The conveyer belt will then transport the manure out of the broiler sheds to our organic fertiliser plant.

We have specific requirements on the general stocking capacity of broilers in our battery cages to ensure an even distribution in the battery cages. The average stocking capacity of broilers in our battery cages is 20.0 heads per sq.m.. Similar to cage free systems, our battery cage systems include automated climate control, feeding, water, ventilation, lighting and manure collection functionalities. Animal feeds are provided to our broilers through a customised feed trough made of iron sheets and water is served to them through overhead nipple systems. The environment for breeding broilers in battery cage farms is identical to our cage-free broiler farms. For details of the optimum environment for breeding, see " — Quality Assurance — Quality Control over Breeders and Broilers" below. Below are photos of our broilers farms that have already adopted battery cage systems:

Reasons for Establishing Battery Cage Systems

As part of our strategy, we intend to expand our breeding and production capacities of white-feathered broilers through the procurement of facilities necessary for additional broiler farms adopting battery cage systems. As at the Latest Practicable Date, we modified 11 of our broiler farms from cage-free system to battery cage systems.

The utilisation rate of our broiler farms have on average reached approximately 98.8%, 98.6%, 91.0% and 90.0% for the four years ended 31 December 2016, 2017, 2018 and 2019. Further, according to the Frost & Sullivan Report, the market size of processed white-feathered chicken meat products increased from RMB14.3 billion in 2015 to RMB24.2 billion in 2019, at a CAGR of 14.1% and it is projected that the total market size will continue to grow steadily at a CAGR of 20.1% from 2019 to 2024 along with a more diverse products portfolio, boosted by the growing population of the younger generation seeking convenience and diversity. As such, the Group's current designed production capacity of breeding approximately 113 million broilers per annum is insufficient to capture the future market growth. Moreover, the procurement cost of raw chicken meat from third party suppliers have been continually increasing. Accordingly, we increased our production capacity to meet our customers' demand by modifying 11 of our own broiler farms into battery cage systems. The Directors are of the view that such trend will continue, which makes increasing our production capacity more urgent and will be in the interest of the Group to mitigate its procurement cost effect.

To fulfil the demand of our customers, the Directors believe that it is of strategic importance that the Group is able to secure and enhance control over the timeliness, quality and predictability of our broiler supplies. Having broiler farms with battery cage systems would therefore be critical to the Group to achieve these business objectives.

The Group's plan to adopt battery cage systems is not solely dependent on the projected increase in the consumption of broilers in the PRC but also worldwide. Currently, our existing designed broiler stocking capacity per broiler farm adopting the cage-free method is approximately 13.5 broilers per sq.m.. With the planned modification into and adoption of battery cage systems, the designed broiler stocking capacity is projected to increase to approximately 20.0 broilers per sq.m., representing a 48.1% increase as a greater number of broilers may be bred per unit of area. Based on our past experience in the conversion of broiler farms, it generally takes three to four months to convert a farm adopting cage-free method into battery cage system. Since the conversion of broiler farms will be conducted in stages and a larger number of broilers could be bred per unit of area upon conversion, the total designed production capacity of our broiler farms would be increased in stages. Accordingly, the Directors consider that the increase in total designed production capacity and cost efficiency with a lower weighted average unit cost of production and a higher European Production Index based on the Schedule reported on by PwC after such conversion will be able to make up for the temporary suspension of operations during the conversion. As such, the potential impact on the Group's business and financial position from the temporary suspension of operations as a result of the conversion of broiler farms adopting cage-free method into battery cage systems is expected to be minimal. See below for further details on the Schedule reported on by PwC.

As at the Latest Practicable Date, we modified 11 of our 45 broiler farms into battery cage systems, intended to convert six of our existing white-feathered broiler farms adopting cage-free method into battery cage systems and intended to retain 28 of our existing white-feathered broiler farms with cage-free systems to satisfy certain of our customers' internal requirements. We expect that the total costs for converting six of our existing white-feathered broiler farms adopting cage-free method into battery cage systems to be approximately RMB75.0 million.

We have prepared an expansion plan to enhance our production capacity, which includes the procurement of facilities for the construction of broiler farms with battery cage systems as well as other production facilities at the total expected investment cost of approximately RMB1,458.3 million (approximately RMB572.3 million of which will be fully funded by net proceeds from the Global Offering as indicated below), so as to enhance the designed annual production capacity of our production facilities to the extent that it reaches the relevant benchmarks set out below:

Production facilities	Number of production facilities involved	Designed annual production capacity	Total expected investment cost(1) (RMB'million)	Utilisation of net proceeds(2) (RMB'million)
Breeder farm	10	2.6 million sets	228.8	100.4
Hatchery	1	230 million birds	40.7	26.0
Broiler farm	25	194 million birds	743.0	314.6
Slaughtering and processing facility	1	200 million birds	246.9	27.8
Feedmill	1	830,000 tonnes	94.8	56.4
Organic fertiliser plant	1	140,000 tonnes	104.1	47.1
Total			1,458.3	572.3

Notes:

(1) The total expected investment cost includes construction costs (including foundational construction, installation of electricity, water treatment, water supply, ventilation, heating and other environmental control systems) and the procurement of facilities.

(2) The net proceeds in the amount of approximately RMB572.3 million is intended to be used solely for the procurement of facilities for our expansion plan.

We expect the expansion plan to be completed within the course of approximately 26 months after Listing. The estimated investment costs for the procurement of facilities are expected to be approximately HK$627.8 million (equivalent to approximately RMB572.3 million). The Group intends to carry out the procurement of facilities over a 24-month period (subject to the purchase price at that time), which will be funded by 45.0% of the net proceeds of the Global Offering. The Directors believe that our production capacity may realise a year-on-year increase of approximately 63.6%, which is calculated based on the difference between the designed annualised production capacity of the Group's facilities as at 31 December 2019 and the relevant benchmarks set out above.

We estimate that the investment payback period for our expansion plan will be approximately seven years after taking into account, among other things, the expected production capacities, expected timing for installation and the construction of relevant facilities, assuming that there would be no material change in market demand.

We also expect that our labour costs would be reduced from approximately RMB364 per tonne to RMB270 per tonne, representing a cost reduction of approximately 25.8%.

Based on the foregoing, the Directors believe that the Group's broiler production can generally benefit from adopting battery cage systems in the following aspects:

- *Expanding production capacity in a reduced area.* Through the adoption of battery cage systems, our production capacity may be increased per unit area as it is estimated that our designed broiler stocking capacity would increase by approximately 48.1% from approximately 13.5 broilers to 20.0 broilers per sq.m., allowing for a greater number of broilers to be bred per unit of area. Our overhead costs would also be shared between more broilers. Maximising our space would allow for higher production capacity to meet our customers' demands.

- *Increased cost efficiency.* PwC has been engaged by the Company to perform a limited assurance engagement on the Calculation of Unit Cost and EPI of Certain Chicken Farms of the Group for the period from 1 September 2018 to 31 May 2019 prepared by the Company (the "**Schedule**") in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA.

  It is PwC's responsibility to express a conclusion on the Schedule based on the work performed and to report their conclusion solely to the Company, as a body, in accordance with the agreed terms of engagement and for no other purpose. PwC does not assume responsibility towards or accept liability to any other person for the contents of the PwC report. Within the scope of the engagement, PwC was not required and did not observe the counting of the number of chickens or the weighing of the chickens, as used in the Schedule. PwC performed amongst others the following procedures:

  - making inquiries of the Company's management including those responsible for the preparation of the Calculation of Unit Cost and EPI of Certain Chicken Farms;
  - obtaining an understanding of the design of the key systems, processes and controls for preparation and recording of Calculation of Unit Cost and EPI of Certain Chicken Farms;
  - checking the calculations of Calculation of Unit Cost and EPI of Certain Chicken Farms in accordance with the Company's basis of preparation; and
  - applying analytical review procedures and examining, on a sample basis, documentary evidence including but not limited to invoices, receipts, number count sheets and weight sheets of chickens.

  According to the Schedule reported on by PwC, the adoption of the three broiler farms, which had been converted into battery cage systems by the Group as at the time of preparation of the Schedule, had a lower weighted average unit cost of production of RMB7.10 per kg as compared with the three comparable cage-free broiler farms of RMB7.55 per kg for the period from 1 September 2018 to 31 May 2019, the difference represented a 5.96% increase in cost efficiency. In addition, the Schedule showed that three of our comparable cage-free broiler farms had an European Production Index ranging from 241.52 to 254.71 while the three broiler farms, which had been converted into battery cage systems by the Group as at the time of preparation of the Schedule, had an European Production Index ranging from 292.83 to 353.66 for the period from 1 September 2018 to 31 May 2019.

The Directors believe that a higher European Production Index generally represents a higher broiler production management level, higher breeding efficiency and an enhanced profitability of the broilers.

In light of the higher density of broilers in the broiler farms, it is easier to maintain a stable warm temperature, which can reduce our fuel costs and heating costs per broiler.

- *Improved hygiene*. The open-bottomed design of battery cages allows for manure to fall straight through and remove litter problems, thus improving hygiene. Further, chicken manure is transported out of the broiler farms daily and is used as organic fertilisers. This method increases hygiene could as no harmful gas will be accumulated in the broiler farms, and is conducive to environmental control of the broiler farms, which could result in a lower incidence of diseases spread through droppings. By distributing broilers in cages, the broiler will only be in contact with broilers in the same cage, which prevents the spread of disease between broilers.
- *Qualitative feeding of broilers.* Battery cage systems make feeding for broilers a habitual process that connotes more care for the chickens. This is because the chickens are fed through a customised feed trough made of iron sheets and water is fed to them with overhead nipple systems which are positioned in front of the broilers. This allows us to ensure that the broilers are provided with adequate feeds and fresh water, which in turn makes the broilers healthier and more productive.
- *Ease of access to broilers for record-keeping and veterinary care.* As the broilers are organised in cages, it facilitates our recordkeeping of broilers and we can provide veterinary care once we detect any illness from our broilers. It will also facilitate the cleaning and disinfection of broiler farms, which effectively reduces the likelihood of pathogenic microorganisms.

Apart from the key benefits stated above, the Directors have also considered the following drawbacks when deciding the adoption of battery cages:

- *Additional costs and expenses.* Additional costs are inevitable from the modification and the procurement of equipment for battery cage systems. In particular, our capital expenditures are expected to increase, and such expenditures may result in increase in depreciation charges. Even so, such costs could be offset by the above-mentioned benefits as the adoption of battery cage systems maximises utilisation and reduces costs per bird to meet our customers' demand.
- *Increased likelihood of diseases.* Given the restricted physical and psychological space for broilers, there is a higher incidence of diseases, such as leg weaknesses, cage layer fatigue and fatty liver syndrome. Although restricted movement is also a drawback, being kept stationary reduces the risk of keel bone deformation or fractures that can occur while on the loose or during natural perching habits.
- *Increased likelihood of abrasion caused to broilers.* As opposed to cage free methods, broilers are kept in cages. In cases where the broilers are removed from cages, it is more

likely for the broilers' bodies to be rubbed against the iron wires of the battery cages, which might contribute to the occurrence of feather damage, bruises and abrasions.

- *Animal welfare concern in the European Union and certain of our customers.* The European Union and certain of our customers prohibits the use of battery cages for breeding hens for welfare reasons. Hence, broilers bred in our broiler farms adopting battery cage systems may not be exported to the European Union and sold to those customers. As such, we retain some of our cage free broiler farms for breeding broilers for exportation to the European Union and for satisfying certain of our customers' preferences to purchase broilers that are bred in cage-free systems. To the best knowledge of the Directors, there are no similar animal welfare concerns in the countries we are exporting to (except European Union) and countries that we intend to sell to.

See "Risk Factors — We are subject to risks associated with the increasing adoption of broiler farms with battery cage systems" for risks relating to the adoption of battery cage systems and "— Food Safety Management System of the Group" below for details of our food safety management.

The Directors believe that the advantages of adopting battery cage systems will facilitate a sustainable development of the Group's business, and its disadvantages are resolvable. It is expected that approximately HK$627.8 million of the net proceeds from the Global Offering (representing approximately 45.0% of the net proceeds from the Global Offering) will be used to expand our breeding and production capacities of white-feathered broilers through procuring facilities for our production facilities, including broiler farms with battery cage systems. If there is a shortfall in funding, such expenditure would be financed by our bank borrowings/internal resources.

As at the Latest Practicable Date, no suitable premises had been identified for our broiler farms adopting battery cage systems that are to be constructed, and no provisional or formal sales and purchase agreement in relation to such premises had been entered into.

See "— Business Strategies" above, "Financial Information — Capital Expenditures" and "Future Plans and Use of Proceeds" for further details on the Group's strategies, the expected capital expenditures and the proportion of use of proceeds to be spent on implementing such strategies.

SALES

We sell our products through B2B and B2C sales models. The following table sets out the breakdown of revenue by our sales models, each expressed as an absolute amount and as a percentage of our total revenue during the Track Record Period:

	Year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
B2B Model								
Direct sales	2,262,568	96.1	2,332,044	95.8	3,045,870	95.3	3,631,310	92.5
Domestic market	1,712,264	72.7	1,670,705	68.6	2,085,225	65.2	2,664,871	67.9
Overseas market	550,304	23.4	661,339	27.2	960,645	30.1	966,439	24.6
Distributors	45,027	1.9	53,740	2.2	45,043	1.4	42,401	1.1
Sub-total	**2,307,595**	**98.0**	**2,385,784**	**98.0**	**3,090,913**	**96.7**	**3,673,711**	**93.6**
B2C Model								
Online sales	7,344	0.3	11,597	0.5	72,825	2.3	168,679	4.3
Offline sales	39,165	1.7	37,011	1.5	33,361	1.0	83,827	2.1
Sub-total	**46,509**	**2.0**	**48,608**	**2.0**	**106,186**	**3.3**	**252,506**	**6.4**
TOTAL	**2,354,104**	**100.0**	**2,434,392**	**100.0**	**3,197,099**	**100.0**	**3,926,217**	**100.0**

B2B Sales Model

We sell our products to our B2B customers through direct sales or distributors to our domestic and international customers. Our B2B customers include (i) foodservice or industrial customers; (ii) quick service restaurants; and (iii) retail groceries.

Sales to Domestic Customers

Direct sales

As at the Latest Practicable Date, we had over 1,500 domestic customers of chicken meat products. We sell most of our chicken meat products directly to our customers, including but not limited to fast food chain restaurants and food processors etc. For each of the four years ended 31 December 2016, 2017, 2018 and 2019, approximately 97.4%, 96.9%, 97.9% and 98.4% of our total revenue were derived from our sales of chicken meat products by way of direct sales to our customers, respectively.

We usually enter into supply contracts with our domestic customers, the major terms of which are as follows:-

- the term of the supply contracts is typically up to one year;
- the price and quantity of products to be supplied by the Group shall be negotiated between the relevant parties to the supply contract from time to time and there is no minimum purchase quantities;
- the products to be supplied by the Group must comply with the relevant PRC laws and standards regarding the quality, health and safety of food products, and we are required to provide the relevant permits and certificates as specified in the supply contract;
- the packaging of our products must include certain information, including but not limited to the name of the product, production date and expiry date of the product, storage methods;

- the customer has the right to reject our products or is entitled to a refund of the selling price in the event that our products do not meet their requirements;
- in the event that the Group is in breach of any terms of the supply contract:
  - (a) we shall be required to pay damages to the customer, the amount of which is equivalent to a certain percentage of the selling price of the products as stipulated in the supply contract to the customer, or compensate the customer for all loss suffered as a result of such breach;
  - (b) the relevant customer may unilaterally terminate the contract if our products continuously fail to meet the requirements of the customer or if our products lead to quality issues and the customer is claimed by a third party; and
- either party may terminate the same by giving prior written notice of a specified period to the other party.

We have a specialised team responsible for keeping frequent contact with our key clients with a view to providing them with more personalised services. The team focuses on understanding the special needs of each of the key clients, and then coordinates with our research and development team to develop custom-made chicken meat products for them, taking into account the feature, specification and costs of the products. We also keep regular communication with our key clients to obtain their feedback, improve our service standards and ensure the successful launch of our products. We believe this arrangement effectively builds and enhances key clients' satisfaction which would further increase our sales.

Sales to distributors

Another sales channel of our chicken meat products is domestic sales to distributors whose designated sales regions are all within the PRC. Our relationships with all distributors are seller/buyer relationship. We retain no ownership control over the products sold to our distributors. Our distributors place orders with us on a transaction basis and the revenue from the sales of our goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to our distributors. We believe that using distributors for sale of chicken meat products would leverage the distributors' local market knowledge and resources to further promote our sales of chicken meat products, deepen our market penetration and expand our geographic coverage. To the best knowledge of the Directors, these distributors typically resell our products to wholesale markets, supermarkets, wet markets, restaurants or canteens. According to the Frost & Sullivan Report and based on our industry knowledge, we believe that our use of distributors for our chicken meat products is generally in line with the industry practice. Such distributors operate independently from the Group. For each of the four years ended 31 December 2016, 2017, 2018 and 2019, approximately 1.9%, 2.2%, 1.4% and 1.1% of our total revenue were by way of sales to distributors, respectively. As at the Latest Practicable Date, we co-operated with seven distributors, all of which are independent third parties located in the PRC. None of our distributors are our top five customers during the Track Record Period.

The table below sets forth the number of distributors engaged by us as at 1 January 2016, 1 January 2017, 1 January 2018, 1 January 2019 and 31 December 2019 respectively and the change in the number of our distributors during these periods:

	Year ended 31 December			
	2016	2017	2018	2019
At beginning of the period	6	6	6	6
Newly appointed	—	—	—	2
Terminated	—	—	—	(1)
At the end of the period	6	6	6	7

The increase of two distributors during the year ended 31 December 2019 was primarily attributable to the expansion of the Group's sales network. To the Directors' best knowledge and belief, the termination of one distributor during the year ended 31 December 2019 was due to the expiry of the term of the relevant distributorship agreement. During the period between 1 January 2016 and 31 December 2019, the Group had not unilaterally terminated any of our contracts with our distributors before their expiry dates and there had been no material disputes between the Group and our distributors.

As at the Latest Practicable Date, we had approximately one to nine years of relationship with our distributors. Our distributors are principally engaged in the sale of raw and/or processed chicken meat products, with designated sales regions within the PRC. The minimum monthly sales required by our distributors in 2019 ranges from nil to approximately RMB13.0 million per month.

Our distributors are only allowed to sell our products through specific sales channels in areas specified in the distributorship agreements. According to the terms of the distributorship agreements, we may also sell our chicken meat products by way of direct sales in the regions covered by the distributors. To minimise the risk of cannibalisation, we generally take the following measures in relation to our distributors: (i) when selecting our distributors, we take into consideration their respective geographic coverage to avoid potential competition among the distributors within a region; (ii) our distribution agreements specify the designated distribution regions; and (iii) we communicate with our distributors and conduct on-site inspections at points of sale to monitor various aspects of their sales activities and keep track of any potential cannibalisation or competition among our distributors. To the Directors' best knowledge and belief, after our reasonable enquiries, we were not aware of any material cannibalisation or competition among our distributors within the same sales region during the Track Record Period. We engage distributors to sell our products because they are able to expand our geographical coverage by reaching those end consumers within their respective designated sales regions. Our staff are required to conduct regular visits or interviews with the distributors to obtain their overall customer profiles. Under normal circumstances, the distributors will have to sell our chicken meat products at higher prices than the prices at which we sell our chicken meat products to the distributors in order to gain profits from their trading activities. In light of the aforesaid, the Directors believe that it is unlikely that there is any overlap of customers between the Group and the distributors.

We conduct review on the experiences, credit, business and investment capability of the potential distributors. If such potential distributor meets our internal standards and passes our assessment, the Group will proceed to enter into distributorship agreement with the potential distributors and the potential distributors will then become one of our distributors.

Terms of distributorship agreement

We enter into non-exclusive distributorship agreements with our distributors, and the main terms are generally as follows:

Duration	:	Typically one year.
Geographic or other exclusivity	:	The distributors are typically prohibited from reselling our products outside its designated distribution area set out in the distribution agreements. The distributors typically may not engage in cooperation with or become the Group's competitors.
Sales targets and incentive scheme	:	The distributors are incentivised to achieve progressive sales targets. The incentive scheme is typically in the form of discounts for our processed chicken meat products.
Sales and pricing policies	:	We do not set prices for our distributors.
Obsolete stock arrangements	:	Not specifically stated in the distributors agreements.
Goods return arrangements	:	The distributors are not allowed to return our products unless defective or upon termination of distributorship agreements.
Sales and expansion targets	:	Yes.
Sales and inventory reports and estimates	:	Yes.
Minimum purchase amounts	:	Yes. The monthly minimum purchase amount is set out in the respective distribution agreements.
Payment and credit terms	:	The Group typically delivers our products on a cost and freight (CFR) basis where we do not have to procure marine insurance against the risk of loss or damage to the goods. Payment shall be made prior to delivery to the products.
Intellectual property rights	:	No assignment of our intellectual property rights.
Conditions for terminating and renewing the distributor agreements	:	The Group may terminate the distribution agreement if the distributor breaches certain material provisions such as on the designated distribution area.

There is no restriction under the distributorship agreements prohibiting the distributors to sell the products of other suppliers. There is no provision regarding product liabilities in the distributorship agreements.

To the best knowledge of the Directors, the distributors typically resell our products to wholesale markets, supermarkets, wet markets, restaurants or canteens, etc. We recognise our sales once our products have been sold to the distributors and all titles and risks in connection with such products are passed to the distributors. After the distributors have acknowledged receipt of those products, they will not be entitled to any recourse from the Group if they fail to sell our products thereafter.

Management of distributors

In order to promote our products, to ensure compliance with the terms of the distributorship agreements and to manage the operation of our distributors, our sales staff (i) conduct interviews from time to time with the distributors to collect their feedback; (ii) observe the sales performance of our products so as to understand the market situations; and (iii) conduct on-site checking on the respective selling prices of our products at randomly selected outlets of their customers, including retail shops, to ensure compliance with our pricing policy.

Given that (i) our chicken meat products are perishable in nature; (ii) the distributors bear all the risks in connection with such chicken meat products after our delivery of the same to them; and (iii) our requirement for distributors to pay us on a payment-before-delivery basis and our "no return or exchange unless defective" policies for our distributors, the Directors are of the view that our sales reflect market demand of our chicken meat products and avoid the risk of inventory accumulation by our distributors. During the Track Record Period, we were not aware of any material accumulation of our products by our distributors.

Sales to our largest distributor represented approximately 0.5%, 0.5%, 0.4% and 0.3% of our total revenue and sales to all our distributors represented approximately 1.9%, 2.2%, 1.4% and 1.1% of our total revenue during each of the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

The Directors have confirmed that all the distributors engaged by the Group during the Track Record Period are independent third parties.

Sales to Overseas Customers

Apart from our leading domestic market position in the PRC, we have established a growing export business, mainly supplying a range of premium quality chicken meat products to customers in Japan, Malaysia, the European Union, Korea, Mongolia and Singapore. Our success in maintaining our strong domestic market position and establishing a growing export business is highlighted by our historical poultry sales volume and revenue growth during the Track Record Period. We sell our chicken meat products directly to our overseas customers.

The following table sets forth our revenue from sales of chicken meat products to overseas customers by geographic area, as well as their respective contributions to our revenue generated from overseas sales for the years indicated.

	Year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	% of overseas sales revenue[1]	RMB'000	% of overseas sales revenue[1]	RMB'000	% of overseas sales revenue[1]	RMB'000	% of overseas sales revenue[1]
Overseas Sales Revenue								
Japan	338,928	61.6	420,203	63.6	491,071	51.1	461,599	47.8
Malaysia	160,553	29.1	151,028	22.8	302,284	31.5	220,715	22.8
European Union[2]	17,964	3.3	30,440	4.6	66,645	6.9	186,602	19.3
Other foreign countries[3]	32,859	6.0	59,668	9.0	100,645	10.5	97,523	10.1
Total	550,304	100.0	661,339	100.0	960,645	100.0	966,439	100.0

Notes:

(1) Approximate % of our total revenue generated from overseas sales.

(2) Our chicken meat products are mainly delivered to the Netherlands and the United Kingdom.

(3) Other foreign countries and regions mainly include Korea, Mongolia and Singapore.

For further details of our revenue by geographic areas and product segments to overseas customers, see "Financial Information — Description of Selected Statement of Comprehensive Income Items — Revenue".

Overseas expansion

Our revenue from sales of chicken meat products to overseas customers in Malaysia has increased notably in 2018 by 100.2% as compared to 2017 and to overseas customers in the European Union has increased significantly in 2019 by 180.0% as compared to 2018. We intend to further expand our global market reach, deepen our market penetration and enlarge our geographic coverage, by engaging new distributors and/or other categories of overseas customers. We plan to explore opportunities in new markets. For more information on our overseas expansion strategy, see "— Business Strategies — Continue to expand our sales and distribution network and tap into new markets" above.

B2C Sales Model

We sell our products through online and offline platforms within the PRC to end consumers under our B2C sales model. We sell and market our products under our "鳳祥食品 (Fovo Foods)", "優形 (iShape)" and "五更爐 (Wu Genglu)" brands. The Directors believe that our integrated online and offline B2C sales structure allows us to reach end consumers of our chicken meat products and enhance customer loyalty. We communicate with third-party online sales platform operators and intermediaries of convenience stores and boutique supermarkets from time to time to keep pace with industry trends and to offer products that better address our end consumers' evolving needs and preferences.

Online sales arrangements

To enhance our brand exposure and to sell our chicken meat products to end consumers, we maintain our online presence on third-party online marketplaces including JD.com (京東), Suning (蘇寧易購), Fresh Hema (盒馬鮮生) and Tmall.com through our flagship stores operated and ran by us and through other third-party online sales platform operators.

During the Track Record Period, we entered into framework service agreements with third-party online sales platform operators, generally with a one-year term and renewable upon mutual agreement of all parties to the agreement. The major contract terms of the framework service agreements are generally similar to the contracts entered into between the Group and our B2B customers.

During the Track Record Period, we have also operated flagship stores or storefronts on third-party online sales platform and have dedicated employees to operate them. We generally arrange direct delivery to our end consumers through third-party logistics providers. We are able to track product sales through the relevant third-party online operators' back-end system.

Our revenue from online sales arrangements under our B2C sales model was approximately RMB7.3 million, RMB11.6 million, RMB72.8 million and RMB168.7 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively, accounting for approximately 0.3%, 0.5%, 2.3% and 4.3% of our total revenue during the same periods.

Offline sales arrangements

As at the Latest Practicable Date, our offline sales arrangements comprised (i) direct sales to certain supermarkets and convenience stores principally within Yanggu, Shandong; and (ii) collaboration with intermediaries who generally are integrated foodservice providers and traders who on-sell our products to convenience stores and boutique supermarkets with presence across the PRC. We sell products under our brands under our B2C sales model. We commenced collaboration with intermediaries since 2018 to broaden our consumer reach across the PRC.

We sell our products directly to certain supermarkets and convenience stores principally within Yanggu, Shandong to penetrate our brands within Shandong where our warehouses are located. The supermarkets and convenience stores generally arrange pick up of our chicken meat products directly from our warehouses.

It is our B2C sales strategy to sell our chicken meat products to end consumers through cooperation with intermediaries which is in line with industry practice. Under the above arrangements, we generally collaborate with these intermediaries through our supply of chicken meat products to them, enabling them to on-sell our products to convenience stores and boutique supermarkets. We do not have contractual obligations to provide any chicken meat products directly to the convenience stores and boutique supermarkets. Leveraging the strong coverage of convenience stores and boutique supermarkets of our intermediaries spanning over different regions in the PRC, we collaborate with our intermediaries to broaden our end consumer reach across the PRC, including Beijing, Guangzhou, Shanghai, Hangzhou and Wuhan, and enhance our brand awareness in a time-effective and cost-effective way. We provide supermarkets, convenience stores and intermediaries with a suggested retail price of our chicken meat products. We adopt a no recourse sales policy and our customers are not entitled to any recourse from the Group unless there are quality issues of our chicken meat products.

Our revenue from offline sales arrangements under our B2C sales model was approximately RMB39.2 million, RMB37.0 million, RMB33.4 million and RMB83.8 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively, accounting for approximately 1.7%, 1.5%, 1.0% and 2.1% of our total revenue during the same periods.

Our Customers

During the Track Record Period, we had a diversified customer base of over 3,000 customers globally, including internationally renowned food processors and traders as well as fast food restaurants chains (and their poultry meat suppliers and sourcing agents). We exported to countries including Japan, Malaysia, the European Union, Korea, Mongolia and Singapore. The proportion of revenue generated from domestic sales was approximately 70% and overseas sales was approximately 30% throughout the Track Record Period. We also sell our products to our distributors. We generally do not enter into long-term sale and purchase agreements with our customers. The major contract terms with our customers are set out in sales contracts and purchase orders. Certain customers indicate their demands to purchase broilers that are self-bred by the Group or cut under specific standards for chicken meat products.

During the Track Record Period, our revenue was derived from sales of chicken meat products, chicken breeds and other products. For each of the four years ended 31 December 2016, 2017, 2018 and 2019, our single largest customer accounted for approximately 19.1%, 20.6%, 16.8% and 13.5%, respectively and our sales to our five largest customers represented approximately 35.8%, 40.0%, 37.7% and 28.9% of our total revenue, respectively. Our top five customers during the Track Record Period were independent third parties. As at the Latest Practicable Date, our five largest customers mostly had over 20 years of business relationship with the Group.

Top Customers

The following table sets forth the details of our top five customers in each of the four years ended 31 December 2016, 2017, 2018 and 2019:

For the year ended 31 December 2016:

Customer	Major products sold	Location	Total amount of sales	Approximate % of our revenue	Rank	Length of business relationship with the Group as at the Latest Practicable Date
			(RMB'000)			
Customer A[(1)]	Raw and processed chicken meat products	China	448,509.7	19.1%	1	20 years
Foodlink Corporation[(2)]	Processed chicken meat products	Japan	211,671.3	9.0%	2	22 years
Japan Food Corporation[(3)]	Processed chicken meat products	Japan	72,064.5	3.1%	3	22 years
Customer B[(4)]	Raw chicken meat products	Malaysia	65,859.7	2.8%	4	22 years
Customer C[(5)]	Raw chicken meat products	China	42,543.2	1.8%	5	7 years
Total:			840,648.4	35.8%		

Notes:

(1) Customer A is a wholly-owned subsidiary of a company listed on the New York Stock Exchange having a market capitalisation of approximately USD16.0 billion, with its mother company also listed on the New York Stock Exchange. Customer A's group operates, among others, a leading American style fast food restaurant chain that specialises in the sale of fried chicken in the PRC.

(2) Foodlink Corporation is a subsidiary under the food industry group of MITSUBISHI Corporation in Japan, with MITSUBISHI Corporation holding 99.4% of its shareholding. Mitsubishi Corporation is listed on the Tokyo Stock Exchange (stock code: 8058.T). Foodlink Corporation principally engages in sales business of poultry products and is a specialised company that processes meat products (including chicken meat and pork meat).

(3) Japan Food Corporation is a subsidiary of NH Foods Ltd. whose shares are listed on the Tokyo Stock Exchange (stock code: 2282.T), and principally engages in meat manufacturing and meat sales.

(4) Customer B is a subsidiary of a company listed on the New York Stock Exchange and is principally engaged in the manufacturing and trading of processed meat, fish, frozen food and other food products.

(5) Customer C is a company principally engaged in the sale and purchase of frozen food products in the PRC.

For the year ended 31 December 2017:

Customer	Major products sold	Location	Total amount of sales	Approximate % of our revenue	Rank	Length of business relationship with the Group as at the Latest Practicable Date
			(RMB'000)			
Customer A	Processed chicken meat products	China	502,125.1	20.6%	1	20 years
Foodlink Corporation	Processed chicken meat products	Japan	211,138.1	8.7%	2	22 years
Japan Food Corporation	Processed chicken meat products	Japan	141,144.8	5.8%	3	22 years
Customer B	Raw chicken meat products	Malaysia	83,766.8	3.4%	4	22 years
Customer D[(6)]	Processed chicken meat products	Korea	36,840.2	1.5%	5	5 years
Total:			975,015.0	40.0%		

Note:

(6) Customer D is a private company established in Korea and principally engaged in food products business including fast food, such as lunch boxes, rice rolls, hamburgers and sandwiches.

For the year ended 31 December 2018:

Customer	Major products sold	Location	Total amount of sales	Approximate % of our revenue	Rank	Length of business relationship with the Group as at the Latest Practicable Date
			(RMB'000)			
Customer A	Raw and processed chicken meat products	China	537,002.2	16.8%	1	20 years
Foodlink Corporation	Processed chicken meat products	Japan	297,684.3	9.3%	2	22 years
Customer B	Raw chicken meat products	Malaysia	183,432.9	5.7%	3	22 years
Japan Food Corporation	Processed chicken meat products	Japan	112,974.2	3.5%	4	22 years
Ayamas Food Corporation Sdn Bhd[(7)]	Raw chicken meat products	Malaysia	78,197.2	2.4%	5	20 years
Total:			1,209,290.8	37.7%		

Note:

(7) Ayamas Food Corporation Sdn Bhd is a sizable poultry processing plant in Malaysia, specialising in processing and retailing chicken meat (including high quality halal products) in local and export markets. Ayamas Food Corporation Sdn Bhd was founded in 1989 and is an entity under the Integrated Poultry operating segment (comprising of poultry production and processing) of QSR Brands (M) Holdings Bhd, primarily to support its restaurant business and distribute externally to the domestic and international markets under the Ayamas brand name.

For the year ended 31 December 2019:

Customer	Major products sold	Location	Total amount of sales	Approximate % of our revenue	Rank	Length of business relationship with the Group as at the Latest Practicable Date
			(RMB'000)			
Customer A	Raw and processed chicken meat products	China	530,233.9	13.5%	1	20 years
Foodlink Corporation	Processed chicken meat products	Japan	326,714.2	8.3%	2	22 years
Customer B	Raw chicken meat products	Malaysia	110,446.2	2.8%	3	22 years
Beijing Missfresh Ecommerce Co., Ltd. (北京每日優鮮電子商務有限公司) ("**Beijing Missfresh**")(8)	Raw and processed chicken meat products	China	86,753.5	2.2%	4	3 years
Ayamas Food Corporation Sdn Bhd	Raw chicken meat products	Malaysia	82,569.8	2.1%	5	20 years
Total:			1,136,717.6	28.9%		

Note:

(8) Beijing Missfresh is a company principally engaged in wholesale and retail of groceries, including fresh vegetables and fruits in the PRC.

None of the Directors, Supervisors or their associates, or any Shareholders, who, (to the knowledge of the Directors) are beneficially interested in 5% or more of the Company, have had any interest in any of our five largest customers for the four years ended 31 December 2016, 2017, 2018 and 2019.

Pricing Policy

Our products are generally not subject to any price control or regulations by the PRC governmental authorities. Generally, we adopt a cost-plus model where we determine the price of our products by taking into account various factors such as the cost of raw materials, customer relationships, competitive landscape, the positioning of our brand, market circumstances and our business strategy to be adopted from time to time. We may also make price adjustments depending on different sales channels and target geographical markets.

The prices of our raw chicken meat products in direct sales to our customers are determined with reference to market circumstances, logistics fees and storage fees. For certain of our customers, prices will also be determined through negotiations in cases where they have additional requirements in relation to our raw chicken meat products' traceability and safety.

The prices of our processed chicken meat products in direct sales to our customers are determined through negotiations with our customers adopting a cost-plus approach, with reference to the amount of purchases, the cost of production (including research and development costs and processing costs) and market circumstances.

The prices of our chicken breeds are determined with reference to their grades and market circumstances. The grades of the chicken breeds are categorised in accordance to the respective time of hatching of the chicken breeds.

The prices of our chicken by-products are determined with reference to the cost of breeding, processing costs, packaging costs, prevailing market price as well as the final tender price determined during the tender processes.

During the Track Record Period, the prices of the Group's chicken meat products were not universally the same among our customers.

Payment Method

During the Track Record Period, the Group's sales, substantially all of which were denominated in RMB and/or USD, to (i) our customers were primarily settled by bank transfer and online payment; and (ii) our distributors were primarily settled by bank transfer.

The Group has adopted a hedging policy to minimise foreign currency risk exposure. In particular, we have entered into foreign exchange forward contracts with certain banks in the PRC to hedge against the aforesaid risk exposure arising from our customers' payment settlement in USD. Going forward, the management will constantly monitor the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future. We recognise sales of our products upon deliveries to our customers.

Credit Policy

For some of our customers, we deliver our products upon receipt of the relevant purchase price. We also offer a credit period between 30 to 60 days to certain customers (including our key customers and overseas customers) with reference to their business reputation, financial capability, capital sufficiency, etc.

We proceed to demand our debtors with balances that are overdue to settle their outstanding invoices. When the Group considers that recovery is remote, the amount considered irrecoverable will be written off.

For each of the four years ended 31 December 2016, 2017, 2018 and 2019, the trade receivables turnover days of the Group were approximately 12.0 days, 14.0 days, 16.9 days and 18.4 days, respectively. The Group adopted a policy to make provision for impairment of trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. For each of the four years ended 31 December 2016, 2017, 2018 and 2019, provisions for impairment of trade receivables of approximately RMB1.6 million, nil, RMB1.8 million and RMB0.5 million were charged to the Group's combined statements of comprehensive income, respectively, representing approximately 0.07%, nil, 0.06% and 0.01% of the Group's respective total revenue.

Sales Returns

We conduct checks and supervision on each stage of our production lines to ensure that the quality and safety of our products comply with our internal requirements and the requirements under the relevant PRC laws, rules and regulations. Our customers are not allowed to return our products unless defective or upon termination of agreements.

If we receive any complaint from any of our customers regarding any defects in the products, we will assess the complaint on a case-by-case basis and formulate the appropriate solution to each complaint. If we are responsible for the defects in the products and consider that repurchase of the products from the customer is the appropriate way to address the complaint of the customer, we will proceed to do so and refund the relevant purchase price to the customer. The Directors confirmed that we have not encountered any material sales returns that materially affect our operation during the Track Record Period and up to the Latest Practicable Date.

LOGISTICS AND TRANSPORTATION

For delivery to our domestic customers, we engage third-party logistics service providers to collect our products from our production facilities and deliver them to our warehouses or destinations specified by customers. Our transportation arrangements with third-party logistics service providers allow us to devote less capital investment than we would have to devote to developing and maintaining our own large-scale logistics system. Outsourcing these services also allows us to transfer most of the risks relating to transportation and delivery of our products. During the Track Record Period and as at the Latest Practicable Date, we had not experienced any significant delay in delivery that would materially and adversely affect our business operations and we did not encounter any shortage of supply of logistics services. Furthermore, the current logistics services market provides us with sufficient alternative options of logistics service providers who could offer similar terms as our existing logistics service providers. For details regarding quality control over logistics, see "— Quality Assurance" below.

To monitor the transportation process to ensure compliance with our internal quality control procedures, we have established a logistics department comprising over 200 members to optimise logistics management within the PRC as at the Latest Practicable Date. In particular, we typically inspect our cold storage trucks before they leave our cold storage warehouse facilities and we follow our internal storage and transportation procedures to ensure that our products are transported under proper conditions. We also inspect the products to confirm the quantity of products to be delivered and the destination for delivery.

For delivery to our overseas customers, we generally engage third-party logistics service providers and Xiangguang Logistics to provide logistics related services to the Group, including storage, logistics, transportation, customs clearance services, primarily in relation to the export of the Group's products out of the PRC by delivering the products to the specified ports in the PRC. For details, see "Connected Transactions — Non-exempt Continuing Connected Transactions — 2. Procurement of logistics services". For each of the four years ended 31 December 2016, 2017, 2018 and 2019, the logistics fees we paid to Xiangguang Logistics were approximately RMB9.2 million, RMB14.9 million, RMB12.8 million and RMB14.8 million, representing approximately 27.1%, 45.2%, 27.2% and 27.1% of the total logistics fees incurred by us during the same periods. We believe that even if we switch to independent third party service providers, we would be able to secure similar services at comparable rates.

SEASONALITY

Based on our past experience, sales of our chicken meat products and our business operations experienced seasonal fluctuations during the Track Record Period. We generally recorded higher revenue during the second half of the year due to domestic consumers' consumption patterns during summer, and holiday periods or year-end festive seasons in foreign countries.

SUPPLIERS

During the Track Record Period, we procured (i) raw materials for the production of our animal feeds, including corn, soybean meal, soybean oil and flour, and (ii) Parent Stock Day-old Chicks for the production of our chicken meat products. We also procured raw chicken meat products from third party suppliers in the PRC as well as from overseas (generally from Brazil) for producing our processed chicken meat products in order to meet customers' growing demand. In March 2017, China and the European Union curtailed meat imports from Brazil due to the scandal regarding sales of rotten and salmonella-tainted meats, and such temporary importation ban on all meat imports was uplifted in China in the same month. According to publicly available information, 21 meat processing units in Brazil were involved in this incident, and one of which supplied chicken meat products to us in 2017 when the scandal occurred. Since the occurrence of the scandal, the Group ceased to import from the factories involved in such scandal. As China's importation ban only lasted for six days between 20 March 2017 and 25 March 2017, and as we did not encounter any complaints from our customers or the public in respect of the sale of chicken meat products produced from suppliers from Brazil as at the Latest Practicable Date, the Directors confirmed that the importation ban in March 2017 did not have any material and adverse impact on the Group's results of operations and financial condition.

Historically, we have been procuring raw materials from a fellow subsidiary of the Company and such purchase has been ceased before the Latest Practicable Date. The Directors confirmed that such purchase would not materially distort the results of the Group during the Track Record Period. During the Track Record Period, we did not encounter any quality issues on supplies or any shortages in the supply of our raw materials that will materially affect our business operation.

During the Track Record Period, we entered into hedging activities in relation to the commodity prices of soybean meal, corn and soybean oil. For details, see "— Raw Material Prices — Hedging" below.

Basis and Criteria for Selection of Suppliers

Suppliers of the Group including, inter alia, suppliers of raw materials for our production of animal feeds, Parent Stock Day-old Chicks and chicken meat products (collectively, the "**Procurement Materials**") are chosen based on their ability to achieve timely and quality supplies to the Group.

Upon receipt of the notice from our purchase department, our quality control team will proceed to examine the Procurement Materials and provide their results of examination in respect of the same. All substandard Procurement Materials which do not satisfy with our production requirements will be returned to the suppliers.

To ensure that our staff comply with our internal requirements on the procurement of Procurement Materials from third party suppliers, we have implemented the following major internal control measures:

- our staff responsible for procurement will assess and choose the appropriate suppliers. Under normal circumstances, they should approach at least two or more potential suppliers before making a selection. The suppliers must possess the relevant certificates issued by the PRC governmental authority;
- our staff responsible for quality control will check the materials procured by our purchase department in order to ensure that such materials comply with the relevant quality requirements of the Group;
- the Group requires potential suppliers of raw materials for our production of animal feeds to provide relevant quality certificates and samples of such raw materials to be supplied to ensure that the materials satisfy with our requirements;

- our sales department will record the complaints made by our customers. Such complaints shall then be forwarded to our purchase department for investigation and our purchase department is required to report the result of investigation to our sales department;
- the staff in our purchase department will communicate with the suppliers from time to time on the quality and punctuality of the supplies. If any problem arises with the suppliers, record shall be made for the purpose of annual assessment;
- our purchase department will conduct annual assessment on the suppliers, and members of the assessment committee shall comprise representatives from the technical control department, the quality control department, the purchase department and the financial department; and
- specific staff will be assigned to compile and maintain the records of the suppliers. No other staff shall be allowed to amend the records without the permission of the head of our purchase department.

Top Suppliers

For the four years ended 31 December 2016, 2017, 2018 and 2019, our single largest supplier, who is a fellow subsidiary of the Company, accounted for approximately 17.7%, 15.7%, 16.5% and 6.1% of our total purchases. Our five largest suppliers together accounted for approximately 29.8%, 25.4%, 24.1% and 19.1% of our total purchases, respectively, and all of them (except for our single largest supplier) are independent third parties.

The following table set forth the details of our top five suppliers in each of the four years ended 31 December 2016, 2017, 2018 and 2019:

For the year ended 31 December 2016:

Supplier	Major products procured	Place of incorporation	Total amount of purchase	Approximate % of total purchases	Rank	Length of business relationship with the Group as at the Latest Practicable Date
			(RMB'000)			
Shandong Yanggu Dafeng Food Co., Ltd. (山東陽穀大豐食品有限公司) ("**Yanggu Dafeng**")(1)	Soybean meal, soybean oil, protein powder and other additives	China	319,925.3	17.7%	1	6 years
Seara Alimentos LTDA and Seara Meats B.V.(2)	Chicken meat products	Brazil and the Netherlands	72,636.6	4.0%	2	4 years
Shandong Xiangchi Food Oil Co., Ltd. (山東香馳糧油有限公司) ("**Shandong Xiangchi**") and Longkou Xiangchi Food Oil Co., Ltd. (龍口香馳糧油有限公司) ("**Longkou Xiangchi**")(3)	Soybean meal and soybean oil	China	64,592.1	3.6%	3	6 years
Supplier A(4)	Corn	China	46,644.6	2.6%	4	less than 1 year
Supplier B(4)	Corn	China	34,702.4	1.9%	5	less than 1 year
Total:			538,501.0	29.8%		

Notes:

(1) Yanggu Dafeng is a private company established in the PRC and is a fellow subsidiary of the Company. The Group has ceased all purchases from Yanggu Dafeng since 31 August 2019. For details, see "— Relationship with Yanggu Dafeng" below. The Directors confirmed that our purchase of soybean meal, soybean oil and additives from Yanggu Dafeng during the Track Record Period was on normal commercial terms.

(2) Seara Alimentos LTDA and Seara Meats B.V. are both subsidiaries of JBS S.A., a company whose Shares are listed on the Brazil Stock Exchange (stock code: JBSS3), and are food processing companies specialised in the distribution of meat products. During the Track Record Period, Seara Alimentos LTDA and Seara Meats B.V. supplied chicken meat products from Brazil to us.

(3) Shandong Xiangchi and Longkou Xiangchi are private companies established in the PRC and are direct and indirect subsidiaries of Xiangchi Holding Co., Ltd. (香馳控股有限公司). Shandong Xiangchi and Longkou Xiangchi are principally engaged in the manufacturing of soybean meal and soybean oil.

(4) Supplier A and Supplier B are private companies established in the PRC principally engaged in the sale and purchase of grains with a registered capital of RMB2.8 million and RMB2.0 million, respectively. Supplier A and Supplier B had been dissolved by way of shareholders' resolution and the dissolutions were completed in January 2019 and June 2018, respectively, based on publicly available information.

For the year ended 31 December 2017:

Supplier	Major products procured	Place of incorporation	Total amount of purchase	Approximate % of total purchases	Rank	Length of business relationship with the Group as at the Latest Practicable Date
			(RMB'000)			
Yanggu Dafeng	Soybean meal, soybean oil, protein powder and other additives	China	335,921.7	15.7%	1	6 years
Seara Alimentos LTDA and Seara Meats B.V.	Chicken meat products	Brazil and the Netherlands	61,407.1	2.9%	2	4 years
Supplier C(5)	Corn	China	53,474.2	2.5%	3	2 years
Supplier D(6)	Corn	China	52,392.8	2.4%	4	less than 1 year
Yanggu Haosheng Food Operation Co., Ltd. (陽穀縣昊盛糧食經營有限公司) ("**Yanggu Haosheng**")(7)	Corn	China	41,020.3	1.9%	5	6 years
Total:			544,216.1	25.4%		

Notes:

(5) Supplier C is a private company established in the PRC principally engaged in the sale and purchase of grains with a registered capital of RMB3.0 million. Supplier C had been dissolved by way of shareholders' resolution and the dissolution was completed in March 2019 based on publicly available information.

(6) Supplier D is a private company established in the PRC principally engaged in the sale and purchase of grains with a registered capital of RMB2.0 million and is principally engaged in the purchase, wholesale and retail of grain. Supplier D had been dissolved by way of shareholders' resolution and the dissolution was completed in March 2019 based on publicly available information.

(7) Yanggu Haosheng is a private company established in the PRC and is principally engaged in the purchase, storage and sale of food.

For the year ended 31 December 2018:

Supplier	Major products procured	Place of incorporation	Total amount of purchase	Approximate % of total purchases	Rank	Length of business relationship with the Group as at the Latest Practicable Date
			(RMB'000)			
Yanggu Dafeng	Soybean meal, soybean oil, protein powder and other additives	China	360,418.8	16.5%	1	6 years
Changchun Heyuan Food sale Co., Ltd. (長春市和源糧食經銷有限公司) ("**Changchun Heyuan**")(8)	Corn	China	51,146.1	2.3%	2	4 years
Changchun Mingwu Food Co., Ltd. (長春市明武糧食有限公司) ("**Changchun Mingwu**")(9)	Corn	China	45,171.7	2.1%	3	2 years
Hubei CP Co., Ltd. (湖北正大有限公司) ("**Hubei CP**")(10)	Chicken meat products	China	36,825.0	1.7%	4	4 years
Seara Alimentos LTDA and Seara Meats B.V.	Chicken meat products	Brazil and the Netherlands	32,252.2	1.5%	5	4 years
Total:			525,813.8	24.1%		

Notes:

(8) Changchun Heyuan is a private company established in the PRC and is principally engaged in the purchase, wholesale and retail of food.

(9) Changchun Mingwu is a private company established in the PRC and is principally engaged in food distribution.

(10) Hubei CP is a chicken meat products production enterprise in the PRC and is an indirectly wholly-owned subsidiary of CP Pokphand Co. Ltd., a company whose shares are listed on the Stock Exchange (stock code: 0043).

For the year ended 31 December 2019:

Supplier	Major products procured	Place of incorporation	Total amount of purchase	Approximate % of total purchases	Rank	Length of business relationship with the Group as at the Latest Practicable Date
			(RMB'000)			
Yanggu Dafeng	Soybean meal, soybean oil, protein powder and other additives	China	149,728.9	6.1%	1	6 years
Supplier E(12)	Chicken meat products	China	101,856.4	4.1%	3	9 years
Shandong Jiaying Food Co., Ltd. (山東佳盈食品有限公司) ("**Shandong Jiaying**")(13)	Chicken meat products	China	84,415.7	3.4%	3	2 years
Shandong Jiaguan Grain and Oil Industrial Group Co., Ltd. (山東嘉冠糧油工業集團有限公司) ("**Shandong Jiaguan**")(14)	Soybean meal and soybean oil	China	80,056.5	3.2%	4	8 years
WT Foods Beverages Uruguay S.A.(15)	Chicken meat products	Uruguay	56,044.8	2.3%	5	1 year
Total:			472,102.3	19.1%		

Notes:

(12) Supplier E is a private company established in the PRC and is principally engaged in the breeding and processing of broilers and the manufacturing chicken meat products.

(13) Shandong Jiaying is a private company established in the PRC and is principally engaged in the processing and sale of chicken meat products and quick-frozen food.

(14) Shandong Jiaguan is a private company established in the PRC and is principally engaged in the processing and sale of edible vegetable oil, soybean meal and soybean oil.

(15) WT Foods Beverages Uruguay S.A. is engaged in sourcing meat products. During the Track Record Period, WT Foods Beverages Uruguay S.A. supplied chicken meat products from Brazil to us.

To the best knowledge of the Directors, Supplier A, Supplier B, Supplier C and Supplier D (collectively, the "**Dissolved Suppliers**") and their respective beneficial owner(s), being PRC nationals, are independent third parties and are not related to each other. The terms of the Group's purchases from each of the Dissolved Suppliers were comparable to those of the Group's other corn suppliers.

During the Track Record Period, all of the Group's purchases were settled in RMB or USD. Some suppliers required us to pay the full amount or a certain amount of deposit and they will deliver the raw materials upon payment of the remaining balance. Some suppliers offered the Group credit terms of around 15 days.

Save as disclosed in this section, none of the Directors, Supervisors or their associates, or any Shareholders, who, (to the knowledge of the Directors) are beneficially interested in 5% or more of the Company, have had any interest in any of our five largest suppliers for the four years ended 31 December 2016, 2017, 2018 and 2019.

Relationship with Yanggu Dafeng

Yanggu Dafeng is an associate of GMK Holdings and is the largest supplier of the Company during the Track Record Period. During the Track Record Period, GMK Holdings group is a conglomerate involving in a variety of business activities. Yanggu Dafeng and the Company are members of GMK Holdings group. See "Relationship with Controlling Shareholders — Background of the Controlling Shareholders" for details.

Yanggu Dafeng was established by the Controlling Shareholders on 8 April 2000 and dissolved by shareholder's resolution on 7 September 2019, which was completed on 31 December 2019 (the "**Dissolution**"). Yanggu Dafeng had a registered capital of RMB30 million prior to the Dissolution. Yanggu Dafeng performed different functions assigned by GMK Holdings group from time to time pursuant to its management strategies. Since its establishment, it was engaged in the production and processing of feeds for poultry, livestock and fish, and sales of veterinary medicine. During the Track Record Period, Yanggu Dafeng served the functions of raw materials procurement, production and installation of magnesite boards, and investment holding for Fengxiang Group and its subsidiaries (including the Group). Yanggu Dafeng held directly or indirectly less than 10% interest in two financial institutions licensed by the CBIRC and such interests were transferred to Fengxiang Group on 25 December 2019.

At the time of the Company's establishment in 2010, the Group had its procurement functions to purchase from various third party suppliers soybean meal, soybean oil, protein powder and other additives for the production of the Group's animal feeds. In 2014, due to business expansion and increase in chicken breeding capacity, the Group's procurement amount of such raw materials increased. Hence, to streamline purchasing processes and operations such as interactions with suppliers, which in turn reduces administrative expenses, saves time and improves efficiency for business operation within GMK Holdings group, Yanggu Dafeng was assigned to undertake part of the procurement function of the Group since August 2014 to mainly purchase soybean meal, soybean oil, protein powder and other additives for the production of the Group's animal feeds.

Based on the local accounts for the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 of Yanggu Dafeng (which were the latest accounts of Yanggu Dafeng prior to the Dissolution), the book value of its total assets was approximately RMB95.6 million, RMB192.6 million, RMB107.6 million and RMB128.4 million, respectively, and its revenue was approximately RMB296.8 million, RMB302.8 million, RMB319.0 million and RMB140.2 million, respectively. Approximately RMB296.8 million, RMB296.0 million, RMB318.9 million and RMB140.2 million, respectively, which accounted for approximately 99.99%, 97.75%, 100.00% and 100.00% of the total revenue of Yanggu Dafeng, respectively was revenue contributed by the Group to Yanggu Dafeng during the corresponding periods. The other sources of Yanggu Dafeng's revenue generated during the Track Record Period were derived from Yanggu Dafeng's sales of waste materials and interest from an one-off intercompany loan arrangement. The gross profit margin recorded by Yanggu Dafeng for its sales of raw materials to the Group was approximately 0.1%, 0.2%, 0.2% and 0.2% for the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019, respectively.

Taking into consideration that Yanggu Dafeng only served the function of holding the interests in the two financial institutions disclosed above subsequent to the cessation of the sale of raw materials to the Group since 31 August 2019, the Controlling Shareholders made a commercial decision to dissolve Yanggu Dafeng in September 2019.

Transactions with Yanggu Dafeng

During the Track Record Period, the majority of the raw materials the Group purchased from Yanggu Dafeng include soybean meal, soybean oil and protein powder. The difference between the average purchase cost for such major raw materials purchased from Yanggu Dafeng and other third party suppliers was not more than ±6% for each of the years during the Track Record Period.

Yanggu Dafeng, which had undertaken part of the procurement function of the Group, regularly supplied such major raw materials to us and usually in larger quantities. Such arrangement had streamlined purchasing processes and operations, including interactions with suppliers, which in turn reduced administrative expenses, saved time and improved efficiency for business operation within GMK Holdings group. On some occasions, we procured such major raw materials from other third party suppliers in relatively smaller quantities.

The following sets forth a comparison of the key terms for our purchases for such major raw materials from Yanggu Dafeng and other third party suppliers, before and after our cessation of purchases from Yanggu Dafeng since 31 August 2019 in general:

- *Major products procured*. The major products we procured from both Yanggu Dafeng and other third party suppliers are soybean meal, soybean oil, protein powder and other additives.
- *Sales and pricing policies.* Total prices of the goods procured from both Yanggu Dafeng and other third party suppliers are set out in each sales order based on the weight, quantity and the per unit price which is determined with reference to the then market price at the time of purchase.
- *Goods return arrangement.* For both Yanggu Dafeng and other third party suppliers, goods can be returned due to either quality issues or if its quality fails to meet relevant industry and national standards as stipulated in the sales order and as agreed by both parties.
- *Payment and credit terms.* For Yanggu Dafeng, invoice shall be promptly issued upon delivery of goods sold and payment shall generally be made by electronic transfer immediately after placement of the sales order or within 15 days upon delivery of goods sold (prepayment may be required on a case-by-case basis). For other third party suppliers, invoice shall be promptly issued upon delivery of goods sold and payment shall be generally made by electronic transfer within five to 30 days upon receipt of invoice.

Based on the foregoing, the key terms for our purchases of such major raw materials from Yanggu Dafeng and other third party suppliers are generally similar and there was no material difference in the average purchase cost of such major raw materials from Yanggu Dafeng and other third party suppliers according to the relevant sales orders during the Track Record Period. As such, the Directors confirmed that our purchases from Yanggu Dafeng during the Track Record Period were negotiated on an arm's length basis and under normal commercial terms.

During the Track Record Period, Yanggu Dafeng has allowed the Group to settle the payables to Yanggu Dafeng under the procurement arrangement by using bills as one of the payment methods, and Yanggu Dafeng had in turn obtained financing for procuring raw materials to be sold to the Group by discounting such bills. Since the finance costs incurred by Yanggu Dafeng from the aforesaid bill discounting arrangement were directly associated with the purpose of purchasing raw materials being sold to the Group, the Company has agreed to bear such finance costs, which have been reflected in Note 9 to the Accountants' Report in Appendix I.

In light of the Group's consideration to conduct its business independently and delineate its business operations from the Controlling Shareholders, the Group has ceased to purchase raw materials through Yanggu Dafeng since 31 August 2019 and purchased directly from other third party suppliers. Most of such third party suppliers were also suppliers of Yanggu Dafeng during the Track

Record Period. The Directors confirm that such cessation has no material impact on the Group's operation and financial performance.

Suppliers of Parent Stock Day-old Chicks

We purchased Parent Stock Day-old Chicks from five, three, four and four suppliers for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. We have entered into a legally binding strategic cooperation agreement with one of our Parent Stock Day-old Chicks suppliers and generally entered into supply framework agreements with the other Parent Stock Day-old Chicks suppliers. The main terms of such agreements are set out below:

Strategic cooperation agreement

- the term of the contract is five years commencing from May 2016;
- the Parent Stock Day-old Chick supplier shall supply such number of quality Parent Stock Day-old Chicks during such period as specified in the sales order placed by the Group at a fixed price as agreed between the parties, with no minimum purchasing commitment imposed on us;
- the Parent Stock Day-old Chicks shall be vaccinated as per the Group's request;
- the Group shall pay the purchase price 28 days prior to the delivery of the Parent Stock Day-old Chicks and no cancellation of the sales order is permitted once the payment is made;
- the Group shall inspect and accept the delivery of the Parent Stock Day-old Chicks and notify the chick supplier within seven days after the delivery date if the Parent Stock Day-old Chicks do not satisfy the requirement as specified in the contract; and
- either party may terminate the agreement by written notice if a force majeure event continues over a certain period of time.

We entered into such long-term contract with the Parent Stock Day-old Chick supplier taking into account their stability of supply, pricing and quality of the Parent Stock Day-old Chicks supplied. The agreement does not impose any minimum purchase commitment.

Supply framework agreements

- the term of the agreements is for a term less than one year;
- the Parent Stock Day-old Chick suppliers shall supply such number of Parent Stock Day-old Chicks during such period as specified in the sales contract placed by the Group at a price determined with reference to the latest average price published on the China Poultry Association;
- the Parent Stock Day-old Chicks shall be vaccinated as per the Group's request;
- the Parent Stock Day-old Chicks suppliers shall deliver quarantine reports;
- the Parent Stock Day-old Chicks suppliers shall assign a technical staff to provide guidance on the rearing of the Parent Stock Day-old Chicks at our designated breeder farms;
- the Group shall pay the purchase price seven days prior to the delivery of the Parent Stock Day-old Chicks; and
- the agreement can be renewed by both parties.

Suppliers of Chicken Breeds

We did not procure chicken breeds from any suppliers during the Track Record Period and up to the Latest Practicable Date, but we have entered into a procurement contract with a chicken breed supplier for contingency purpose. Base on the procurement contract we shall purchase chicken breeds on an order-by-order basis and the chicken breeds supplier shall supply such number of chicken breeds during the period set out in the sales order placed by the Group at a price determined based on the market price. The supplier shall also deliver relevant certificates to the Group, including quarantine certificate. The Group shall inspect and accept the delivery of the chicken breeds and notify the supplier within four days after the chicken breed delivery inspection report has been issued if the chicken breeds do not satisfy the requirement as specified in the agreements. The Group shall pay the purchase price in the beginning of the week prior to the delivery of the chicken breeds for such week.

Suppliers of Animal Feeds

We purchased animal feeds from 108, 146, 151 and 152 suppliers for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. We generally enter into agreements for a term of less than one year with our animal feed suppliers whereby the suppliers shall supply such type and amount of animal feeds specified in the agreement in accordance to the requirements specified.

Suppliers of Chicken Meat Products

We purchased chicken meat products from 25, 25, 53 and 46 suppliers for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. We have entered into purchase agreements with chicken meat product suppliers on an order-by-order basis. The chicken meat product suppliers shall supply such amount and type of chicken meat product before the period set out in the contract at the contracted price.

The chicken meat product suppliers shall ensure that the chicken meat products comply with the food safety standards as set out in the relevant laws and regulations, and shall satisfy with the Company's internal processing requirements and acceptance criteria. The Group shall inspect and accept delivery of the chicken meat products. In cases where the chicken meat products do not meet the Group's requirements, the Group has the right to reject the whole lot.

Raw Material Prices

The purchase price of our raw materials is generally determined with reference to the prevailing market conditions. While our inventory management objective is to secure a stable supply of quality raw materials to serve our productions schedule, and we also source our major raw materials from multiple suppliers, since we usually make procurement arrangements with suppliers prior to entering into sales contracts with our customers, we may not be able to effectively pass on the effects of fluctuations in such costs to our customers. However, the Directors are of the view that alternate raw material suppliers can be identified as there is a large pool of raw material suppliers of comparable quality available in the PRC.

Hedging

Prices of soybean meal and corn, which are the primary raw materials used in our animal feeds production, experienced fluctuations over the past 10 years. During the Track Record Period, we conducted hedging activities in relation to commodity prices of soybean meal, corn and soybean oil when we determine conditions are appropriate to mitigate the inherent price risk. We do not use derivatives for speculation. The main objectives for conducting such hedging measures are to reduce production margin volatility and mitigate commodity price risk. While this hedging activity may limit our ability to participate in gains from favourable commodity fluctuations, it also has the potential to reduce the risk of loss from adverse changes in raw material prices.

We have promulgated internal guidance on hedging activities, under which the Board is the highest authority to supervise the operation involving our hedging activities. The Board is primarily responsible for formulating and monitoring our hedging risk management procedures. We have designated staff to formulate strategies and to oversee our hedging activities and set the procurement volume and price limit for soybean meal, corn and soybean oil based on our production plan, historical prices and relevant market conditions and will then purchase soybean meal, corn and soybean oil futures contracts to achieve a net soybean meal, corn and soybean oil position correlated with our actual procurement plan within the price limit as established and as they deem prudent.

We typically purchase the most actively traded soybean meal, corn and soybean oil futures contracts on the Dalian Commodity Exchange to ensure the liquidity of our hedging positions. The maximum volume of soybean meal, corn and soybean oil we may hedge each year would not exceed our annual procurement volume. The Group did not have any material unsettled soybean meal, corn and soybean oil futures contracts as at each of the ending date during the Track Record Period.

We believe that, during the Track Record Period, the intended purpose of our hedging activities was generally achieved and our hedging activities were overall effective.

During the Track Record Period, the Directors confirmed that we had not experienced any material adverse effects to our business or financial performance as a result of price fluctuations of raw materials. For details, see “Risk Factors — Risks Relating to Our Business — Our results of operations are substantially affected by the selling prices of our poultry products, which affect our revenue, and by fluctuations in the purchase prices of raw materials or interruption in the supply of raw materials, which affect our costs” and “Industry Overview — Price and Raw Material of Broiler Market”.

SALES AND MARKETING

We sell our products through B2B and B2C sales models. For further details of our sales models, see “— Sales” above.

Our sales and marketing department is responsible for overseeing and supervising the Group’s local and international sales and marketing activities, and devising marketing strategies to enhance the visibility and marketability of our products and promote brand recognition.

During the Track Record Period, our sales and marketing efforts in respect of our B2B customers focused on establishing strategic partnerships by developing long term and close relationships with them, and delivering safe and high-quality chicken meat products developed through our research and development efforts.

During the Track Record Period, our sales and marketing efforts in respect of our B2C customers primarily consist of sales and promotional campaigns at individual points-of-sale such as sample-tasting, sponsorship activities (including with the National Athletes of the Sports and Training Council of the PRC), advertising campaigns on social media and third party online shopping platforms. We also collaborate with our intermediaries to carry out promotional campaigns at convenience stores and boutique supermarkets. We typically launch advertising campaigns to complement with new product launches. From time to time, we may engage athletes as our product spokespersons to market our brands. Going forward, we intend to participate in more online marketing campaigns to enhance our brand and product awareness, which we believe will help us to gain access to younger consumers.

Our promotion and advertising expenses for the four years ended 31 December 2016, 2017, 2018 and 2019 were approximately RMB24.8 million, RMB8.4 million, RMB21.0 million and RMB43.4 million, respectively, representing approximately 1.1%, 0.4%, 0.7% and 1.2% of our total cost of sales, respectively.

Branding

Our chicken products are sold under our overall core brand "鳳祥食品 (Fovo Foods)". We believe that our strong brand recognition and reputation have been instrumental to the success of our business. Our "鳳祥 (Fovo)" and "五更爐 (Wu Genglu)" brands were recognised as a "China Well-Known Trademark" and a "Shandong well-known Trademark" by the trademark office of the SAIC and the Shandong Industry and Commerce in 2007 and 2012, respectively.

Our "優形 (iShape)" brand is strategically designed to target health-conscious and younger consumers seeking to pursue a healthy lifestyle whereas our "五更爐 (Wu Genglu)" brand is designed to target all domestic consumers. We have been promoting recognition of our "優形 (iShape)" brand through a variety of marketing and promotional activities since its introduction in 2016 as set out above. As a result of our marketing and promotional strategies, we believe that our "優形 (iShape)" brand has been gaining wider recognition and popularity in China's processed chicken meat product industry.

INVENTORY MANAGEMENT

The inventories of the Group principally comprise (i) animal feeds and their raw materials, which mainly include soybean meal and corn; (ii) work-in-progress of our chicken meat products; (iii) finished products, being chicken meat products ready to be sold; and (iv) packaging materials. We seek to maintain our inventory at appropriate levels based on our expected demand patterns, volume of sales orders from our customers and shelf life of our products. For the four years ended 31 December 2016, 2017, 2018 and 2019, our inventory turnover days were approximately 73.6 days, 76.6 days, 51.8 days and 43.4 days, respectively, while the balance of our inventories amounted to approximately RMB497.1 million, RMB508.8 million, RMB347.5 million and RMB485.0 million, respectively. Parent Stock Day-old Chicks, breeders and broilers are not included as our inventories as they are treated as biological assets in our financial statements. See "Financial Information — Analysis of Selected Statement of Financial Position Items — Inventories" and "Financial Information — Analysis of Selected Statement of Financial Position Items — Biological assets" for further details on our inventories and biological assets. We have in place an inventory control policy for our inventories:

Raw materials for animal feeds

We procure raw materials, plan our production and manage our inventory levels based on historical sales and our management's assessment of annual sales for a particular year in order to minimise storage space and carrying costs. We store the raw materials for animal feeds at the warehouse located in each of our feedmills. We generally maintain up to 45 days of inventory level for our raw materials for feeds. To manage the fluctuation of raw materials prices due to the change in the future purchase price of certain raw materials and the possible shortage due to delay or shortage in the supply of such raw materials, we enter into hedging arrangements as we deem appropriate. For details, see "— Raw material prices — Hedging" above. Our storage management staff will conduct monthly physical inventory counts to ensure the adequacy of the feeds stock.

Work-in-progress and finished products (Chicken meat products)

Our inventory levels for our work-in-progress chicken meat products are largely determined by projected sales level in the forthcoming year, which we usually plan a year ahead in accordance with prevailing market trends and customer preferences. As chicken meat products are perishable goods, the Group adopts a physical "first-in-first-out" policy to ensure the freshness of our chicken meat products. We store our raw and processed chicken meat products in our owned and rented refrigeration facilities to preserve their quality and extend their shelf life and sell them within approximately ten days to 20 days after their entry into our facilities. Staff from our production team will also conduct physical inventory counts and inspections on a monthly basis to monitor the inventory status of our raw and processed chicken meat products. We will make provision for impairment against our inventories on an annual basis if the costs of our chicken meat products as inventories are greater than the recoverable amount of the same.

Packaging materials

Our packaging materials purchases include inner packaging bags and outer packaging boxes. Our storage management staff conduct physical counts on a monthly basis for the purpose of record keeping and control. The frequency of our purchases is largely driven by our previous sales performance.

QUALITY ASSURANCE

The Directors believe that high quality and standards are crucial to the Group's success. We have a quality control team consisting of 380 members as at the Latest Practicable Date and some of them have received tertiary education in biology, food science and veterinary science focusing in livestock, and have had experiences in food examination and research. They are responsible for the quality assurance of our products, including the formulation of quality standards and control. The Group's products have undergone internal production control and quality assurance control and rigorous testing. We are dedicated to ensuring the high standard of safety and quality of (i) the chicken meat products manufactured by us, and (ii) the raw materials for our production of animal feeds, the Parent Stock Day-Old Chicks, the broiler eggs and the chicken meat products procured from our suppliers who are independent third parties. We have obtained ISO22000 (Food Safety) Certificate and ISO9001 (Quality) Certificate.

We have adopted a stringent quality and management control system which oversees the entire production process in order to ensure the quality of our products is up to standard. Our quality control procedures are performed at various stages of our operation process to ensure the quality of our products.

Biosecurity Measures

In order to minimise the risks of our breeders and broilers from being infected by disease, we established the following biosecurity measures:

- *Isolation of breeder and broiler farms.* Our breeder and broiler farms are located in areas which are far away from human activities and establishments, and sited in a demarcated fenced area to provide an optimum environment for the breeding of our breeders and broilers. Further, the distance between our breeder and broiler farms shall be no less than 500 metres in accordance with relevant PRC laws and regulations.

- *Controlled access.* The access into and out of our production facilities is controlled. Only specific staff are allowed to enter into the enclosed site. We delegate specific staff with tasks to manage their specific sheds in the breeder and broiler farms and requiring them to live in their responsible sheds. All entrants who wish to enter the sheds are required to undergo certain hygiene procedures.
- *Sterilisation and recordkeeping.* Vehicles, staff, visitors and relevant equipment entering and exiting the breeder and broiler farms are required to undergo a disinfection process and be logged.
- *Hygiene measures.* All entrants are required to put on uniforms and shoes provided by the Group before entering the enclosed area where our breeder and broiler farms are located. Our staff are prohibited from bringing their uniforms out of the enclosed farm area to minimise the chance of introducing bacteria from the external environment.
- *Proper medicinal procedures.* Immunisation and medicinal procedures must be carried out as required by the relevant laws and regulations of the PRC and export countries, and be in strict compliance with the prescription from our veterinarians throughout the breeding process.

Quality Control over Breeders and Broilers

In order to ensure that the operations of our production facilities meet the Group's quality requirements, we have adopted the following preventive and management measures:

- *Vacancy period.* We require that every shed of our broiler farms to be vacated for approximately 14 days to 18 days after the broilers have been collected, respectively. During the vacancy period, we require that the farms be thoroughly washed and sterilised before arrival of the next batch of broilers. We then conduct disinfection sampling and testing to prevent cross contamination with pathogenic microorganisms from the previous batch.
- *Sterilisation and disinfection*. We thoroughly clean the breeder and broiler farms on a daily basis and disinfect broiler farms using aerial fog shed cleansing equipment three times a week. The use of specialised aerial fog shed cleansing equipment increases the number of cycles undergone by each broiler farm per year and ensures that no wastewater is discharged in violation of the applicable PRC laws and regulations. We subsequently inspect and monitor the disinfection results.
- *All-in-all-out policy.* We adopt an "*all-in-all-out*" policy, which means that each breeder farm and broiler farm is fully vacated, cleansed and fumigated before the next batch of livestock is transferred to the vacated farms to ensure they are cleared of any residual waste and bacteria from previous batches. Prior to the entering of the next batch, we perform comprehensive inspection on our farms, which includes inspecting sanitation status, disinfection record and equipment maintenance. If the inspection results are unsatisfactory, rectification measures will have to be carried out prior to a new batch of livestock entering the farm. This is to prevent the possible transmission of diseases between different batches of breeders and broilers.
- *Disease prevention and vaccination*. We have adopted a comprehensive set of disease prevention measures, reinforcing any particular prevention measures against a specific

disease. Vaccines and veterinary drugs for treatment must be inspected and may only be accepted upon satisfactory inspection. For details, see "— Quality Assurance — Biosecurity Measures" above.

- *Disposal of dead carcasses.* Our staff checks and removes dead breeders and broilers on a daily basis and we monitor the mortality rate. We decompose dead breeders and broilers on a timely basis by transporting them in a disinfected container to high temperature poultry carcass decomposition treatment plants for decomposition in accordance with all applicable laws and regulations in the PRC to prevent the spread of disease or environment contamination.
- *Chicken manure fermentation.* We ferment chicken manure for five days under temperatures reaching over 70°C after the broilers have left the broiler farms to effectively reduce the concentration of pathogens and microbes contained in chicken manure.
- *Optimum environment for breeding*. We raise our breeders and broilers in breeder and broiler farms that have been designed and constructed according to prescribed standards on temperature, humidity and ventilation, with details as described below:

No	Item monitored	Points to note
1.	Temperature	• To check whether the temperature is ranged between our prescribed standards
2.	Humidity	• To check whether the humidity is in line with our prescribed standards
3.	Ventilation level	• To observe whether there exists difference in the ventilation of breeder and broiler farms • To measure wind velocity, carbon dioxide density (in winter) and ammonia density, etc.
4.	Heating time	• To analyse the differences in heating time of each farm based on the records put on file by the head or deputy head of the farm before 20:00 every day
5.	Animal feeds and water supply system	• To check whether the automated feeding system is functional • To record the type and quantity of animal feeds and the volume of water consumed per breeder and broiler per day, and compare such information against our prescribed standards
6.	State of breeders and broilers	• To observe the distribution and comfort of breeders and broilers • To actively monitor the health of the breeders and broilers, for instance, by listening to the broilers' breathing and check whether they are panting, bawling or coughing

Quality Control over Raw Materials

Animal Feeds

- *Inspection of animal feeds.* We inspect animal feeds supplied to broilers with respect to appearance (including colour, humidity and chalking rate) in accordance with our internal animal feed quality control procedures . Any unsatisfactory animal feeds supplied must be rejected and reported to the manager in charge and the responsible feedmill.

- *Nutritions animal feed formula.* We formulate animal feed formula based on the nutrition levels essential for broilers and produce animal feed through high-temperature processing.
- *No growth promoters.* We do not add antibiotic growth promoters to animal feeds and refrain from using animal-based raw materials for our animal feeds.

Parent Stock Day-old Chicks

- *Selective procurement.* We procure Parent Stock Day-old Chicks from suppliers that satisfy our internal requirements. For our selection criteria of Parent Stock Day-old Chicks suppliers, see "— Production — Procurement of Parent Stock Day-old Chicks and Breeder Farms" above. To ensure the health condition of our Parent Stock Day-old Chicks, we conduct tests on samples of Parent Stock Day-old Chicks to ensure they are not diagnosed to be affected with diseases such as salmonella or avian flu. If the Parent Stock Day-old Chicks samples collected are diagnosed to be affected with disease, the whole batch shall be destroyed.

Chicken breeds

- *First-in-first-out policy.* We adopt a *"first-in-first-out"* policy, which means that we will hatch breeder eggs in separate batches to trace the source of chicken breeds in the event that any disease epidemics or other diseases break out among the chicken breeds.
- *Disinfection and sterilisation.* We collect broiler eggs according to relevant regulations and disinfect the qualified broiler eggs in time. Non-fertile eggs, dead embryos and rotten eggs will be eliminated.
- *Standardised operating procedures.* Our staff are required to follow standardised hatching procedures to control the temperature, humidity and hygiene of our hatcheries. Sample disinfection testing would be conducted from time to time.
- *Mortality rate.* We check and remove dead chicken breeds, monitor the mortality rate, analyse the cause(s) of death and adopt adequate control measures accordingly.

Quality Control over Chicken Meat Products

In order to ensure that our chicken meat products are not contaminated, strict hygiene measures are implemented in our slaughtering and processing facilities, including:

- *Restrictive staff movement*. Movement of our staff inside our slaughtering and processing facilities is restricted. In particular, our staff in the slaughtering section are not allowed to enter into our processing section.
- *Daily sterilisation*. Facilities, equipment, tools and food contact surfaces in slaughtering and processing facilities are required to be cleaned and sterilised on a daily basis.
- *Hygiene procedures*. Staff and other entrants entering our slaughtering and processing sections are required to undergo comprehensive hygiene procedures, including cleansing of hands and wearing of sterilised uniforms provided by the Group.

We have also adopted the following control standards and procedures for the production of chicken meat products:

- *Centralised management.* Our food safety control team oversees the Group's implementation of food quality control to ensure the quality and safety of our chicken meat products.
- *Tracing and record keeping.* We record and trace each batch of our chicken meat products despatched to our customers, and each batch of raw materials, ingredients and packaging materials used to produce our chicken meat products. Through our vertically integrated business model covering the entire white-feathered broiler industry value chain, we are able to control the source of our chicken meat products and effectively monitor and control all aspects of the breeding process, which effectively guarantees the safety and hygiene of our chicken meat products. We also have in place a product recall procedure. We conduct regular product recall testing from time to time to ensure our chicken meat products may be effectively recalled as and when necessary.
- *Testing centre.* We have an independent testing centre with an established laboratory quality management system, which has been accredited by the China National Accreditation Service for Conformity Assessment to be of ISO/IEC 17025 standard. The testing centre batch-tests all outgoing chicken meat products that are to be sold domestically or abroad to ensure our products can fully meet the requirements of our customers' and our exporting countries' requirements.
- *Standardised operating procedures.* Our staff are required to follow standardised production and operating procedures which are in strict accordance with requirements under HACCP and GMP (Good Manufacturing Practice), which effectively monitor and manage all aspects of food safety ranging from raw materials, equipment to personal hygiene. These procedures help us ensure consistent quality of our chicken meat products.
- *Key quality points.* We select and closely monitor key points in the production process, such as heating and ingredient mixing, which have the potential to materially impact the quality of our final products. This facilitates our timely identification of and prompt response to any quality problems.
- *Workplace management.* We have implemented a systematic workplace management system based on a comprehensive set of principles emphasising tidiness, hygiene and safety. A clean and organised workplace is essential to the effective implementation of our quality control system.
- *Pre-sale inspection.* Before our chicken meat products can be sold to our customers, we conduct sample inspections and testing to ensure the quality of the products that will be delivered to the customers.

Emergency Epidemic Control System

The Group has implemented comprehensive procedures to prevent diseases among our breeders and broilers and focuses on reaction measures in response to any potential risk of disease outbreak. The Group has a technical specialist responsible for collecting information relating to livestock disease and providing early warning.

In particular, we implemented a disease and mortality rate monitoring programme whereby our staff will check and remove dead breeders and broilers and will inform our veterinarians accordingly. Our veterinarians monitor the mortality rate of breeders and broilers on a daily basis and we maintain records of their health conditions throughout their lifespan. Such records include feed consumption, mortality, daily egg production, average egg weight, medication, vaccinations and disinfection records.

When the daily mortality rate of our breeders or broilers exceeds 3.0%, and where the daily mortality rate exceeds 0.5% for two consecutive days, our staff will enhance their disinfection intervals in our breeder and broiler farms, isolate the relevant breeder or broiler sheds and restrict farm access. If our staff finds out that there may be a possible incidence or outbreak of poultry-related diseases such as avian influenza or a new plague, the situation will be reported to our veterinarians or technical specialist on a timely basis, who shall assess the situation and formulate appropriate measures.

As at the Latest Practicable Date, the Group had 20 veterinarians who had passed the National Veterinary Qualification Examination of the PRC. Our veterinarians and technical staff are required to conduct site inspections twice in every cycle undergone by the broiler farms.

As confirmed by the Directors, during the outbreak of avian flu in the PRC in 2016 and 2017, as well as during the Track Record Period and up to the Latest Practicable Date, no infected case was found in the Group's broiler farms.

Traceability System

In order to better comply with the Group's internal control system and food safety requirements, we have developed a traceability system which enables us to maintain traceability during the slaughtering and processing process, as further described below:

- *Receiving of broilers*: When broilers are received by our slaughtering and processing facilities, we require that our staff issue a Pre-slaughter Notice (《准予屠宰通知單》).
- *Chicken hanging*: Our staff responsible for chicken hanging shall, according to the Pre-slaughter Notice, issue a Chicken Source Transmission Sheet (《雞源信息傳遞單》), which includes the name of the broiler farm, breeding number, time of hanging, and the beginning and end time of pre-cooling, and pass on the relevant information.
- *Slaughtering*: Our staff responsible for slaughtering are required to transmit information according to the Chicken Source Transmission Sheet.
- *Packaging*: All our chicken meat products are required to be labelled with a product name, specification and production date in accordance with the information transmitted. The carton containing the relevant chicken meat products shall be labelled with information such as production date, expiry date and the relevant broiler farm identification number in accordance with our customer's requirements.
- *Freezing*: We require product tracing identification cards to be hung on refrigerated trucks, stating batch numbers at one-hour intervals. The time shall be recorded on the last truck during of each one-hour period. Our chicken meat products should also enter our freezer warehouses by fixed routes.
- *Storage*: We have implemented detailed warehousing operating procedures, such as timely record keeping, appropriate labelling and periodic stock taking. Our finished products are stored separately by categories, production dates and batches. Based on timely records of inventory intake and despatch, we can closely monitor and maintain traceability of products purchased by our customers to the relevant production facility.

FOOD SAFETY MANAGEMENT SYSTEM OF THE GROUP

We have established and maintain a quality control system covering each stage of our operations. In addition to our quality control system covering each stage of our operations, we have established a food safety control system covering issues related to our research and development, supplier certification and management, procurement, production, storage, transportation and sales and distribution activities, which primarily includes the following measures:

- *Food labelling and packaging*. Our packaging must bear specific labelling and other information as may be required by law and by our customers. In addition, all our chicken meat products require careful protection against physical and biological irritants that may damage our products during storage, transportation and delivery to our customers. As such, we endeavour to carefully and thoroughly pack our products to ensure maximum freshness and quality, and to display the correct information for food safety reasons.

- *Targeted disease prevention and vaccination.* We have adopted a comprehensive set of disease prevention and vaccination measures, reinforcing any particular prevention measures against a specific disease. We conduct sample tests on our broilers, and provide our chicken breeds and broilers with appropriate vaccination based on their age and health condition in accordance with our internal guidelines. We disinfect all items, vehicles and personnel before they are allowed entry to our premises. Our preventing system continuously monitors and reports outbreaks (if any) or epidemics as well as insect discovery and management. Our disease epidemic prevention system is reviewed and audited annually by a professional independent third party.

- *Bacteria*. In order to ensure the bacteria levels do not exceed the permitted standards under the relevant applicable laws, we have developed an internal control plan with corresponding control measures from raw materials, through processing and finished products. There is also strict temperature and time control at our processing facilities to maintain freshness of the chicken meat. Parameters measured throughout our premises include temperature, humidity and wind flow to ensure bacteria is discouraged from flourishing. We have an in-house laboratory for the detection of bacteria, and its equipment is regularly inspected and calibrated by external qualified personnel.

Assessment of Food Safety Management System

The below sets out an extract from the Food Safety Management Insight Report, which should not be unduly relied upon in making, or refraining from making, any investment decision. It should be noted that the Food Safety Management Insight Report or the findings thereunder do not constitute an assurance engagement performed in accordance with standards issued by the Hong Kong Institute of Certified Public Accountants or any standards of any other professional body in any other jurisdiction. The PwC Food Safety Consultant and/or other members of the PricewaterhouseCoopers network of firms assumes no liability (including liability for negligence) or responsibility to any party to which the Food Safety Management Insight Report or the findings thereunder as disclosed in this prospectus or otherwise made available.

The Company places emphasis on its food safety management system and reviews its effectiveness from time to time. In January 2019, the Company commissioned PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. Beijing Branch (the "**PwC Food Safety Consultant**"), an independent food safety consultant, to conduct assessment on the Group's food safety management system and issued a Food Safety Management Insight Report dated 30 June 2020 (the "**Food Safety Management Insight Report**"). The PwC Food Safety Consultant, as part of the PwC global network in

157 territories with more than 276,000 people, is committed to delivering quality in assurance, advisory and tax services. The PwC Food Safety Consultant provides services combining food industry expertise with the capabilities in risk management, internal controls, supply chain, strategy, compliance, capital markets, and merger and acquisitions.

The PwC Food Safety Consultant performed evaluation work in January 2019, to review the Group's food safety management system for the period from 1 January 2018 to 31 December 2018 by conducting site visits and staff interviews at locations selected through sampling methodology and analysis of information obtained from the materials provided to them by the Company. The assessment is based on a risk management framework established by the PwC Food Safety Consultant, namely the PwC Risk Management Framework, with reference to the advanced international food safety standards recognised by the Global Food Safety Initiative (GFSI), a non-profit making foundation established and managed by the Consumer Goods Forum (which is an international trade association) under Belgian Law in May 2000 and it benchmarks existing food safety standards against food safety criteria for retailers, manufacturers and foodservice operators globally to provide a common foundation of food safety requirements.

The PwC Food Safety Consultant evaluated the maturity of our food safety management system under the PwC Risk Management Framework along eight modules: (1) regulations and policies, (2) personnel and corporate culture, (3) supplier management, (4) production management, (5) testing management, (6) storage and logistics management, (7) food quality and safety management system, and (8) crisis management. For each module, the maturity was assessed in three levels, namely embryonic, maturing and mature, across the following six dimensions: (a) measurement certainty, (b) reporting framework, (c) information integrity, (d) consistency, (e) transparency in performance indicators, and (f) external validation. Based on the foregoing, the evaluation work carried out by the PwC Food Safety Consultant covered 48 assessment areas of our food safety management system.

According to the Food Safety Management Insight Report, the PwC Food Safety Consultant is of the view that the overall assessment of the Group's food safety management system is mature, with five assessment areas are identified as maturing which recommendations have been proposed to the Group for further enhancement. The Group has adopted the recommendations for those assessment areas as at the Latest Practicable Date. The PwC Food Safety Consultant considers that such recommendations do not have any material impact on the operations of the Group's food safety management system.

Track Record of Quality Control

We have obtained ISO 9001 quality management system certification, ISO 22000 food safety management system certification and ISO 14001 environmental management system certification for our production facilities in Shandong. We have also obtained British Retail Consortium (BRC) Global Standard for Food Safety (Grade A) certification. The table below sets forth the material certifications or licences we have obtained for our products or processing facilities and the relevant information as indicated.

Certificate	Date of Latest Issue	Expiry Date	Main Content
ISO 9001:2015 Quality Management System Certification	14 August 2018	13 August 2021	Quality management system for the design, production, sales and services of processed poultry meat products

Certificate	Date of Latest Issue	Expiry Date	Main Content
ISO 9001:2015 Quality Management System Certification	14 February 2019	12 January 2021	Quality management system for the processing of chilled, frozen and refrigerated pre-made chicken meat products
ISO 14001:2015 Environmental Management System Certificate	4 December 2019	11 December 2022	Environmental management system for processing of chicken compound feed, poultry breeding, processing or poultry products and chilled and frozen chicken and other related management activities
ISO 14001:2015 Environmental Management System Certificate	4 December 2019	11 December 2022	Environmental management system for production of poultry products and related management activities
ISO 14001:2015 Environmental Management System Certificate	4 December 2019	11 December 2022	Environmental management system for the processing of frozen chicken and frozen chicken parts and related management activities
HACCP Certification	4 December 2018	4 December 2020	Processing of frozen, fried and steamed chicken meat products
HACCP Certification	14 February 2019	12 January 2021	Processing of chilled, frozen and refrigerated pre-made chicken products
ISO 22000:2005 Food Safety Management System Certificate	15 November 2019	14 November 2022	Food safety management system for production of chicken compound feed
ISO/IEC 17025:2005 Testing and Calibration Laboratories Certificate	22 August 2016	21 August 2022	Testing centre accredited ISO/IEC 17025 standards
China National Accreditation Service for Conformity Assessment (CNAS) Laboratory Accreditation Certificate	22 August 2016	21 August 2022	Testing centre Accredition
British Retail Consortium (BRC) Global Standard for Food Safety Issue 8: August 2018, Grade A	31 October 2019	9 October 2020	Category 2: Raw poultry

Certificate	Date of Latest Issue	Expiry Date	Main Content
British Retail Consortium (BRC) Global Standard for Food Safety Issue 8: August 2018, Grade A	4 February 2020	7 February 2021	Category 8: Cooked meat and fish products
International Food Standard (IFS) Version 6.1, November 2017 at Higher Level	4 February 2020	19 February 2021	Red and white meat, poultry and other meat products
British Retail Consortium (BRC) Global Standard for Food Safety Issue 8: August 2018, Grade A	31 March 2020	26 April 2021	Production of frozen steamed and fried chicken meat products in plastic bags
International Food Standard (IFS) Version 6.1, November 2017 at Higher Level	1 April 2020	11 June 2021	Red and white meat, poultry and other meat products

PRODUCT LIABILITY

The Group adopts a no recourse sales policy. Once our products have been sold and delivered to our customers (including both direct customers and distributors), all risks and liabilities in connection with such chicken meat products are transferred to our customers, who/which shall not be entitled to any recourse from the Group. Upon claims from our customers, the Group will consider recalling our products if the same are found to have excessive remains of medicine, microorganisms or are otherwise unsatisfactory.

According to the Food Safety Management Insight Report, we have established a food safety management system that runs through the upstream and downstream stages of the industry chain. We follow relevant international food safety management systems, such as BRC, FSSC22000, etc., which have been approved by the GFSI and relevant domestic organisations. Our food safety and management system manuals and procedure documents have also been formulated in accordance with the requirements of Food Safety Law of the PRC, GB/T 27341-2009 Hazard Analysis and Critical Control Point (HACCP) System - General Requirements for Food Production Enterprises and other laws and regulations and relevant industry standards. Further, the results of our bacteria tests on our chicken meat products have complied with the Fresh and Frozen Poultry Product National Standards of the PRC and we procure our raw materials, Parent Stock Day-old Chicks and frozen chicken meat products from third party suppliers that have obtained the necessary licences and permits. Furthermore, we have not received any product liability claims from our customers or the consumers during the Track Record Period.

In order to minimise the possibility of any product liability claims from any of our customers and distributors, we have implemented quality assurance and internal control measures, including, inter alia, hygiene requirements on our broiler farms, requirements on our third party suppliers to obtain and produce to us the relevant licences and permits, details of which are set out in "— Production" and "— Quality Assurance" above, respectively.

MARKET AND COMPETITION

The chicken meat production industry has a high entry barrier for potential market players. First, the chicken meat production industry is capital-intensive in nature, which requires vast areas of land for breeding chicken breeds, breeders and broilers, and advanced equipment and comprehensive production facilities for slaughtering and processing of chicken meat products so as to improve the product quality and productivity. The chicken meat producers have to place significant amount of resources on food safety and hygiene. These require massive amount of capital investment and will bring heavy financial burden to start-ups, especially to small and medium-sized companies. Moreover, the chicken meat production industry requires crucial human capital. Professional and skilled personnel are paramount to ensuring the quality of chicken meat products meets the requirements of customers and relevant authority where the business is operated in and products are exported to. For example, during the broiler rearing process, they need to ensure optimal rearing environment, including temperature and ventilation for the growth of broilers. In addition, the efficient production of meat products requires the support of experienced labour for slaughtering and preservation.

According to the Frost & Sullivan Report, the total production quantity of white-feather broiler meat in the PRC for the year ended 31 December 2019 was approximately 7.6 million tonnes. White-feathered broiler production industry in China was relatively scattered with top five producers taking a market share of 19.9% in terms of production volume in 2019, where the leading fully integrated white-feathered broiler producer had an annual production of roughly 505.2 million birds, representing a market share of 9.5%, followed by the Group who had an annual production of 162.3 million birds, representing a market share of 3.1%. In China, there are only a small number of large-size chicken meat producers. Our ability to compete against our competitors depends on, to a significant extent, our capability to build up and maintain the confidence of our customers to our products and expand our markets to other areas in the PRC and overseas markets. The product segment of exported broiler meat products comprises raw broiler meat and processed broiler meat. Many broiler meat exporters in China focus on either raw broiler meat or processed broiler meat. Their focuses on only one type of product pose risk to their future operations. Among the fully integrated broiler meat exporters, the Group ranked the first among its competitors in terms of export revenue and export volume in 2018, with a market share of 8.6% and 10.4%, respectively. The top five players accounted for an aggregate market share of 29.9% and 28.7% in terms of export revenue and export volume, respectively.

The market size of white-feathered broiler meat by sales revenue increased from RMB69.2 billion in 2015 to RMB83.1 billion in 2019, realised an CAGR of 4.7% over the past five years. In the long term, the market is projected to increase with a CAGR of 10.1% from 2019 to 2024 with the increased demand and recovery of domestic productions. Due to the decreased domestic production volume in recent years, China's export value of broiler meat decreased from USD1,610.3 million in 2014 to USD1,574.8 million in 2018, representing a CAGR of -0.6% from 2014 to 2018. With the recovery of domestic production, the total export value of broiler meat from China has been growing rapidly driven by the increase in unit price of the broiler meat and is expected to reach to USD2,164.7 million in 2023, at a CAGR of 6.6%.

For details of our competitive strengths, see "— Competitive Strengths" above.

For the challenges and threats we encountered in operating our business, see "Industry Overview". Nevertheless, we believe that the Listing would enhance our financial resources and strengthen our market position and allow us to compete with local and foreign competitors.

RESEARCH AND DEVELOPMENT

We conduct research and development activities across the poultry industry value chain, including new technologies and machines for breeding broilers, new products, in particular, our ready-to-eat food products, and packaging. We operate three research institutions in Shandong, Shanghai and Tokyo. Our research and development efforts primarily focus on expanding our product offerings, upgrading our quality control technologies and developing new production methods and techniques both in China and overseas.

Our research and development team comprises 45 members and most of them received tertiary education or above. The team conducts research on the composition and ingredients of our feeds, the efficiency in the breeding of our broilers, the control of disease epidemics, the production process of our chicken meat products and product development. Our research and development expenses incurred during each of the four years ended 31 December 2016, 2017, 2018 and 2019 were approximately RMB6.2 million, RMB8.3 million, RMB13.5 million and RMB16.3 million, respectively.

New Technologies and Machines

We are committed to providing high-quality products and are dedicated to research and development. We set out below the research and development projects completed by the Group or our employees:

- *Chicken manure fermentation.* After the broilers have grown into white-feathered broilers and have left the broiler farms, we ferment chicken manure for five days under temperatures reaching over 70°C to effectively reduce the concentration of pathogens and microbes contained in chicken manure;
- *Aerial fog shed cleansing equipment.* We cleanse our breeder farms and broiler farms with specialised aerial fog shed cleansing equipment, which increases the number of cycles undergone by each broiler farm per year and ensures that no wastewater is discharged in violation of the applicable PRC laws and regulations. The use of such cleansing equipment allows for the reduction in water usage by approximately 80%; and
- *Poultry carcasses decomposition.* We installed advanced underground decomposition facilities to decompose poultry carcasses through high pressure steaming which effectively reduces air pollution.

We also had cooperation arrangements with other institutions, such as universities, government institutions and commercial institutions, on various research and development projects including (i) cooperation with the local government to jointly conduct research on feed composition and efficiency, processing of ancillary products of broilers, determination of gender of the chicken breeds, disease epidemic prevention and control, design of broilers sheds and design of biological sewage filtering system; and (ii) cooperation with commercial institutions in the improvement of our information management system.

New Products

The Group believes that it is important to develop new product categories to cater for ever changing consumption patterns, enhance our business growth and improve our innovation capabilities and competitiveness. We devote resources to research and development, upgrading products and processing technologies. Our dedicated product development centre was initially established in Shandong.

For the four years ended 31 December 2016, 2017, 2018 and 2019, we launched 47, 48, 104 and 64 new products (including new flavours) which are all processed chicken meat products, respectively. The following are sample pictures of some of our new processed chicken meat products launched in 2018 and 2019:

iShape protein bar
(優形蛋白棒)

Wu Genglu salt baked chicken
(五更爐鹽焗雞)

Slow cooked ready-to-eat chicken legs
(低溫即食雞腿)

Chicken patties with mushrooms
(香菇肉餅)

As part of the Group's research and development policy, the Group focuses on developing nutritious and healthy food products as well as product categories. Each of our product development projects primarily consists of the following key steps:

- *Gathering external information on the market development*. Our research and development of new products is market-oriented. The Group keeps track of domestic and international market developments, technological updates and actively participates in domestic and international food fairs and exhibitions.

- *Creating prototype of new food products and tasting*. Once a potential new food product has been finalised, a prototype is produced and fine-tuned by continually improving the taste, product mix and preparation method of a potential new food product.

- *Obtaining customers' feedback from sales team*. Our product development team works closely with our sales team in order to evaluate market trends and consumer preferences, which is essential for us to identify and formulate new products. The Group's sales team will obtain feedback from the Group's customers and conveys the information to the product development team for the purposes of improving production methods, production efficiency, product quality and control production costs. The Directors believe that continuous update of customers' preferences and tastes will maintain the Group's relationship with customers and contribute to the Group's future growth.

Our research and development efforts as stated above enable us to study and keep track of changing customer preferences in order to improve our products' flavour. We have been continuously improving the taste of our products, such as moderating the seasoning sauces and product mix based on feedback collected through our customer surveys. Such feedback provides us with first-hand information with respect to the satisfaction level and expectations the customers may have for our products. We also test and adjust the time required for processing, such as braising and high temperature steaming on a product-by-product basis, in order to optimise the taste of each product.

LICENCES AND PERMITS

The Group is required to obtain the following key licences and permits to carry out our business and operation:

Licence/permit	Licence/permit holder	Issuing Authority	Date of grant/filing	Expiry date
Livestock and Poultry Breeders Production Operation Permit (種畜禽生產經營許可證)(1)	The Company	Liaocheng Administrative Examination and Approval Service Bureau	Between 26 October 2017 and 5 March 2020	Between 25 October 2020 and 4 March 2023
Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證)(2)	The Company	Yanggu Country or Dong'e County Administrative Examination and Approval Service Bureau	Between 11 April 2019 and 25 April 2019	Not applicable
Grain Purchase Permit (糧食收購許可證)	The Company	Yanggu County Administrative Examination and Approval Authority	13 March 2019	12 March 2022
Feed Production Permit (飼料生產許可證)(3)	The Company	Shandong Animal Husbandry and Veterinarian Bureau	Between 24 April 2018 and 5 September 2018	Between 23 April 2023 and 4 September 2023
Water Drawing Permit (取水許可證)(4)	The Company	Dong'e County Water Authority, Yanggu County Water Authority or Yanggu County Administrative Examination and Approval Authority	Between 8 January 2018 and 1 September 2019	Between 27 April 2022 and 31 August 2024
Foreign Trade Operator Registration Form (對外貿易經營者備案登記表)	The Company	Yanggu Business and Investment Promotion Bureau	30 November 2018	Not applicable

Licence/permit	Licence/permit holder	Issuing Authority	Date of grant/filing	Expiry date
Registration Certificate of Customs Declaration Entity (海關報關單位註冊登記證書)	The Company	Jinan Customs District Office in Liaocheng	11 December 2018	Not applicable
Work Safety Standardisation Certificate (安全生產標準化證書)	The Company	Shandong Province Administration of Work Safety	19 June 2018	June 2021
Pollutant Discharge Permit (排污許可證)(5)	Fengxiang Food Development	Liaocheng Environmental Protection Bureau	14 December 2018	13 December 2021
Food Production Permit (食品生產許可證)	Fengxiang Food Development	Liaocheng Food and Drug Administration	8 June 2016	30 December 2020
Food Operation Permit (食品經營許可證)	Fengxiang Food Development	Liaocheng Food and Drug Administration	9 March 2017	8 March 2022
Halal Certificate (清真證書)	Fengxiang Food Development	China Shandong Islamic Association	26 July 2019	25 July 2022
Export Food Manufacturer Filing Certificate (出口食品生產企業備案證明)(6)	Fengxiang Food Development	Shandong Entry-Exit Inspection and Quarantine Bureau	Between 21 March 2016 and 16 January 2020	Between 7 April 2024 and 31 December 2070
Registration Certificate of Customs Declaration Entity (海關報關單位註冊登記證書)	Fengxiang Food Development	Jinan Customs District Office in Liaocheng	19 July 2016	Not applicable
Work Safety Standardisation Certificate (安全生產標準化證書)	Fengxiang Food Development	Shandong Province Administration of Work Safety	19 June 2018	June 2021
Heat Processing Facility Designation	Fengxiang Food Development	The Minister of Agriculture, Forestry and Fisheries of Japan	Not applicable	Not applicable
Export Food Manufacturer Filing Certificate (出口食品生產企業備案證明)(6)	Fengxiang Industrial	Shandong Entry-Exit Inspection and Quarantine Bureau	Between 11 September 2017 and 16 January 2020	Between 10 September 2021 and 31 December 2070

Licence/permit	Licence/permit holder	Issuing Authority	Date of grant/filing	Expiry date
Food Production Permit (食品生產許可證)	Fengxiang Industrial	Liaocheng Food and Drug Administration	13 February 2018	12 February 2023
Food Operation Permit (食品經營許可證)	Fengxiang Industrial	Yanggu Administration for Industry & Commerce	9 March 2017	8 March 2022
Halal Certificate (清真證書)	Fengxiang Industrial	China Shandong Islamic Association	11 December 2018	10 December 2021
Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證)	Fengxiang Industrial	Yanggu County Administrative Examination and Approval Service Bureau	8 August 2019	Not applicable
Feed Production Permit (飼料生產許可證)	Fengxiang Industrial	Shangdong Province Animal Husbandry and Veterinary Medicine Bureau	14 February 2019	13 February 2024
Foreign Trade Operator Registration Form (對外貿易經營者備案登記表)	Fengxiang Industrial	Yanggu Business and Investment Promotion Bureau	18 January 2017	Not applicable
Registration Certificate of Customs Declaration Entity (海關報關單位註冊登記證書)	Fengxiang Industrial	Jinan Customs District Office in Liaocheng	17 May 2016	Not applicable
Work Safety Standardisation Certificate (安全生產標準化證書)	Fengxiang Industrial	Shandong Province Administration of Work Safety	19 June 2018	June 2021
Pollutant Discharge Permit (排污許可證)[(5)]	Fengxiang Industrial	Liaocheng Environmental Protection Bureau	14 December 2018	13 December 2021

Licence/permit	Licence/permit holder	Issuing Authority	Date of grant/filing	Expiry date
Printing Operation Permit (印刷經營許可證)	Fengxiang Industrial	Liaocheng of Culture, Broadcasting, Television, Press and Publication Bureau	16 August 2019	31 March 2021
National Permit for Production of Industrial Products (全國工業產品生產許可證)	Fengxiang Industrial	Shandong Bureau of Quality and Technology Supervision	27 August 2019	26 August 2024
Approved Foreign Abattoir	Fengxiang Industrial	Department of Veterinary Services Malaysia	Not applicable	Not applicable
Pollutant Discharge Permit (排污許可證)	Xingwen Tianyang	Yibin Environmental Protection Bureau	9 November 2018	8 November 2021
Food Operation Permit (食品經營許可證)	Xingwen Tianyang	Xingwen County Food and Drug Administration	8 November 2017	7 November 2022
Livestock and Poultry Breeders Production Operation Permit (種畜禽生產經營許可證)	Xingwen Tianyang	Agricultural Department of Sichuan Province	6 August 2018	5 August 2021
Animal Epidemic Prevention Qualification Certificate (動物防疫條件合格證)(2)	Xingwen Tianyang	Xingwen County Animal Husbandry and Fisheries Bureau	Between 5 December 2017 and 21 June 2018	Not applicable
Food Production Permit (食品生產許可證)	Yucheng Fengming	Dezhou Food and Drug Administration	28 May 2018	27 May 2023
Food Operation Permit (食品經營許可證)	Fengxiang Food	Yanggu Food and Drug Administration	4 July 2019	5 April 2021
Official Fertiliser Registration Certificate in Shandong (山東省肥料正式登記證)(7)	Yanggu Xiangyu Organic Fertiliser	Ministry of Agriculture	Between 31 August 2017 and 12 February 2018	Between August 2022 and February 2023

Licence/permit	Licence/permit holder	Issuing Authority	Date of grant/filing	Expiry date
Fertiliser Registration Certificate (肥料登記證)(8)	Yanggu Xiangyu Organic Fertiliser	Ministry of Agriculture	8 July 2019	July 2024
Work Safety Standardisation Certificate (安全生產標準化證書)(9)	Yanggu Golden Phoenix Colour Printing & Packing Co., Ltd. (陽穀金鳳彩印包裝有限公司)	Shandong Province Administration of Work Safety	19 June 2018	June 2021

Notes:

(1) As at the Latest Practicable Date, the Company obtained 21 Livestock and Poultry Breeders Production Operation Permits.

(2) As at the Latest Practicable Date, the Company and Xingwen Tianyang obtained 70 and three Animal Epidemic Prevention Qualification Certificates, respectively.

(3) As at the Latest Practicable Date, the Company obtained two Feed Production Permits.

(4) As at the Latest Practicable Date, the Company obtained three Water Drawing Permits.

(5) As at the Latest Practicable Date, Fengxiang Food Development and Fengxiang Industrial obtained four and two Pollutant Discharge Permits, respectively.

(6) As at the Latest Practicable Date, Fengxiang Food Development and Fengxiang Industrial both obtained two Export Food Manufacturing Filing Certificates.

(7) As at the Latest Practicable Date, Yanggu Xiangyu Organic Fertiliser obtained three Official Fertiliser Registration Certificates in Shandong.

(8) As at the Latest Practicable Date, Yanggu Xiangyu Organic Fertiliser obtained two Fertiliser Registration Certificates.

(9) Yanggu Golden Phoenix Colour & Printing & Packing Co., Ltd. (陽穀金鳳彩印包裝有限公司) was merged into Fengxiang Industrial in June 2019. Pursuant to a certification issued by the Yanggu County Emergency Management Bureau dated 26 July 2019, the Work Safety Standardisation Certificate can continue to be used within its validity period in light of the said merger.

As advised by the PRC Legal Advisers, the Group obtained all the material approvals, permits, consents, licences and registrations required for our business and operations in the PRC during the Track Record Period and up to the Latest Practicable Date and all of them are in force as at the Latest Practicable Date. As advised by the Japanese Legal Advisers, the Group obtained all the approvals, permits, consents, licences and registrations required for the export of the Group's chicken meat products from PRC to Japan during the Track Record Period and up to the Latest Practicable Date as well as the business operation of Japan Fengxiang since its incorporation on 28 December 2017 up to the Latest Practicable Date, which primarily involves food research and development, and all of them are in force as at the Latest Practicable Date. Save as disclosed above, as advised by the PRC Legal Advisers, the Group can submit the relevant renewal applications of its licences and permits upon their expiry in accordance with applicable procedures, and the Directors confirm that there is no material legal impediment for the Group to apply for renewal of the approvals, permits, consents, licences and registrations set out above as at the Latest Practicable Date. We will apply for renewal of our licences and permits before their respective expiry dates. Save as disclosed in this prospectus, the Group has not experienced any refusal of application for renewal of the licences necessary for our operations during the Track Record Period.

As advised by the PRC Legal Advisers, during the Track Record Period, the Group had complied with the Food Safety Law of the PRC which is applicable to our chicken meat products in all material respects.

AWARDS AND CERTIFICATES

After years of development, our products and operations have accomplished a number of milestones and we have obtained a number of awards and certificates, a summary of which is set out below:

Awards/Certificates	Award/Issuing Organisation	Date of Issue	Expiry Date
Most Valuable Brand in the China Meat Industry (中國肉類產業最具價值品牌)	China Meat Association (中國肉類協會)	October 2012	Not applicable
Shandong Time-Honoured Brand (Wu Genglu) (山東老字號(五更爐))	Department of Commerce of Shandong Province (山東省商務廳)	March 2014	Not applicable
National Key Leading Enterprise for Agricultural Industrialisation (農業產業化國家重點龍頭企業)	Ministry of Agriculture of the PRC (中華人民共和國農業部)	September 2014	December 2020
Export Food "Three-in-One" Model Enterprise (出口食品"三同"示範企業)	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家品質監督檢驗檢疫總局進出口食品安全局)	November 2016	Not applicable
2016 Outstanding Breeder Performance Award (2016 年度最佳養殖表現獎)	Cobb-Vantress, Inc.	January 2017	Not applicable
Mighty Enterprise of the China Meat Products Industry (中國肉類食品行業強勢企業)	China Meat Association (中國肉類協會)	October 2017	September 2020
2017 China Food Seven Star Innovation Award (2017 中國食品七星創新獎)	Xinhua News Agency (新華網)	November 2017	Not applicable
National Intellectual Property Advantageous Enterprise (國家知識產權優勢企業)	National Intellectual Property Administration (國家知識產權局)	December 2017	November 2020
2017 Best Factory Quality Overall Performance Award (2017 年度最佳工廠質量綜合績效獎)	Yum! China Holding Inc. (百勝中國控股有限公司)	December 2017	Not applicable
Cobb Champion – Exceptional Performance in the Category of Company Average Number of Chicks Produced in 2017 (科寶冠軍 – 2017 年公司雛雞平均生產數量卓越表現)	Cobb – Vantress, Inc.	July 2018	Not applicable
Preparation and Protection Products for National Athletes of the Sports and Training Council (體育 — 訓練局國家隊運動員備戰保障產品)	State General Administration of Sports – Training Council (國家體育總局訓練局)	May 2020	May 2021
2018 Quality Management Outstanding Award (2018年度品質管制卓越獎)	Yum! China Holding Inc. (百勝控股有限公司)	June 2018	Not applicable
JD Raw and Fresh Farm (Designated White Feathered Broilers Breeding Base) (京東生鮮農場(白羽雞指定養殖基地))	Beijing Jingdong Century Information Technology Co., Ltd. (北京京東世紀信息技術有限公司)	August 2018	Not applicable
2018 Advanced Enterprise of the China Meat Product Industry – Influential Brand (2018中國肉類食品行業先進企業 — 影響力品牌)	China Meat Association (中國肉類協會)	September 2018	Not applicable

Awards/Certificates	Award/Issuing Organisation	Date of Issue	Expiry Date
Food Safety Meat Products Brand (食安肉類品牌產品)	Shandong Province Meat Association (山東省肉類協會)	November 2018	November 2021
Cobb Champion (Exceptional Performance in PS Slow Feathering) (科寶冠軍 — PS晚羽性卓越表現)	Cobb – Vantress, Inc.	March 2019	Not applicable
Area with broilers lacking highly pathogenic avian influenza (肉雞無高致病性禽流感小區)	Ministry of Agriculture and Rural Affairs of the PRC (中華人民共和國農業農村部)	8 May 2019	Not applicable

EMPLOYEES

As at the Latest Practicable Date, we had 7,880 employees who were directly employed by us, of which 7,878 employees were employed in the PRC and two employees were located in Japan. The table below sets out a breakdown of our employees by function as at the Latest Practicable Date:

Function	Total number of employees
Production	6,923
Quality control, research and development and engineering	380
Sales and marketing	244
Finance, human resources and administration	333
Total	7,880

The remuneration packages for our employees include salary, bonuses and allowances. As required by the PRC regulations, we participate in social insurance schemes operated by the relevant local government authorities and maintain mandatory pension contribution plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for some of our employees. We also contribute to housing accumulation funds for some of our employees.

When we make hiring decisions, we take into account factors such as our business strategies, our development plans, industry trends and the competitive environment. We recruit our employees based on a number of factors such as their work experience, educational background and vacancy needs. We endeavour to attract and retain appropriate and suitable personnel to serve the Group.

We provide continuing education and training programmes to our employees to improve their skills and develop their potential. We also adopt evaluation programmes through which our employees can receive feedback. We foster strong employee relations by offering various staff benefits and personal development support. Our subsidiaries in China have established labour unions in accordance with the applicable PRC law. We are not subject to any collective bargaining agreements. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labour disputes or claims.

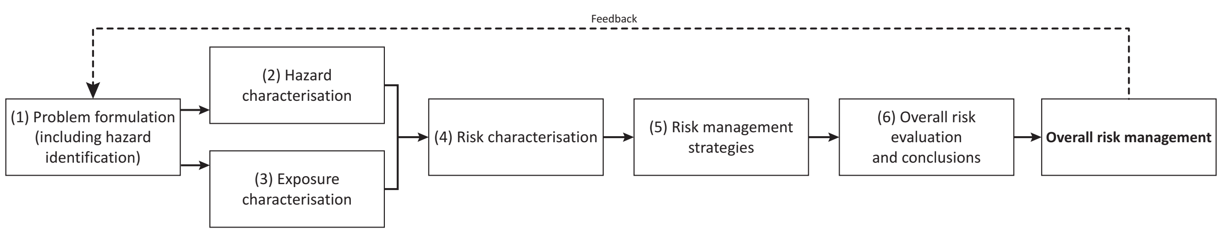
ENVIRONMENTAL PROTECTION

We are subject to the PRC national and local environmental laws and regulations, including but not limited to "Environmental Protection Law of the PRC", "The Law on the Prevention and Treatment of Water Pollution of the PRC" and "The Law for the Prevention and Treatment of Air

Pollution of the PRC". In particular, there are environmental regulations concerning the treatment of wastewater produced by our slaughtering and processing facilities and we are subject to annual inspection by the regulatory authorities for compliance with these laws and regulations. Failure to comply with applicable PRC environmental protection laws and regulations may result in significant consequences, including administrative, civil and criminal penalties, liability for damages and negative publicity. Further, such failure to comply, or allege on failure to comply, with the relevant PRC laws, regulations or government policies on environmental protection, may lead to costly litigation or penalty imposed by the relevant judicial or governmental authorities. We emphasise on environmental protection and strive to minimise the environmental impact brought by our business operations. There had been no material administrative penalties imposed on us as a result of non-compliance with any PRC laws or regulations in relation to environmental protection during the Track Record Period.

Environmental Risk Assessment

We have an environment risk assessment system which allows us to assess the likelihood of our business causing harm to the environment and will adopt a system on disclosure of environmental-related information upon Listing. This includes describing potential hazards and impacts before taking precautions to reduce the risks. We carry out an environmental risk assessment based on six steps:



To satisfy the environmental protection requirements for different pollutants, we have adopted the following environmental protection measures:

- *Wastewater.* Our operations produce wastewater, and emits ashes, sulphur dioxide and other waste materials including used packing materials and chicken parts. We have installed wastewater disposal system in our slaughtering and processing facilities in compliance with the relevant laws and regulations in the PRC. The wastewater system can filter our wastewater before disposal. It is also linked to the designated water disposal network of the local government. Our turbines are also installed with filtering equipment to reduce the ashes to be emitted to the atmosphere. Other waste materials are collected by the Group and transported by the environmental authority of the local government to the landfill.

- *Poultry carcasses.* We have installed advanced underground decomposition facilities to decompose poultry carcasses in an environmentally friendly manner. Poultry carcasses are collected and delivered to designated decomposition facilities where they undergo high pressure steaming. This harmless decomposition method effectively reduces air pollution.

- *Manure*. For our broilers bred in cage free broiler sheds, we ferment their chicken manure anaerobically for five days under temperature reaching over 70°C after the broilers have left the broiler farms to effectively reduce the concentration of pathogens and microbes contained in chicken manure. For manure produced in broiler farms adopting battery cage systems, manure are transported to our organic fertiliser plant for fermentation. Our animal waste management also helps reduce air pollution emissions.

The expenses relating to the environmental matters incurred by the Group (including the costs of compliance with applicable rules and regulations) for each of the four years ended 31 December 2016, 2017, 2018 and 2019 amounted to approximately RMB5.2 million, RMB4.4 million, RMB4.9 million and RMB10.3 million, respectively. The Directors expect that the cost of compliance with applicable rules and regulations for the year ending 31 December 2020 will be approximately RMB8.5 million.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material non-compliance issues in respect of any applicable laws and regulations on environmental protection or any complaints from our customers or the public in respect of environmental protection issues. The Directors are of the view that there are no environmental protection laws and regulations which may affect our production in any material respects. The PRC Legal Advisers confirmed that we were in compliance with the applicable environmental protection laws and regulations in the PRC during the Track Record Period in all material respects.

ANIMAL WELFARE

We seek to protect the physical and psychological well-being of our breeders and broilers by adopting internal control procedures during the breeding and slaughtering processes. In particular, we ensure the well-being of our breeders and broilers in the following aspects:

- *Animal feeds.* To provide our breeders and broilers with safe and high-quality animal feeds:
  - We do not add antibiotics to animal feeds, which are banned in many countries.
  - Appropriate types and amount of animal feed are selected and fed to the breeders and broilers in accordance with their nutritional requirements in different development stages. To ensure that the breeders and broilers consume adequate nourishment and to enhance their health conditions, animal feed formula is specifically customised according to their growth phase.
  - We have installed automated feeding facilities in each of our breeder and broiler farms that deliver feed mechanically at prescribed times to satisfy the feeding needs of the breeders and broilers and to guarantee the freshness of the feed. Feed is transported in closed compartments of specialised trucks and the transportation of feed is covered to reduce the risk of contamination in transit.
- *Living Conditions.* We provide a fully-automated living environment that is clean and comfortable for our breeders and broilers, in particular:
  - We raise breeders and broilers in farms that have been designed and constructed according to prescribed standards on temperature, humidity and ventilation and we monitor the environment through our remote control real-time data information system, to ensure the living environment is suitable for the needs of the breeders or broilers in different development stages. We have a built-in ventilation system to ensure the air is kept fresh and the wind velocity is kept relatively uniform to suit the living needs of the breeders and broilers. For details of the optimum environment for breeding, see "— Quality Assurance — Quality Control over Breeders and Broilers" in this section.
  - We ensure that our broilers are housed in conditions enabling natural instincts and behaviours, including sufficient space to move and adequate space to perch, with an average stocking capacity ranging from 12.5 to 20.0 heads per sq.m. and sufficient access to animal feed and water.

- We ensure that the iron wire mesh bottom of our battery cages would not harm the broilers' feet, and that our battery cages and relevant tools do not contain sharp parts that would potentially hurt the broilers to produce a safe living environment.
- We provide appropriate heating equipment for ventilation purposes and to keep the breeders and broilers warm in winter, so that they enjoy a comfortable living environment.

We provide a hygienic living environment for our broilers. We ferment chicken manure anaerobically after broilers have left the cage-free broiler farms for five days to reduce the concentration of pathogens and microbes in chicken manure. For our broiler farms adopting battery cage systems, the cages' open-bottomed design allows manure to fall straight through the cage and remove litter problems. We transport manure from our battery cage systems to our organic fertiliser plant for fermentation on a daily basis.

- *Water.* To provide our breeders and broilers with sufficient and clean water:
  - We provide a sufficient number of drinkers for breeders and broilers and record the volume of water consumed per breeder and broiler per day.
  - We monitor the quality of the water regularly to ensure the safety of the water and compliance with national standards for drinking water for livestock in the PRC.
- *General Health.* To manage general health of our breeders and broilers:
  - We actively monitor health of the breeders and broilers both through the remote control real-time data information system on a 24-hour basis and by on-site inspection from time to time, and in particular, the broilers in the top and bottom cages.
  - Our purchase, storage and use of veterinary drugs for treatment of breeders and broilers is in strict compliance with the Regulations on Administration of Veterinary Drugs (《獸藥管理條例》), the List of Drugs Forbidden to be Used in Feeds or Drinking Water of Animals (《關於禁止在飼料和動物飲用水中使用的藥物品種目錄》) and other relevant laws and regulations as well as our internal policies and procedures. We carefully control our use of veterinary drugs in our breeding process. In order to prevent the use of prohibited drugs and the occurrence of drug residues in our chicken meat products, we developed and continuously update a list of permissible veterinary drugs in the breeding process and their respective withdrawal periods (the period after administration of a drug necessary to assure that drug residues in the chicken meat products produced from a broiler are below maximum residue limits), taking into account relevant laws and regulations and industry best practices. Our production personnel strictly implement the rules on drug withdrawal periods, record the use of veterinary drugs in our breeding process and discontinue their use according to the relevant drug's withdrawal period.
  - We have installed advanced underground decomposition facilities to decompose poultry carcasses and use advanced equipment to ferment manure in an environmentally friendly manner to avoid the spread of stench. See "— Environmental Protection" in this section for details.
- *Slaughtering.* To avoid unnecessary pain and suffering:
  - We strictly follow Islamic slaughter rituals to ensure that broilers are handled in a humane manner in compliance with the Islamic Law.

- We cover our slaughtering platforms with black cloths to minimise external illumination and reduce excessive noise, in order to calm the broilers prior to slaughtering.
- We hang the broilers for a sufficient period of time before stunning them to allow them to calm down and loosen up. This optimises the effect of the stun, such that the broilers remain unconscious throughout the slaughtering and bleed-out process, minimising pain. For details of our slaughtering process, see "— Production — Slaughtering and processing" above.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

We are subject to the relevant PRC laws and regulations regarding labour, safety and work-related incidents. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. We have implemented production safety management policies and safety measures based on the relevant laws and regulations in the PRC, including procedures on investigation, reporting to management and corrective activities in the event of an occurrence of an accident. Our employees are required to follow the relevant procedures.

In October 2018, we obtained the Occupational Health and Safety Management Certificate. During the Track Record Period and up to the Latest Practicable Date, there were no material accidents involving any serious personal injury or significant property damage. As advised by the PRC Legal Advisers, during the Track Record Period, we were in compliance with all applicable PRC laws and regulations in relation to PRC production safety regulatory requirements in all material respects and were not subject to any penalties or disputes relating to any production safety matters that have a material adverse effect on our financial conditions or business operations.

The Directors are also of the view that the production safety measures currently adopted are in line with the market practice of the industries in which the Group is engaged.

INSURANCE

We maintain integrated insurance coverage on our properties and fixed assets, production facilities and equipment against property damage. We also make contributions to social security insurance for some of our employees in accordance with the relevant laws and regulations of the PRC. We do not maintain product liability insurance coverage with respect to our domestic and export sales, which is not compulsory in the PRC. We rely on our stringent quality control to limit our product liability risks. Having taken into account (i) our stringent quality control procedures; (ii) our compliance in all material respects with the relevant laws and regulations applicable to us in the PRC and in destination countries to which we export our products through obtaining the relevant health and food safety approvals, certificates, registrations or any other legally required documentation; and (iii) the limited types of insurance coverage that are currently available in the PRC, the Directors concluded that the cost of purchasing product liability insurance coverage outweighs the benefits that we would derive from such insurance coverage. The Directors believe that this is in line with the general practice in the PRC of the industry in which the Group is engaged.

The Directors are of the view that we have maintained sufficient insurance coverage for our business and operations.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, there was no litigation or arbitration pending or threatened against the Group or any of the Directors which could have a material adverse effect on the Group's financial condition or results of operations.

PROPERTIES

Our head office and production facilities including our breeder farms, hatcheries, broiler farms, feedmills and slaughtering and processing plants for our white-feathered broilers are located in various locations in Shandong. Our production facilities for our Sichuan Mountain Black Bone Chicken are situated in Sichuan. We also have three research institutions located at Shandong, Shanghai and Tokyo.

Owned Properties

As at the Latest Practicable Date, we owned 38 parcels of land, with an aggregate area of approximately 889,781.9 sq.m., and 31 buildings or units, with an aggregate gross floor area of approximately 316,076.48 sq.m. in the PRC. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total market value of our property interests as at 31 March 2020 was approximately RMB776.2 million, according to the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Jones Lang LaSalle Corporate Appraisal and Advisory Limited had valued the properties owned by us as at 31 March 2020. The text of the letter and the valuation report issued by the Jones Lang LaSalle Corporate Appraisal and Advisory Limited are set out in "Appendix III — Property Valuation".

Land use right

As at the Latest Practicable Date, we have obtained the appropriate land use right certificates for 38 parcels of land that we own, with an aggregate gross site area of approximately 889,781.9 sq.m., of which 12 parcels of land have been pledged. The following table sets forth a summary of our land use rights:

No.	Land use right owner	Number of parcels of land	Location	Gross site area (sq.m.)	Existing use	Expiry date
1	The Company	12	Shouguo Road West and Anle Town, Yanggu County, Shandong Province	204,337.81 (of which 40,053 is shared)	Industrial and office	26 December 2045 to 18 February 2070
2	Fengxiang Food Development	8	Anle Town, Yanggu County, Shandong Province	282,042.09 (of which 134,380 is shared)	Industrial	28 May 2046 to 30 March 2070
3	Fengxiang Industrial	5	Anle Town, Yanggu County, Shandong Province	375,598 (of which 263,998 is shared)	Industrial	26 December 2045 to 30 December 2059
4	Yanggu Xiangyu Organic Fertiliser	2	Yanlou Town, Yanggu County, Shandong Province	316,000 (shared)	Industrial	26 December 2056
5	Yucheng Fengming	9	Yucheng City, Shandong Province	28,939 (of which 25,757 is shared)	Industrial	6 June 2050 to 24 September 2062
6	Fengxiang Food	2	Anle Town, Yanggu County, Shandong Province	80,107	Industrial	22 September 2066 to 16 July 2067

Buildings

As at the Latest Practicable Date, we occupied 31 buildings in the PRC with an aggregate gross floor area of approximately 316,076.48 sq.m, of which ten buildings have been pledged. The following table sets forth a summary of the buildings we occupied:

No.	Building used by	Number of buildings	Location	Gross floor area (sq.m.)	Existing use
1	The Company	10	Anle Town, Yanggu County, Shandong Province	54,763.95	Industrial and office
2	Fengxiang Food Development	6	Shouguo Road West and Anle Town, Yanggu County, Shandong Province	115,267.19	Industrial, factory and workshop
3	Fengxiang Industrial	5	Anle Town, Yanggu County, Shandong Province	108,088.25	Industrial
4	Yanggu Xiangyu Organic Fertiliser	2	West 101, Provincial Highway	29,843.58	Industrial
5	Yucheng Fengming	8	Yanlou Town, Yanggu County, Shandong Province	8,113.51	Industrial

We have not obtained the building ownership certificates for four buildings with a gross floor area of approximately 1,144.72 sq.m. These buildings house non-production facilities that are temporary in nature such as a restaurant and a dormitory for our employees. The Directors are of the view that the lack of building ownership certificates do not affect the safety conditions of these buildings or the Group's activities therein, and that the lack of such building ownership certificates would not have any material impact on the Group's acquisition cost of these buildings. Pursuant to the applicable PRC laws and regulations, the Group may not legally transfer, mortgage or otherwise dispose of such properties before we obtain the relevant building ownership certificates. Pursuant to the applicable PRC laws and regulations, the Group may be required to dismantle such facilities that are temporary in nature. We have applied to the relevant government authority for the building ownership certificates of such remaining buildings, which we expect to obtain by the end of July 2020. As at the Latest Practicable Date, the Group had not received any notice from relevant government authorities to dismantle such facilities. The Directors believe such temporary facilities are of limited value to the Group and do not have any material impact on our operations.

The Controlling Shareholders have undertaken to indemnify the Group against all fines and penalties incurred by the Group as a result of or in connection with the non-compliances regarding our properties. See "Appendix VII — Statutory and General Information — G. Other Information — 7. Tax and other Indemnities" for the indemnity undertakings given by the Controlling Shareholders.

Leased Land

As at the Latest Practicable Date, we leased 134 parcels of land with an aggregate area of approximately 8,481.94 mu in the PRC. The following table sets forth a summary of the lease arrangements under which we leased pieces of land:

No.	Lessee	Number of parcels of land	Location	Leased area (mu)	Term of lease	Lease expiry date
1	The Company	123	Yanggu County, Shandong Province	8,249.4	20 to 50 years	14 November 2033 to 19 January 2070
2	Xingwen Tianyang	11	Xingwen County, Sichuan Province	232.54	12 to 50 years	13 July 2029 to 30 August 2066

Leased Properties

As at the Latest Practicable Date, we leased certain properties with an aggregate gross floor area of approximately 4,920.23 sq.m. in the PRC and Japan. The following table sets forth the properties leased by the Group in the PRC and Japan:

No.	Lessee	Location	Leased area (sq.m.)	Existing use	Term of lease	Lease expiry date
1	Xingwen Tianyang	Jiutian Logistics Park, Taiping Miaozu Industrial Park, Xingwen County	370.0	Factory	Six months	31 December 2020
2	Fengxiang Food	Flat 45-58, 12/F, Beijing International Hotel Main Building, No.9 Jianguomennei Avenue, Dongcheng District	770.0	Office	Eight years	7 January 2027
3	The Company	8/F, GMK Building, Eastern District of Xiangguang National Ecological Industry Demonstration Park	1,409.2	Office	One year	31 December 2020
4	Xingwen Tianyang	Xingwen Feilong Food Co., Ltd. Office Building (West Side), Taiping Miaozu Industrial Park, Xingwen County	1,600.0	Processing and slaughtering plant	One year	30 December 2020
5	Fengxiang Food Development	Block A, Building No. 5, No.255 Yangzhai Road, Changning District, Shanghai	614.0	Office	Four years	27 June 2022
6	Japan Fengxiang	The first basement floor of Gotanda-Brick Building, 2-11-20, Nishi-gotanda, Shinagawa-ku, Tokyo, Japan	157.03	Office	Two years	31 March 2022

Pursuant to the applicable PRC laws and regulations, property lease contracts are required to be registered with the local branch of the competent construction (real estate) authority of the PRC. As at the Latest Practicable Date, we had not registered all five of our lease agreements in the PRC. The PRC Legal Advisers have advised us that, non-registration of these leases will not affect the validity or enforceability of such leases under the PRC laws, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration for each lease agreement. The estimated total maximum penalty with respect to our leases is RMB50,000. As at the Latest Practicable Date, we were in the process of rectifying the above non-registration and we had not been fined by any regulatory authorities for non-registration of any our lease agreements, nor were we subject to any material claims in connection with such non-registration.

Save as disclosed above, the Group did not have any other property interests as at the Latest Practicable Date. The Directors confirm that no single property interest that formed part of the Group's non-property activities had a carrying amount of 15% or more of our consolidated total assets as at 31 December 2019. The Directors are of the view that the buildings and right-of-use assets mainly represent the land and buildings of the Group's production facilities (including breeder and broiler farms) and offices, which are material to the business of the Group as a whole. In considering the materiality of the Group's property interests, the Company and the Sole Sponsor took into account factors set out in FAQ Series 15, FAQ No. 10 released by the Stock Exchange, that the property interests (in aggregate) are used for the principal operations of the Company, which in turn contributes a significant portion of revenue to it. For further details on the valuation of the Group's properties, see "Property Valuation" in Appendix III to this prospectus, which provides further information on the activities, assets and liabilities, financial position, management and prospects of the Group and of its profits and losses.

INTELLECTUAL PROPERTY RIGHTS

During the Track Record Period, our chicken meat products were sold under the trademarks of "鳳祥食品 (Fovo Foods)", "優形 (iShape)" and "五更爐 (Wu Genglu)". As at the Latest Practicable Date, we (i) registered 13 and three material trademarks in the PRC and in Hong Kong, respectively; (ii) were granted 61 material patents in the PRC; (iii) had one trademark application pending in Hong Kong; and (iv) had 16 patent applications pending in the PRC. These trademarks have a validity period of ten years and our granted invention patents and granted utility model patents have a validity period of 20 years and ten years from the date of their respective application, respectively. The trademarks and patents are important to the Group and therefore applications have been and will be made to the relevant authority for the renewal of the trademarks and patents in the PRC.

The Directors are of the view that there is no legal impediment for the renewal of the aforesaid trademarks and patents in the PRC upon their relevant dates of expiry. For details, see "Appendix VII — Statutory and General Information — C. Further Information about the Business — 2. The Intellectual Property Rights".

As at the Latest Practicable Date, we were not aware of any material infringement or any pending or threatened claims in relation to any of our intellectual property rights, or of any pending or threatened claims against us for material infringement of intellectual property rights. The Directors believe that we have taken reasonable measures to prevent any infringement of our intellectual property rights.

REGULATORY COMPLIANCE

During the Track Record Period, save as disclosed in "— Licences and Permits" above, the Directors confirm that the Group had obtained all the material approvals, permits, consents, licences and registrations required for our business and operations in the PRC and all of them are in force. During the Track Record Period and up to the Latest Practicable Date, we had never failed in the regular inspections of the PRC regulatory authorities nor experienced any refusal of the renewal application of our licences necessary for our operations. As advised by the PRC Legal Advisers, and save as disclosed in this prospectus, during the Track Record Period and up to the Latest Practicable Date there has been no material violation of our operations in the PRC with the applicable laws and regulations. As advised by the Japanese Legal Advisers, since the incorporation of Japan Fengxiang and up to the Latest Practicable Date, the business operation of Japan Fengxiang, which primarily involves food research and development, had not contravened any applicable Japanese laws and regulations.

Failure to fully make social insurance fund contributions and housing provident fund contributions in the PRC

During the Track Record Period, the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser, Fengxiang Food, Yucheng Fengming and Xingwen Tianyang failed to make social insurance fund and housing provident fund contributions for certain employees in full, which did not fully comply with provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "**Social Insurance Law**") and the Regulations on the Administration of Housing Provident Fund of the PRC (《住房公積金管理條例》) (the "**Housing Provident Fund Regulations**").

We estimate that the shortfall in social insurance fund and housing provident fund contributions amounted to approximately RMB28.9 million, RMB26.7 million, RMB29.6 million and RMB9.7 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

Our non-compliance was primarily because certain employees are migrant workers and/or who come from rural areas, and such migrant/rural workers have their residence registered at their places of origin. The Directors believe that these migrant workers have high mobility and claimed that they paid their social insurance fund contributions at their places of origin. The relevant local government authorities have different practices in respect of social insurance and housing provident fund contribution schemes for rural workers. Further, some employees refused to make the employee-contributed portions of social insurance and housing provident fund contributions, and without their contributions the Group was not able to make its contributions in full.

Legal Consequences

According to the Social Insurance Law and as advised by the PRC Legal Advisers, enterprises are obliged to apply for social insurance registration with local social insurance agencies and pay premiums on behalf of their employees by reference to their actual income. If an enterprise fails to pay social insurance premiums on time or in full, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine per day from the date on which the payment is overdue. If the overdue amount is still not settled within the stipulated time period, an additional fine in an amount of one to three times of the overdue amount will be imposed.

According to the Housing Provident Fund Regulations and as advised by the PRC Legal Advisers, enterprises must register with the competent managing centre for housing funds and open an account in a bank for the deposit of employees' housing provident funds. Employers are required to contribute, on behalf of their employees, to housing provident funds on time and in full. Any employer who fails to fully contribute may be fined and ordered to make up the difference within a stipulated time limit, and the provident fund administration centre may apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

As at the Latest Practicable Date, we had not received any notice or demand from the abovementioned PRC regulatory authorities or other competent 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 complaints or demands for payment of social insurance or housing provident fund contributions.

In relation to the failure to fully make social insurance fund contributions and housing provident fund contributions in the PRC by certain members of the Group, the following rectification actions have been taken:

Social Insurance Fund Contributions

On 3 March 2020, each of the Yanggu County Human Resources and Social Insurance Bureau (陽穀縣人力資源和社會保障局) ("**Yanggu Social Insurance Bureau**") and the Yanggu County Healthcare Security Bureau (陽穀縣醫療保障局) ("**Yanggu Healthcare Bureau**"), being the competent authorities as confirmed by the PRC Legal Advisers, has issued a confirmation confirming that during the Track Record Period and up to the date of such confirmation, each of the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser and Fengxiang Food did not violate any laws, measures and regulations relating to labour protection, and there had been no administrative penalties levied on each of the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser and Fengxiang Food as a result of non-compliance. Each of Yanggu Social Insurance Bureau and Yanggu Healthcare Bureau also confirmed that (i) it would not impose fines or require the payment of unpaid contributions, (ii) it did not receive any requests from the employees of the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser and Fengxiang Food to make up such shortfall; and (iii) in the case where there are any employees' requests for the payment of social insurance fund contributions, it will require such employee to provide the relevant judgement, and as such, the likelihood of the authorities requiring the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser and Fengxiang Food to pay the shortfall in social insurance fund contribution is relatively low.

On 4 March 2020, each of Yucheng City Human Resources and Social Insurance Bureau (禹城市人力資源和社會保障局) and Yucheng Healthcare Security Bureau (禹城市醫療保障局), being the competent authorities as confirmed by the PRC Legal Advisers, has issued a confirmation confirming that during the Track Record Period and up to the date of such confirmations, Yucheng Fengming did not violate any laws, measures and regulations relating to labour, social insurance, healthcare insurance, maternity insurance, and there had been no administrative penalties levied on Yucheng Fengming as a result of non-compliance.

On 4 March 2020, Xingwen County Social Insurance Bureau (興文縣社會保險局) and Xingwen County Healthcare Security Administration (興文縣醫療保障局), being the competent authorities as confirmed by the PRC Legal Advisers, have each issued a confirmation confirming that since the date of establishment of Xingwen Tianyang up to the date of the relevant confirmations, Xingwen Tianyang did not violate any laws, measures and regulations relating to labour and social protection and healthcare insurance and there had been no administrative penalties levied on Xingwen Tianyang as a result of non-compliance.

Housing Provident Fund Contributions

On 4 March 2020, Liaocheng City Housing Provident Fund Management Centre, Yanggu Management Department (聊城市住房公積金管理中心陽穀縣管理部) (the "**Liaocheng Housing Provident Fund Authority**"), being the competent authority as confirmed by the PRC Legal Advisers, has issued a confirmation confirming that during the Track Record Period and up to the date of such confirmations, each of the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser and Fengxiang Food did not violate any laws, measures and regulations relating to housing provident fund contributions, and there had been no administrative penalties levied on each of the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu

Organic Fertiliser and Fengxiang Food as a result of non-compliance. The Liaocheng Housing Provident Fund Authority also confirmed that (i) it would not impose fines or require the payment of unpaid contributions, (ii) it did not receive any requests from the employees of the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser and Fengxiang Food to make up such shortfall; and (iii) in the case where there are any employees' requests for the payment of housing provident fund contributions, it will require such employee to provide the relevant judgement, and as such, the likelihood of the authorities requiring the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser and Fengxiang Food to pay the shortfall in social insurance fund contribution is relatively low.

On 4 March 2020, the Dezhou City Housing Provident Fund Management Centre, Yucheng City Management Department (德州市住房公積金管理中心禹城市管理部) (the "**Dezhou Housing Provident Fund Authority**"), being the competent authority as confirmed by the PRC Legal Advisers, has issued a confirmation confirming that during the Track Record Period and up to the date of such confirmation, Yucheng Fengming did not violate any laws, measures and regulations relating to housing provident fund contributions, and there had been no administrative penalties levied on Yucheng Fengming as a result of non-compliance. The Dezhou City Housing Provident Fund Authority also confirmed that (i) it would not impose fines or require the payment of unpaid contributions, (ii) it did not receive any requests from the employees of Yucheng Fengming to make up such shortfall; and (iii) in the case where there are any employees' requests for the payment of housing provident fund contributions, it will require such employee to provide the relevant judgement, and as such, the likelihood of the authorities requiring Yucheng Fengming to pay the shortfall in housing provident fund is relatively low.

On 4 March 2020, Yibin City Housing Provident Fund Management Centre, Xingwen County Management Department (宜賓市住房公積金管理中心興文縣管理部), being the competent authority as confirmed by the PRC Legal Advisers, have confirmed that since the establishment of Xingwen Tianyang and up to the date of such confirmation, Xingwen Tianyang did not violate any laws, measures and regulations relating to housing provident fund contributions and there had been no administrative penalties levied on Xingwen Tianyang as a result of non-compliance.

Based on the above, as advised by the PRC Legal Advisers, the Directors are of the view that the non-compliance incidents of each of the Company, Fengxiang Food Development, Fengxiang Industrial, Yanggu Xiangyu Organic Fertiliser, Fengxiang Food, Yucheng Fengming and Xingwen Tianyang in relation to social insurance and housing provident funds contributions will not have a material adverse impact on the Group's operations and financial conditions.

Internal control and remedial measures

We have adopted the following on-going measures:

- we engaged an internal control consultant to perform an assessment on our internal control measures in relation to the abovementioned non-compliance and adopted recommendations proposed by such internal control consultant;
- the Company will continue to regularly communicate with the relevant local government authorities and, where necessary, consult the PRC Legal Advisers, as to the applicable bases for calculation of the social insurance and housing provident fund contributions at the rate as approved by the relevant government authorities and the relevant contribution policies shall be updated in accordance with the outcome of such consultations;

- we have provided and will continue to provide regular trainings to our employees in respect of social insurance and housing provident fund contributions compliance requirements and the relevant laws and regulations;
- we have formulated and distributed to our employees an internal control policy with respect to social insurance and housing provident fund contributions in compliance with relevant PRC laws and regulations, which we have started to implement. We have also designated our human resources staff to regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident fund contributions and update our relevant internal control policy; and
- we have designated our human resources staff to monitor the payment status and prepare monthly reports of salary and contribution amounts, which shall be reviewed by independent personnel to contributions to social insurance and housing provident fund contributions are made at the rate as approved by the relevant government authorities.

The Group has also been nurturing and educating its migrant/ rural employees on the necessity and importance of ensuring their social security rights, and has been encouraging them to contribute to social insurance and housing provident funds so as to improve the Group's social insurance and housing provident fund contribution status in the PRC.

To protect the social security rights of the migrant/ rural employees who declined to make social insurance and housing provident fund contributions, the Group has been reimbursing the employees who have selected to participate in basic medical insurance for urban and rural residents (城鄉居民基本醫療保險) and basic endowment insurance for urban and rural residents (城鄉居民基本養老保險) schemes (collectively, "**Urban and Rural Medical and Endowment Insurance**"), which are insurance schemes established in Shandong under the guidance opinions published by the State Council in 2016 and 2014, respectively, which include coverage for medical and pension insurance, for those employees who voluntarily give up or decline making social insurance and housing provident fund contributions.

The employer fully bears the relevant fees after receiving the invoices for reimbursement provided by its migrant/ rural employees without requiring the employees to bear the fees. The Directors are of the view that participation in Urban and Rural Medical and Endowment Insurance schemes by the Group's migrant/ rural employees is more aligned to the employees' actual needs. Although existing PRC laws and regulations have no provisions stipulating that participation in Urban and Rural Medical and Endowment Insurance may replace social insurance and housing provident fund contributions, the Group has been using its best endeavours to make up for the shortfall in social security contributions by arranging the payment of Urban and Rural Medical and Endowment Insurance for its migrant/ rural employees. The Company expects to comply with the applicable PRC laws and regulations by making social insurance and housing provident fund contributions for all employees of the Group on or before 31 December 2020, on the assumption that all of the Group's employees would be willing to contribute to such social insurance and housing provident funds after nurturing and encouraging by the Company. Should the Group's employees insist and refuse to contribute to social insurance and housing provident funds, the Group plans to replace such employees in stages over a period of two to three financial years after Listing to minimise disruption to the Group's business operations.

Further, the Controlling Shareholders have undertaken to indemnify the Group against all fines and penalties (including any shortfall in social insurance fund and housing provident fund contributions up to the Listing Date) incurred by the Group as a result of or in connection with the abovementioned non-compliance. See "Appendix VII — Statutory and General Information — G. Other Information — 7. Tax and other Indemnities" for the indemnity undertakings given by the Controlling Shareholders.

Based on the abovementioned confirmations and undertaking by the Controlling Shareholders to indemnify the Group, no provision has been made to cover the shortfall in social insurance and housing provident fund contributions during the Track Record Period as at 31 December 2019.

See "Regulatory Overview" for the relevant laws and regulations applicable to the Group's business and operations in the PRC and Japan.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

With the growth and expansion of our operations, potential risks to our business increase as well. In order to identify, assess and control the risks that may create impediments to the growth of our business, we have designed and implemented risk management policies to address various potential risks identified in relation to our operations, including operational risks, credit risks, market risks, financial risks and legal risks. Our risk management policies set forth procedures to identify, analyse, categorise, mitigate and monitor various risks as well as the reporting hierarchy of risks identified in our operations. Each of our business departments and functions is responsible for identifying and evaluating the risks relating to its area of operations and implementing our risk management and internal control systems.

Our audit committee is responsible for overseeing our management in the implementation of our overall risk management and internal control systems and assessing our risk management and internal control systems. For details about the qualifications and experiences of the members of our audit committee, see ''Directors, Supervisors and Senior Management''.

We have adopted a risk management system, which includes four steps:

- *Identification.* We identify existing and emerging risks and categorise them according to the nature of the risks.
- *Assessment.* Based on the identification and categorisation of our risks, we make reference to previous experience to analyse and assess the likelihood and loss degree of the potential risks.
- *Mitigation.* We mitigate the potential impact of risks primarily through two methods: (i) we make efforts to change the conditions of the risks to reduce frequency of loss and loss magnitude of the risks themselves, such as setting higher safety standards; and (ii) we make financial arrangements to neutralise the effect and damage of the risks, such as purchasing insurance policies.
- *Evaluation.* We evaluate the costs and effect of our mitigation measures to assess the effectiveness and efficiency of our risk management system. The result of the evaluation is then reported to our management and the Board as a reference point to further refine our risk management system.

For measures over quality control and other risks, see "— Quality Assurance" above, "— Food Safety Management System of The Group" above and "Financial Information — Market and Other Financial Risks".

Internal Control

It is responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Group's assets at all times. We have adopted or expect to adopt immediately after Listing a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- *Code of conduct.* Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour.
- *Internal audit.* Our internal audit team regularly monitors key controls and procedures in order to assure our management and the Board that the internal control system is functioning as intended. The audit committee is responsible for supervising our internal audit function.
- *Appropriate training.* We regularly provide training to the Directors, senior management and employees with respect to our internal control policies and the duties and responsibilities of directors and management of listed companies under the Listing Rules and other applicable laws and regulations.
- *Compliance with Listing Rules.* Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and securities transactions by the Directors and the Supervisors.
- *Compliance adviser.* The Company has appointed Southwest Securities (HK) Capital Limited as our compliance adviser to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

The Directors are of the view that our current internal control measures are adequate and effective.

INFORMATION TECHNOLOGY

We currently have an information technology policy in place, which contains various information technology safety measures. For information security risk management, we have adopted various safety measures, including firewalls and data encryption, to enhance our information safety prevention and management and ensure the maintenance of continuously safe information systems. In order to reduce risk arising from potential system, software or hardware failures, there are also contingency plans in place to back up data for our operating systems and relevant procedures for hard disc data recovery in case of failure or loss of the backed-up data. There are also contingency plans in place to prevent the intrusion of our information systems and networks by network viruses. We believe information technology infrastructure and information systems are essential for the effective management and successful development of our business. In order to adapt to changing requirements of corporate governance, we will continue to optimise and upgrade our information technology infrastructure and the functionality of our current systems.

THE CONTROLLING SHAREHOLDERS

The Company was incorporated as a joint stock limited liability company in December 2010, with GMK Holdings and Fengxiang Investment as its promoters. As at the Latest Practicable Date, the Company was owned as to 19.01% by GMK Holdings, 16% by Fengxiang Investment, 60% by Fengxiang Group and 4.99% by Guangdong Hengqin. Fengxiang Investment and Fengxiang Group are wholly owned by GMK Holdings and GMK Holdings is owned as to 51% by Mr. Liu XJ, 9% by Ms. Zhang XY, 20% by Mr. Liu ZG and 20% by Mr. Liu ZM. Guangdong Hengqin is a limited partnership owned as 99% and 1% by Xizang Xinfengxiang and Xinfengxiang Guangming. Xizang Xinfengxiang is owned as to 49.5%, 49.5% and 1% by Mr. Liu ZG, Mr. Liu ZM and Xinfengxiang Guangming, respectively. Xinfengxiang Guangming is owned as to 50% and 50% by Mr. Liu ZG and Mr. Liu ZM. Immediately following completion of the Global Offering, the members of the Liu Family, GMK Holdings, Fengxiang Group, Fengxiang Investment, Guangdong Hengqin, Xizang Xinfengxiang and Xinfengxiang Guangming will together control 74.64% of the Company's issued share capital and will be considered as a group of Controlling Shareholders upon Listing for the purpose of the Listing Rules.

BACKGROUND OF THE CONTROLLING SHAREHOLDERS

GMK Holdings was established in the PRC as a limited liability company on 29 October 2009 and is the holding company of a conglomerate, whose principal business activities primarily include (in addition to the businesses of the Group) the smelting of non-ferrous metals and the provision of financial services. Fengxiang Group, Fengxiang Investment, Guangdong Hengqin, Xizang Xinfengxiang and Xinfengxiang Guangming are investment holding companies.

For background of Mr. Liu XJ and Mr. Liu ZG, see "Directors, Supervisors and Senior Management". Ms. Zhang XY is Mr. Liu XJ's spouse and Mr. Liu ZG's and Mr. Liu ZM's mother, and Mr. Liu ZM is the brother of Mr. Liu ZG. Ms. Zhang XY and Mr. Liu ZM have not assumed any roles as Director or senior management in any member of the Group since their respective establishment and have no involvement in the business and operations of the Group. Ms. Zhang XY has retired since 2007. Mr. Liu ZM served several positions within GMK Holdings group, including vice president and the audit committee's deputy head of GMK Holdings, and is currently the executive director of Xinfengxiang Guangming and the executive partner's delegated representative of Xizang Xinfengxiang.

Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM (the "**Liu Family**") have demonstrated mutual trust and bonding as a group regarding reaching consensus on key decisions, and always had unanimous voting patterns by discussion through GMK Holdings, Fengxiang Group, Fengxiang Investment and Guangdong Hengqin for the key decisions at the shareholders' meetings since the establishment of the Company. The Liu Family also signed a confirmation letter on 15 October 2019 confirming that since the establishment of the Company, they are a group of actual controllers of the Company and such confirmation shall remain effective until the Liu Family ceases to hold the controlling equity interest of the Company.

For details of the businesses conducted by the associates of the Controlling Shareholders that will have transactions with us after Listing, see "Connected Transactions — Our Connected Persons" in this prospectus.

BUSINESS DELINEATION

It is the Group's strategy to focus on our core business, being chicken breeding, slaughtering and processing and sale of chicken meat products. The Liu Family indirectly control Zhongke

Fengxiang Biotechnology Co., Ltd. (中科鳳祥生物工程股份有限公司) ("**Zhongke Biotechnology**"), the shares of which were quoted on the National Equities Exchange and Quotations. Zhongke Biotechnology is principally engaged in the production and sale of seasonings, sauces, chicken essence and chicken-bone oil (the "**Excluded Business**").

The Group's business primarily focuses on chicken breeding, slaughtering and processing and sale of chicken meat products, and the Group does not operate any business similar to the Excluded Business. Furthermore Zhongke Biotechnology does not operate any businesses similar to the business of the Group. There are certain continuing connected transactions between the Group and Zhongke Biotechnology. See "Connected Transactions" for details. Based on the foregoing, the Directors are of the view that the businesses of the Group and Zhongke Biotechnology are different in nature and display a clear delineation and hence do not compete with each other.

RULE 8.10 OF THE LISTING RULES

Based on the foregoing and except for their respective interests in the Company and our subsidiaries, none of the Controlling Shareholders, the Directors and Supervisors or any of their respective close associates had any interest in any other company which competes or is likely to competes, either directly or indirectly, with the business of the Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules as at the Latest Practicable Date.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Management Independence

Our management and operational decisions are made by the Board and our senior management team. The Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

The table below sets forth certain information about the Directors who also hold positions in the Controlling Shareholders (the "**Overlapping Directors**"):

Name of the Director	Roles held in the Controlling Shareholders
Mr. Liu ZG (*executive Director*)	Director, vice chairman and general manager of GMK Holdings and supervisor of Xinfengxiang Guangming
Mr. Liu XJ (*non-executive Director*)	Director and chairman of GMK Holdings, director and general manager of Fengxiang Investment and Fengxiang Group
Mr. Zhang Chuanli (*non-executive Director*)	Director of GMK Holdings and Fengxiang Group

Notwithstanding that there is overlap between members of the Board and the directors of the Controlling Shareholders, we consider that the Board and senior management of the Company will be able to function independently from the Controlling Shareholders because:

(a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of the Company and must not allow any conflict between his duties as a Director and his personal interests;

(b) except for the Overlapping Directors, no other members of the Board or our senior management team has any role in the Controlling Shareholders or their close associates.

The Directors consider that both the Board and the Company can function independently from the Overlapping Directors for the following reasons:

(i) a majority of the members of the Board are independent from the Controlling Shareholders and the Overlapping Directors do not, whether acting alone or jointly, have an absolute majority to pass any Board resolution;

(ii) the day-to-day operation of the Group is managed by our senior management team in addition to the Board. Members of our senior management team are all full time employees of the Group and are not close associates of the Controlling Shareholders or any of the Overlapping Directors;

(iii) there is no overlap in the independent non-executive Directors and the directors of other companies or entities controlled by the Controlling Shareholders, which is in line with the corporate governance best practice in Hong Kong. The independent non-executive Directors each has extensive experience in his respective area of expertise and has been appointed to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. For their details, see "Directors, Supervisors and Senior Management"; and

(iv) the Board has put in place adequate arrangements set out in this section to manage conflicts of interest, impartial decision making and to ensure the Non-competition Undertaking is implemented in accordance with its terms, with the ultimate aim to ensure that the interests of the Shareholders are protected. The Directors believe that the presence of Directors who have extensive experience and from diverse backgrounds provides a balance of views and opinions;

(c) in the event that a Director considers that he should abstain from voting on a resolution or where the counterparty involved in the relevant transaction with the Group has a connected relationship with that Director (a "**Conflicting Transaction**"), that Director (the "**Interested Director**") shall abstain from voting at the relevant Board meeting in respect of the Conflicting Transaction and shall not be counted towards its quorum. The chairman of the Board may also on his/her initiative make a ruling that an Interested Director shall abstain from voting on a resolution. In the event that there is a Conflicting Transaction, it shall be submitted to the independent non-executive Directors (except for the independent non-executive Director who is himself an Interested Director) for their consideration and approval (in addition to any applicable requirements under the Listing Rules);

(d) the Company has established internal control mechanism to identify connected transactions and related party transactions that are subject to the requirements under the Listing Rules, including the reporting, announcement, circular, independent shareholders' approval and annual review requirements (where appropriate);

(e) we have adopted a series of corporate governance measures to manage any potential conflicts of interest between the Group and the Controlling Shareholders;

(f) the Controlling Shareholders will provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Undertaking; and

(g) the independent non-executive Directors will, based on the information available to them, review on an annual basis (i) compliance with the Non-competition Undertaking, (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Non-competition Undertaking, and to disclose all decisions on the matters pertaining to the annual review through the annual report, or by way of announcement to the public.

On the basis of the above, the Directors are satisfied that given the extensive experience that the Directors (other than Overlapping Directors) and the senior management team possesses and their experience in the Group, they will be able to perform their roles in the Group independently, and the Directors are of the view that the Board together with its senior management team is capable of managing its business independently from the Controlling Shareholders and their respective close associates after the Listing.

Operational independence

Independent operations and productions

We do not rely on the Controlling Shareholders in relation to the key aspects of our operations. For example, we have our own breeding, administrative, e-commerce, sales and marketing, procurement, production planning, operation planning and research and development departments. Our different departments specialise in different operational areas and are able to operate separately and independently from the Controlling Shareholders.

We also have sufficient facilities and employees to operate our business independently, and we possess all material licences necessary to carry on and operate our principal businesses, and we have sufficient operational capacity in terms of capital and employees to operate independently.

As at the Latest Practicable Date, save for the two offices leased from GMK Holdings, the details of which are set out in "Business — Properties — Leased Properties", all of the properties and facilities necessary to our business operations are either owned by us or leased by us from independent third parties.

Connected Transactions with the Controlling Shareholders and their close associates after Listing

During the Track Record Period, certain entities controlled by the Controlling Shareholders entered into related party transactions with the Group. These related party transactions were entered into on normal commercial terms and in the ordinary and usual course of business of the Group. For details, see Note 35 to the Accountants' Report in Appendix I to this prospectus.

Upon Listing, the Group will have the following transactions with its connected persons including, sale of poultry products and by-products, procurement of raw materials and logistics services, sharing of administrative services, sales of substandard chicken feed and purchase of pork and procurement of merchandise on our online market places. Save as disclosed in this section and "Connected Transactions" section in this prospectus, the Directors do not expect the Group to have significant transactions with the Controlling Shareholders or their close associates after Listing.

The Directors confirm that the terms of these continuing connected transactions were negotiated on arm's length basis and will be conducted in on normal commercial terms or better, and their transaction amounts are not material in value as far as the Group is concerned. After Listing, the maximum aggregated transaction amounts under the said continuing connected transactions for each of the three years ending 31 December 2022 will not exceed 5% of the Group's revenue for the latest audited financial year of the Group (being the year ended 31 December 2019). Given the above, the Directors are of the view that the continuing connected transactions would not have any material impact on our operational independence from the Controlling Shareholders and its close associates after Listing.

Financial independence

Our finance department is independent from the Controlling Shareholders and their respective close associates, and staff in our finance department are independent from the Controlling Shareholders. Its responsibilities include, among other things, financial control, accounting, financial reporting, group credit and internal control. As at the Latest Practicable Date, none of our finance staff was employed by the Controlling Shareholders or their respective close associates. The Group is capable of making financial decisions independently, and the Controlling Shareholders will not interfere with our use of funds.

We have established an independent audit system and a financial and accounting system. In addition, we manage our bank accounts independently, and do not share any bank accounts with the Controlling Shareholders or their respective associates.

During the Track Record Period and up to the Latest Practicable Date, certain of the Group's banks loans, finance leases and commercial bills were guaranteed by the Controlling Shareholders or their close associates (the "**CP Guarantors**") through either personal or corporate guarantees or pledges over assets (the "**CP Guarantees**") owned by them (the "**Guaranteed Loans**"). The Directors confirm that no consideration was payable or will be payable to the CP Guarantors for the provision of the CP Guarantees. As at 30 April 2020, being the latest practicable date for liquidity disclosure in this prospectus, the aggregate principal amounts due to the independent third party lenders under the Guaranteed Loans amounted to approximately RMB1,345.5 million. For details of our outstanding bank loans and credit facilities and the Guaranteed Loans, see "Financial Information — Indebtedness" and Note 29 to the Accountants' Report in Appendix I.

The Directors consider that premature discharge of the CP Guarantees would be unduly onerous to the Group and would not be in the best interests of the Shareholders. As at 30 April 2020, being the latest practicable date for liquidity disclosure in this prospectus, the interest rates under the Guaranteed Loans ranged from 2.85% to 6.65% per annum and, other than a finance lease for equipment, having maturity dates between June 2020 and December 2022. The Directors are of the view that early replacement or discharge of the CP Guarantees would require the renegotiation of the terms with the relevant banks and financial institutions, and the renegotiated terms of the loans without guarantees would generally be less favourable than those offered by the same banks and financial institutions that have the benefit of the CP Guarantees, which are at the low end of the PBOC published base lending rate of 4.35% per annum for loan tenures shorter than one year as at the Latest Practicable Date.

GMK Finance, a financial institution licensed by the Shandong Office of CBIRC, had also provided loan facilities to the Group, including (a) the provision of loans by GMK Finance on the basis of the discounting of commercial bills received by the Group, (b) the provision of term loans by GMK Finance, and (c) the provision of entrusted loans by GMK Finance (the "**GMK Facilities**").

As at 30 April 2020, being the latest practicable date for liquidity disclosure in this prospectus, the interest rates payable for the discounting of commercial bills was 2.70% to 3.045% per annum, and as at 30 April 2020, the aggregate principal amount due to GMK Finance was approximately RMB150.0 million, having maturity dates between September 2020 and January 2021.

The Directors believe that the terms offered to the Group are commercially favourable to us as GMK Finance does not require the Group or the Controlling Shareholders to provide any guarantee or security. The Directors intend to keep the GMK Facilities to maintain maximum financial flexibility for the Company.

To demonstrate that we do not rely on the CP Guarantees or the GMK Facilities, the Company has obtained letters of intent from certain lenders of the Guaranteed Loans, in which they are agreeable to replace the CP Guarantees with guarantees to be provided by certain members of the Group upon Listing, subject to their respective internal approval procedures. The aggregate amounts under the said letters of intent amounted to approximately RMB856.4 million, representing approximately 63.65% of the aggregate principal amounts under the Guaranteed Loans as at 30 April 2020. Due to the reasons set out above and the nature of the Guaranteed Loans of which its terms are relatively short, we will not early replace or discharge the CP Guarantees. Nevertheless, we have the intention to replace the CP Guarantees with corporate guarantees to be provided by members of the Group upon Listing and maturity of the Guaranteed Loans, which the Directors believe is in the best interests of the Company and the Shareholders as a whole.

In addition, we obtained a one-year term loan on 14 June 2019 and 24 June 2019 from a PRC licensed bank (the “**Loans**”) in the aggregate principal amount of RMB300.0 million which are secured by the pledge of certain properties of the Company, Yanggu Xiangyu Organic Fertiliser and Fengxiang Industrial, but no guarantees are required from the Controlling Shareholders or their close associates. Interest is determined with reference to the benchmark lending interest rate for one-year loan announced by the PBOC. The terms of the Guaranteed Loans are similar to the terms of the Loans except that the Company takes a higher risk in obtaining the Loans as they are secured by way of asset pledge of the Group. We also obtained letters of intent from three independent third party banks, confirming that loans may be extended to the Company in the aggregate amount of RMB1,100.0 million upon the terms that are to be set by the banks but are not subject to the provision of CP Guarantees. We also obtained a half-year term loan on 30 April 2020 from another PRC licensed bank in the aggregate principal amount of RMB54.0 million which does not require guarantees from the Controlling Shareholders or their close associate.

Capital risk control measures

As a non-banking financial institution established with the approval of the CBIRC, GMK Finance is subject to the direct routine supervision by the Shandong Office of the CBIRC. It is subject to all applicable regulatory requirements, including capital adequacy ratio, liquidity ratio, ratio restriction on borrowing balances from banks and other financial institutions and outstanding guarantee to total capital, ratio restriction on short-term securities investment and long-term investment to total capital. Meanwhile, GMK Finance is also subject to the direct supervision of the PBOC to pay deposit reserve in full and timely manner.

GMK Finance has established a comprehensive corporate governance structure, including shareholders’ meeting, a board of directors, a supervisory committee and a management team, as well as professional committees established under the board of directors and management team, which ensures stable operation and effective supervision of GMK Finance. GMK Finance has established an internal control system which ensures effective internal control and strict implementation of charters and policies through audit, examination and other measures. It also sets up a risk management committee dedicated to the identification, prevention and control of risks.

GMK Finance established a core business system to ensure safe and stable operation. At present, the system has been connected with the commercial banking system and has reached the national security standards focused on commercial banks, providing assurance to information technology facilities, systems functions and performance to safeguard fund security. The Group will also have transactions with its connected persons after Listing, of which their monetary settlement may also be made through GMK Finance. See “Connected Transactions”. The Directors believe that the core business system provides the necessary support to the Company to monitor the relevant transaction information so as to ensure that the scale of deposit services does not exceed applicable maximum daily balances, GMK Finance will set prescribed alert amounts and notification rules in its core business system for the respective applicable maximum daily balances in accordance with the Deposit Services Framework Agreement. Such cap alerts will be set with the aim of ensuring appropriate adjustment measures will be taken in respect of the relevant transactions, and will usually be set to be automatically sent out when 80% of the applicable maximum daily balances (and thereafter when a higher percentage) are reached. The core business system of GMK Finance will timely compute the statistics of relevant transaction scale and automatically compare them with the prescribed alert amounts, and send out notification signals and instructions focusing on controlled transaction behaviour in accordance to the prescribed rules. GMK Finance will closely monitor the transaction status under the Deposit Services Framework Agreement, and will examine and check the implementation status of the cap alert on a daily basis. The Directors believe that the above system design will facilitate and ensure that the actual transaction amount will not exceed the applicable maximum daily balances under the Deposit Services Framework Agreement.

GMK Finance will provide sufficient information to the finance department of the Company (including copies of all regulatory reports required to be submitted to the CBIRC). The finance department of the Company will closely monitor the transactions under respective financial services framework agreements, check the maximum daily balances of deposits on daily basis to ensure that the relevant amounts will not exceed the applicable maximum daily closing balances, and immediately review relevant information in the regulatory reports, monthly financial statements and monthly deposits balance statements provided by GMK Finance. Follow-up measures will be taken immediately when problems are identified and the issues will be immediately reported to the management when appropriate.

Directors' view

The Directors are of the view that in light of the above arrangements, in particular, a significant majority of the Guaranteed Loans are expected to be replaced with guarantees to be given by the members of the Group after Listing, and that independent third party banks have indicated their willingness to extend loans to us, our financial independence is not affected by the CP Guarantees and the GMK Facilities.

The Directors consider that the provision of personal or corporate guarantees by the Controlling Shareholders and their close associates and the GMK Facilities will not affect our financial independence from the Controlling Shareholders and their close associates for the following reasons:

- a significant majority of the Guaranteed Loans are expected to be replaced with guarantees to be provided by the members of the Group, and independent third party banks have indicated their willingness to extend loans to us;
- in addition, part of the net proceeds from the Global Offering will be applied towards reducing the indebtedness of the Group. For further details on breakdown of these repayments, see "Future Plans and Use of Proceeds — Use of Proceeds"; and
- as at 30 April 2020, being the most recent practicable date for liquidity disclosure in this prospectus, the Group has cash (or cash equivalents) of approximately RMB1,150.8 million.

Having considered the above factors and taking into account the financial resources presently available to the Group and the net proceeds from the Global Offering, the Directors are satisfied that the Group would be able to operate independently and maintain financial independence from the Controlling Shareholders after Listing.

NON-COMPETITION UNDERTAKING

Non-competition

On 24 June 2020, the Controlling Shareholders executed the Non-Competition Undertaking in favour of us which is effective in the Relevant Period (as defined below). Pursuant to the Non-Competition Undertaking, the Controlling Shareholders have confirmed that, as at the date of the signing of the Non-Competition Undertaking, each of the Controlling Shareholders and any of its close associates, has not held any interest in any business (except for holding the interests in the Group), which constitute or may constitute competition with our business directly or indirectly, and has not engaged in any form of business activities which, constitute or may constitute competition with our principal business directly or indirectly. The Controlling Shareholders have also undertaken to support the development of the Group on a priority basis.

The Controlling Shareholders have also jointly and severally made irrevocable covenants to the Company that during the Relevant Period (as defined below), each of the Controlling Shareholders, will not and will procure that its respective close associates will not:

(a) solely or jointly with a third party, engage in or participate in any commercial business or activity (domestic or abroad) which constitute or may constitute competition with our principal business directly or indirectly (the "**Restricted Business**") in any manner (including but not limited to investments, merger and acquisitions, associations, joint ventures, cooperation, partnerships, contracting or operating leases, purchases of shares of listed companies or equity participation) (in each case whether as a director, shareholder (other than being a director or shareholder of the Group) partner, agent or otherwise and whether for profit, reward or interest otherwise;

(b) directly or indirectly, hold any interest or obtain any control domestically or abroad (in each case whether as a director or shareholder (other than being a director or shareholder of the Group), partner, agent or otherwise and whether for profit, reward or interest otherwise) in any business entities, institutions or economic organisations, which constitute or may constitute competition with our principal business;

(c) directly or indirectly, induce or attempt to induce, any director, manager, consultant or employee of the Group to terminate his service contract or employment contract with the Group, whether or not such act of that person would constitute a breach of that person's service contract or employment contract;

(d) without the prior consent from the Company, make use of any information pertaining to the principal business of the Group which may have come to their knowledge in the capacity as the Controlling Shareholders for any purpose of engaging in any commercial activities (except for activities related to the Group) or obtaining his personal benefits; and

(e) directly or indirectly, solicit any customer or supplier or employee of the Group for employment by them to engage in the Restricted Business.

The restrictions as set out in (a) and (b) above are not applicable to circumstances where any of the Controlling Shareholders or its close associates invests in, holds, engages in or participates in less than 5% of the equity interests and does not take part in the business management in any other companies (whether listed or not) which engage in business competing with our business.

Options for New Business Opportunities

Pursuant to the Non-Competition Undertaking, each of the Controlling Shareholders jointly and severally undertakes that, during the Relevant Period (as defined below), if any of the Controlling Shareholders or its close associates (the "**Offeror**") is aware of, is made available of, or has identified any new business investment or opportunity which directly or indirectly competes or may compete with our principal business (the "**New Business Opportunities**"), such Controlling Shareholder will and will procure its close associates to notify the Company as soon as practicable, and will use its best efforts to procure that the New Business Opportunity will be referred to the Company in the following manner:

(a) each of the Controlling Shareholders will and shall procure its close associates to refer or procure the referral of, the New Business Opportunities to the Company and give written notice (the "**Offer Notice**") to the Company of any New Business Opportunities, containing all information reasonably necessary (including but not limited to the nature of the New Business Opportunities and details of investment or acquisition costs) for the Company to consider whether such New Business Opportunities constitute competition with the Group's principal business and whether to pursue such New Business Opportunities is in the interest of the Group;

(b) If the Company gives a notice declining the New Business Opportunities or if the Company has not sent such notice to the Offeror within 10 business days from the Company's receipt of the Offer Notice, the Offeror will be entitled to pursue the New Business Opportunities in accordance to the terms stipulated in the Offer Notice;

(c) If there is a material change in the terms and conditions of the New Business Opportunities pursued by the Offeror, the Offeror will refer to the New Business Opportunities as so revised to us in the manner as set out above; and

(d) where the Controlling Shareholders or its close associates (the "**Pre-emptive Offeror**") have acquired any business, investment or interest in any entity relating to the principal business engaged by the Group pursuant to "— Options for New Business Opportunities" above, and intends to sell such investment or interest, the Controlling Shareholders shall or shall procure its close associates to provide us with pre-emptive right (the "**Pre-emptive Right**") by way of written notice (the "**Pre-emptive Notice**"). If the Company gives a written notice within 30 days from the Company's receipt of the Pre-emptive Notice, deciding not to proceed with such acquisition opportunity or if the Company has not sent such notice to the Pre-emptive Offeror within 30 days from the Company's receipt of the Pre-emptive Notice, the Pre-emptive Offeror may offer to sell such business, investment or interest to other third parties on such terms which are no more favourable than those made available to the Group.

Options for Acquisitions

Pursuant to the Non-Competition Undertaking, each of the Controlling Shareholders jointly and severally undertakes that, subject to applicable laws, the Group is entitled to acquire any equity interest, asset or other interest retained by the Controlling Shareholders (including but not limited to the Controlling Shareholders' subsidiaries) (the "**Retained Business**") from the Controlling Shareholders at any time, unless a third party exercises its pre-emptive rights pursuant to relevant laws or constitutional documents on the same conditions. Each of the Controlling Shareholders also jointly and severally undertakes that it will use its best efforts to procure its close associates to provide to us such option for their respective businesses in accordance with the provisions as stated in the Non-Competition Undertaking and when deciding whether to exercise our option for acquisitions (the "**Option for Acquisition**").

If the Company gives a written notice to any Controlling Shareholder or its close associates after receiving the terms of exercising the Options for Acquisition (the "**Terms of Exercising the Option**"), deciding not to exercise our Option for Acquisition or if the Group has not exercised its Option for Acquisition within the required time according to the Terms of Exercising the Option, in any event, not less than 10 business days (the **"Option Period**"), such Controlling Shareholder or its close associates may offer to sell such Retained Business, to other third parties on such terms which are no more favourable than those made available to the Group within three months after the Option Period.

The Controlling Shareholders have also jointly and severally undertaken to the Company that during the Relevant Period (as defined below), each of the Controlling Shareholders, will not and will procure that its respective close associates will not disclose the existence and/or terms of the Option for Acquisition to any third party prior to receipt of our written response or the expiration of the Option Period, whichever is earlier.

FURTHER UNDERTAKINGS FROM THE CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders further undertakes that:

(a) upon request from our independent non-executive Directors, it will provide all necessary information to our independent non-executive Directors to review the compliance with and implementation of the Non-Competition Undertaking by the Controlling Shareholders and its subsidiaries;

(b) we can disclose the decisions made by the independent non-executive Directors regarding its compliance with and implementation of the Non-Competition Undertaking in our annual reports and announcements; and

(c) it shall make an annual statement to the Company and our independent non-executive Directors on its compliance with the Non-Competition Undertaking for disclosure in our annual reports.

The Non-Competition Undertaking will take effect from the date of the execution of the undertaking until the occurrence of one of the following events, whichever is earlier (the "**Relevant Period**"):

(a) when the Controlling Shareholders and his/her close associates, individually or taken as a whole, directly or indirectly hold less than 30% interests in the Company; or

(b) our H Shares cease to be listed on the Stock Exchange except for suspension of trading of our H Shares due to any reason.

The PRC Legal Advisers are of the view that the contents of Non-Competition Undertaking does not violate relevant laws of the PRC. Upon signing of the Non-Competition Undertaking, the undertakings made by the Controlling Shareholders pursuant to the Non-Competition Undertaking are valid under the laws of the PRC in accordance with its terms and are binding on the Controlling Shareholders, and we may enforce them by courts of the PRC.

In view of (a) the Controlling Shareholders' undertaking that it will support the development of our business on a priority basis; (b) the legally binding obligations of the Controlling Shareholders under the Non-Competition Undertaking and the options for new business opportunities, options for acquisitions and the pre-emptive rights granted to the Company thereunder; and (c) the information-sharing and other mechanisms in place as described above to monitor the compliance with the Non-Competition Undertaking by the Controlling Shareholders, the Directors are of the view that the Company has taken all appropriate and practicable measures to ensure that the Controlling Shareholders will comply with its obligations under the Non-Competition Undertaking.

No member of the Group has experienced any dispute with its Shareholders or among its Shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its Shareholders. With corporate governance measures and the further undertaking provided by the Controlling Shareholders as mentioned above, the Directors believe that the interests of the Shareholders as a whole will be protected.

CORPORATE GOVERNANCE MEASURES

In addition to the measures to address potential conflicts of interests and competition as stated above, the Directors believe that there are also adequate corporate governance measures in place to manage any potential conflicts of interest between the Controlling Shareholders and the Group and to safeguard the interests of the Shareholders taken as a whole.

We will comply with the Corporate Governance Code upon Listing, which sets out certain principles relating to, among other matters, directors, chief executive, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration, and communication policies with shareholders.

The Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage potential or actual conflicts of interest between the Controlling Shareholders with us, and to protect the rights of the minority Shareholders.

We are committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board which can effectively exercise independent judgement over the decisions that are made by our executive Directors. The independent non-executive Directors, details of whom are set out in "Directors, Supervisors and Senior Management", individually and together possess the requisite knowledge and experience to represent a strong and independent element of the Board. All of the independent non-executive Directors are experienced and are committed to providing impartial and professional advice to protect the interest of the minority of Shareholders.

We have also adopted, as part of our corporate governance measures, investor relationship policy and connected transaction management policy. In addition, following Listing:

(a) Any transaction made (or proposed to be made) between the Group and our connected persons will be required to comply with (i) Chapter 14A of the Listing Rules which include, among other things, announcement, reporting, circular, independent shareholders' approval and annual review requirements, and (ii) those other conditions that may be imposed by the Stock Exchange for the granting of waiver(s) from strict compliance with the relevant requirements under the Listing Rules.

(b) If there is any conflict of interest in the operations of the companies and entities controlled by the Controlling Shareholders and the Group, and in respect of any proposed contracts or arrangements entered into or to be entered into between the companies and entities controlled by the Controlling Shareholders, any director of the Company who is considered to have a related interest in the counterparty shall not be counted towards the quorum and shall not vote in the relevant Board meeting. In general, after Listing, any Director who has a material interest in actual or potential connected transactions will be required, under the Listing Rules, to abstain from voting in meetings of the Board in relation to such transactions. In these circumstances, the independent non-executive Directors will exercise their independent judgement to the Board's decision making process. They will also advise and vote on the transaction and can seek independence advice from external advisers (including where applicable, our compliance adviser if required). Our other non-conflicted Directors can also bring their extensive experience and expertise to the Board. We will form an independent board committee comprising the independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest which will have the power to waive or modify the Non-Competition Undertaking after assessing the actual situation and the terms of the Non-Competition Undertaking, and if necessary, propose to convene a shareholders' meeting to be held for considering the waiver or modification of the terms of the Non-Competition Undertaking.

In light of the above measures to be implemented by the Board, the Directors confirm that the Board will be able to function and operate independently and effectively representing the interests of the Shareholders as a whole.

OVERVIEW

We have entered into certain agreements with parties that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing, and the transactions under such agreements will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing.

OUR CONNECTED PERSONS

The table below sets out certain details about our connected persons who will have transactions with the Group upon Listing 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
Mr. Liu XJ, Ms. Zhang XY, Mr. Liu ZG and Mr. Liu ZM	the Liu family, being the Controlling Shareholders, of which Mr. Liu XJ and Mr. Liu ZG are the Directors
GMK Holdings	one of the Controlling Shareholders, together with its subsidiaries and associates (excluding the Group) ("**GMK Group**")
GMK Finance	a non-wholly owned subsidiary of GMK Holdings
Liaocheng Aode Energy Co., Ltd. (聊城奧德能源有限公司) ("**Aode Energy**")	a company in which GMK Holdings holds more than 30% of the equity interest
Qingdao Xiangguang Logistics Co., Ltd. (青島祥光物流有限公司) ("**Xiangguang Logistics**")	a company that is ultimately wholly-owned by Mr. Liu ZG and Mr. Liu ZM
Shandong Fengxiang Supermarket Co., Ltd. (山東鳳祥超市有限公司) ("**Fengxiang Supermarket**")	a company that is indirectly wholly-owned by GMK Holdings
Shandong Xiangguang Group Co., Ltd. (山東祥光集團有限公司) ("**Shandong Xiangguang Group**")	a company that is wholly-owned by GMK Holdings
Shandong Xiangyu Information & Technology Co., Ltd. (山東祥宇信息技術有限責任公司) ("**Shandong Xiangyu**")	a wholly-owned subsidiary of GMK Holdings
Luxinan Hospital Co., Ltd. (魯西南醫院有限公司) ("**Luxinan Hospital**")	a company that is ultimately wholly-owned by Mr. Liu XJ, Mr. Liu ZG and Mr. Liu ZM and a wholly-owned subsidiary of Xiangrui International
Xiangrui International Stock Holding Group Company Ltd. (祥瑞國際控股集團股份有限公司) ("**Xiangrui International**")	a company that is indirectly wholly-owned by Mr. Liu XJ, Mr. Liu ZG and Mr. Liu ZM, together with its subsidiaries (including Luxinan Hospital and Yanggu Lanhai) and associates ("**Xiangrui Group**")
Yanggu Agriculture Development Co., Ltd. (陽穀縣農業開發有限公司) ("**Yanggu Agriculture**")	a company that is wholly-owned by Mr. Liu Xueqiang (劉學強), brother of Mr. Liu XJ
Yanggu Lanhai Real Estate Co., Ltd. (陽穀縣藍海置業有限公司) ("**Yanggu Lanhai**")	a company that is ultimately wholly-owned by Mr. Liu XJ, Mr. Liu ZG and Mr. Liu ZM, and a wholly-owned subsidiary of Xiangrui International
Yanggu Xiangguang Copper Co., Ltd. (陽穀祥光銅業有限公司) ("**Xiangguang Copper**")	a company in which GMK Holdings ultimately holds more than 30%
Zhongke Fengxiang Biotechnology Co., Ltd. (中科鳳祥生物工程股份有限公司) ("**Zhongke Biotechnology**")	a company in which GMK Holdings ultimately holds more than 30%, the shares of which are quoted on the National Equities Exchange and Quotations (stock code: 837465)

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Fully-exempt continuing connected transactions

No.	Nature of Transactions	Relevant Listing Rules	Applicable exemptions
1.	Receiving financial assistance by guaranteed loans and loan facilities	14A.24(4)	14A.90
2.	Sharing of administrative services	14A.24(7)	14A.98
3.	Sales of substandard chicken feed and purchase of pork	14A.24(8)	14A.76(1)
4.	Procurement of health check services	14A.24(7)	14A.76(1)
5.	Procurement of raw materials	14A.24(8)	14A.76(1)
6.	Procurement of merchandise on our online marketplaces	14A.24(8)	14A.76(1)
7.	Purchase of natural gas and electricity	14A.24(7)	14A.97

Non-exempt continuing connected transactions

No.	Nature of Transactions	Relevant Listing Rules	Applicable exemptions
1.	Sales of poultry products and by-products	14A.24(8)	14A.76(2)
2.	Procurement of logistics services	14A.24(7)	14A.76(2)
3.	Deposit of funds	14A.24(4)	N/A
4.	Receiving financial assistance by the discounting of commercial bills	14A.24(4)	N/A

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Receiving financial assistance

During the Track Record Period and up to the Latest Practicable Date, the Group has been receiving financial assistance from our connected persons, some of which are expected to continue after Listing.

Loans guaranteed by our connected persons

Certain Controlling Shareholders and their associates (the "**CP Guarantors**") had provided personal and/or corporate guarantees, or had pledged their assets (the "**CP Guarantees**") as security for certain bank loans, finance leases and commercial bills (together, the "**Guaranteed Loans**") taken out by the Group, and these CP Guarantees are expected to continue after Listing. As at 30 April 2020, the aggregate principal amounts due to independent third party lenders under the Guaranteed Loans amounted to approximately RMB1,345.5 million.

The Directors confirm that the CP Guarantors have not received and will not receive any form of consideration from the Group for the provision of the CP Guarantees.

Loan facilities provided by GMK Finance

The Group had obtained financial assistance from GMK Finance, including (a) the provision of term loans by GMK Finance, and (b) the provision of entrusted loans by GMK Finance (the "**GMK Loan**

Facilities”). In order to maintain a maximum financial flexibility for the Group, the Company intends to maintain the GMK Loan Facilities after Listing.

No assets of the Group was pledged or will be pledged to secure the GMK Loan Facilities, and no guarantees will be provided by any third party in connection with the GMK Loan Facilities. Interests rates of the GMK Loan Facilities will (i) not be higher than the interest rates to be charged by other independent third parties under similar terms and conditions; and (ii) be in compliance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within the PRC. The Company is not obliged to draw down any part of the GMK Loan Facilities, and no commitment fee is paid or payable by the Group in respect of the GMK Loan Facilities.

Listing Rules implications

Upon Listing, the CP Guarantors and GMK Finance will become our connected persons, and the provision of the CP Guarantees by the CP Guarantors and the provision of GMK Loan Facilities will constitute financial assistance by our connected persons to the Group pursuant to Rule 14A.24(4) of the Listing Rules.

The Directors are of the view that the GMK Loan Facilities are conducted on normal commercial terms or better, given that (i) GMK Finance is an institution licensed by the Shandong Office of CBIRC (中國銀保監會山東監管局), which shall abide by all applicable regulatory requirements and provisions of the CBIRC and the benchmark rates promulgated by the PBOC from time to time when conducting its operation and business; and (ii) unlike certain independent third party banks which may require pledge or charge of the Group’s assets or individual or corporate guarantee, no such requirements were involved in obtaining financing from GMK Finance.

Since the financial assistances provided by the CP Guarantors and GMK Finance are (i) conducted on normal commercial terms or better; and (ii) not secured by the assets of the Group, the CP Guarantees and the GMK Loan Facilities constitute continuing connected transactions under Rule 14A.90 of the Listing Rules that are fully exempted from independent shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

2. Sharing of administrative services

During the Track Record Period and up to the Latest Practicable Date, the Group has been sharing (on a cost basis) certain administrative support services with GMK Holdings and its associates, including information system support services and passenger car transportation services (the “**Administrative Services**”). The Administrative Services are expected to continue after Listing.

The costs of information system support services are and will be allocated according to technician fees as well as repair and maintenance fee for each computer/facility/data storage/email account occupied by the Group (as the case may be).

The costs of passenger car transportation services are and will be allocated based on a unit distance in terms of kilometres, taking into consideration the car model, the drivers’ remuneration, petroleum charges, repair charges, car insurance, etc. used for each unit distance.

The Directors believe that sharing of the Administrative Services with our connected persons, the Group would be able to save the costs of maintaining its own staff and assets in providing such services and reduce the Group’s needs to make capital investment on such assets and having to hire our own employees to perform such Administrative Services, thus allowing the Group to reduce our administrative overhead and capital investments.

Since the Administrative Services received by the Group from our connected persons are (a) conducted on normal commercial terms or better; and (b) identifiable on a cost basis and the costs of which are allocated to the parties on a fair and equitable basis, the Administration Services are exempt from independent Shareholders' approval, annual review and all disclosure requirements applicable under Rule 14A.98 of the Listing Rules.

3. Sales of substandard chicken feed and purchase of pork

During the Track Record Period and up to the Latest Practicable Date, the Group has been selling substandard chicken feed to, and purchasing pork from, Yanggu Agriculture in our ordinary and usual course of business, and these transactions are expected to continue after Listing.

Yanggu Agriculture is located in Shandong, which is also where our production base is located. Yanggu Agriculture's businesses are agricultural planting and pig rearing. The Directors believe that, (a) by purchasing pork from Yanggu Agriculture, the Group would be able to procure pork at market price or better to supply to the Group for our staff's internal consumption, and (b) by selling substandard chicken feed to Yanggu Agriculture for their pigs' feed.

The purchase of pork from, and the sale of substandard chicken feed to Yanggu Agriculture have been aggregated on the basis that these transactions are transacted with the same party. Since the above transactions will be conducted on normal commercial terms or better, and all the applicable percentage ratios are less than 0.1%, the transactions are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1) of the Listing Rules.

4. Procurement of health check services

Since 2018, we have been procuring health check services for our employees that are delivered by Luxinan Hospital, which the Group's employees may, at the Group's cost, perform annual health checks at the hospital. The provision of medical services to the Group was conducted in the ordinary and usual course of business of the Group. The Group intends to continue to acquire health check services from Luxinan Hospital based on its published rates.

Luxinan Hospital is located near to our production base in Shandong, where a large number of our employees are based. Luxinan Hospital was recently commissioned, and is a third-grade general hospital that offers a range of medical services. The Directors believe that the Group's employees may be benefited from obtaining health check services at a hospital that is nearby to our production facilities.

Since the above transactions will be conducted on normal commercial terms or better, and all applicable percentage ratios are less than 0.1%, the above transactions are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1) of the Listing Rules.

5. Procurement of raw materials

During the Track Record Period, the Group has been purchasing raw materials such as condiments and flavouring ingredients that are used in the preparation of the Group's processed chicken meat products from Zhongke Biotechnology, and we have also been procuring office supplies and vegetables from Fengxiang Supermarket for consumption by the Group and its employees in our offices and canteens. We make these purchases in the ordinary course of business and these purchases are expected to continue after Listing.

The procurement of raw materials have been aggregated on the basis that these transactions are of a similar nature and entered into by the Company and parties who are under control of the Liu Family. Since the above transactions will be conducted on normal commercial terms or better, and all the applicable percentage ratios are less than 0.1%, the transactions are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1) of the Listing Rules.

6. Procurement of merchandise on our online marketplaces

The Group procures condiments and flavouring ingredients from Zhongke Biotechnology as ancillary products to our main chicken meat products sold through our online marketplaces.

The Directors believe that the above transaction aligns with, and will be able to facilitate our marketing plans.

Since the above transaction will be conducted on normal commercial terms or better, and all applicable percentage ratios are less than 0.1%, the above transaction is fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1) of the Listing Rules.

7. Purchase of natural gas and electricity

During the Track Record Period, we have been purchasing natural gas that are used in the production of the Group from Aode Energy. Aode Energy is one of the natural gas suppliers located near our production base in Shandong. The purchases of natural gas by the Group from Aode Energy is expected to continue after Listing.

Since the natural gas is for the Group's own consumption and use, and not processed into our products or resale, and that there is an open market and transparency in the pricing of the natural gas is procured by the Group, the transactions are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.97 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Sales of poultry products and by-products

During the Track Record Period and up to the Latest Practicable Date, we have been selling (a) our poultry products (including raw chicken meats and processed chicken meats) and by-products to GMK Group for: (i) retail sales in Fengxiang Supermarket; (ii) consumption by the members of GMK Group including but not limited to consumption in canteens; and (iii) preparing chicken-based seasonings and condiments by Zhongke Biotechnology; and (b) poultry products (including raw chicken meats and processed chicken meats) to Xiangrui Group for their internal consumption.

The sales of poultry products and by-products have been and will be conducted by the Group in our ordinary and usual course of business and are expected to continue after Listing.

In anticipation of Listing, the Company has entered into the product sales framework agreement (the "**Product Sales Framework Agreement**") with GMK Holdings (for itself and on behalf of GMK Group), Xiangrui International (for itself and on behalf of Xiangrui Group), on 25 June 2020, pursuant to which the Group will sell poultry products and by-products to the members of GMK

Group and Xiangrui Group. The Product Sales Framework Agreement will be for a term commencing on the Listing Date and ending on 31 December 2022, which will be renewable for a term of three years upon mutual consent of all parties to the agreement and subject to compliance by the Company with the requirements under the Listing Rules and other applicable laws and regulations.

Pricing

Pursuant to the Product Sales Framework Agreement, the supply prices of poultry products and by-products that are to be sold under the Product Sales Framework Agreement are determined with reference to the market price for the same products that the Group sells to independent third parties in similar quantities in the open market.

Historical transaction amounts

For the four years ended 31 December 2016, 2017, 2018 and 2019, the sales of poultry products and by-products to GMK Group and Xiangrui Group amounted to approximately RMB7.6 million, RMB7.8 million, RMB7.8 million and RMB7.1 million, respectively.

Annual caps

The annual caps for sales by the Group under the Product Sales Framework Agreement for the periods set out below are as follows:

For the year ending 31 December 2020:	RMB 10.3 million
For the year ending 31 December 2021:	RMB 10.7 million
For the year ending 31 December 2022:	RMB 10.7 million

In considering the annual caps for the Product Sales Framework Agreement, the Directors have considered a number of factors including: (1) the historical transaction amounts in the sale of the poultry products and by-products to GMK Group and Xiangrui Group; (2) the expected growth in demand of poultry products and by-products by GMK Group and Xiangrui Group (as the case may be) and the increase in sale prices of poultry products and by-products by the Group going forward; and (3) new processed chicken meat products that are expected to be introduced by the Group, some of which may be purchased by Fengxiang Supermarket, which is a member of GMK Group.

Listing Rules implications

The transactions under the Product Sales Framework Agreement have been aggregated on the basis that these are agreements that are of a similar nature or otherwise transacted with parties who are connected with one another. As all of the applicable percentage ratios (other than the profit ratio) under Rule 14.07 of the Listing Rules in respect of the highest annual cap of transactions under the sales of poultry products and by-products are more than 0.1% but less than 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company that are subject to the reporting, annual review and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Procurement of logistics services

We have been engaging Xiangguang Logistics to provide logistics related services to the Group, including storage, logistics, transportation, customs clearance services, primarily in relation to the export of the Group's products out of the PRC (the "**Logistics Services**"). The Logistics Services have been provided to the Group in our ordinary and usual course of business and are expected to continue after Listing.

In anticipation of Listing, the Company has entered into the logistics services framework agreement with Xiangguang Logistics (the "**Logistics Services Framework Agreement**") on 25 June 2020, pursuant to which the Group may procure Logistics Services from Xiangguang Logistics if the Logistics Services quoted by it are at least as favourable as those quoted by independent third party providers of Logistics Services. The Logistics Services Framework Agreement will be for a term commencing on the Listing Date and ending on 31 December 2022, and which will be renewable for a term of three years upon mutual consent of all parties to the agreement and subject to compliance by the Company with the requirements under the Listing Rules and other applicable laws and regulations.

In considering whether to engage Xiangguang Logistics to provide the Logistics Services, the Company will regularly compare the prevailing market price of similar logistics services in the market which is ascertained by, among other methods, obtaining quotations from independent third party logistics service providers.

Historical transaction amounts

For the four years ended 31 December 2016, 2017, 2018 and 2019, the amounts that were paid to Xiangguang Logistics in connection with the provision of Logistics Services to the Group amounted to approximately RMB9.2 million, RMB14.9 million, RMB12.8 million and RMB14.8 million, respectively.

Annual caps

The annual caps for the transactions contemplated under the Logistics Services Framework Agreement for the periods set out below are as follows:

For the year ending 31 December 2020:	RMB 16.6 million
For the year ending 31 December 2021:	RMB 18.2 million
For the year ending 31 December 2022:	RMB 20.0 million

In considering the annual caps for the Logistics Services Framework Agreement, the Directors have considered: (1) the historical fees paid by the Group for the delivery of poultry products and by-products and other related products for export overseas and (2) the overall business environment, including the estimated increase in operational needs in the future due to the expected increase in volume of sales to overseas customers as part of the Group's strategy to increase its export overseas.

Listing Rules implications

As all of the applicable percentage ratios (other than the profit ratio) under Rule 14.07 of the Listing Rules in respect of the highest annual cap of transactions under procurement of Logistics Services are more than 0.1% but less than 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company that are subject to the reporting, annual review and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Deposit of funds

During the Track Record Period and up to the Latest Practicable Date, the Group has been depositing some of our funds with GMK Finance. In particular, we deposit cash balances into our accounts at GMK Finance's branches, including: (a) cash generated from our daily business operations, including income received from our chicken production business; and (b) cash from financing facilities provided by GMK Finance to the Group. In turn, GMK Finance pays interests to the Group for such deposits.

In anticipation of Listing, the Company has entered into a deposit services framework agreement (the "**Deposit Services Framework Agreement**") with GMK Finance on 25 June 2020, pursuant to which GMK Finance will provide deposit services to the Group. The Deposit Services Framework Agreement will be for a term commencing on the Listing Date and ending on 31 December 2020, and which will be renewable upon mutual consent of all parties to the agreement and subject to compliance by the Company with the requirements under the Listing Rules and other applicable laws and regulations.

GMK Finance has been providing deposit services to the Group historically, thus it has developed a deep understanding of our capital needs and our business operations. Under the Deposit Services Framework Agreement, the monies that the Group deposits with GMK Finance can be withdrawn on demand and do not have a minimum deposit period, and the Group would earn the same rate of interest as offered by other financial institutions that also offer deposit services. GMK Finance is an institution that is licensed by the Shandong Office of CBIRC (中國銀保監會山東監管局), and as at the Latest Practicable Date, GMK Finance had a registered capital of RMB3,000 million, and the Directors believe that given the licensed status and the registered capital of GMK Finance, and its better understanding of the operations of the Group, GMK Finance would be able to provide the Group with expedient and efficient delivery of services. The Group also expects that as an intra-group service provider, GMK Finance will generally have more efficient communication channels with the Group as compared with other domestic commercial banks or financial institutions. The Deposit Services will also facilitate internal settlement and shorten the time required for fund transfer and turnover.

Under the Deposit Services Framework Agreement, the deposit interest rates offered by GMK Finance to the Group shall comply with the benchmark deposit interest rates promulgated by the PBOC from time to time (if any) for financial institutions such as GMK Finance, and the Group's deposit interest rates shall be the same as those offered by GMK Finance to independent third parties (or better), and the Group will only deposit its funds with GMK Finance if the rates quoted by GMK Finance are no less favourable than the quotes of deposit rates offered by two other banks offering deposit services obtained by the Group.

Historical deposited amounts and interests received

For the four years ended 31 December 2016, 2017, 2018 and 2019, the interests that were received from GMK Finance as a result of the deposits with GMK Finance amounted to approximately RMB1.5 million, RMB1.3 million, RMB1.3 million and RMB2.5 million, respectively. For the four years ended 31 December 2016, 2017, 2018 and 2019, the highest daily closing balances of deposits (including interests accrued on such balances) of the Group with GMK Finance were approximately RMB274.1 million, RMB295.2 million, RMB458.4 million and RMB479.5 million, respectively.

Annual Cap

The annual cap for the Deposit Services Framework Agreement based on the maximum daily closing balance of deposits (including interests accrued on such balances) of the Group with GMK Finance for the period set out below is as follows:

For the year ending 31 December 2020:...................... RMB600 million

The above maximum balance has been determined by reference to (a) the historical deposits that were maintained by the Group with GMK Finance during the Track Record Period and the three months ended 31 December 2019, (b) the Group's business development plans, in particular, the increased working capital needs and hence deposit services required from GMK Finance, until 31 December 2020, (c) the expected continued growth in assets and amounts of deposits as well as cash management needs of the Group as the expansion of our business and operation (resulting in the increase of our deposits and interests derived from such deposits), and (d) the net proceeds from the Global Offering for our working capital and other general corporate purposes.

Listing Rules implications

As all of the applicable percentage ratios (other than the profit ratio) under Rule 14.07 of the Listing Rules in respect of the annual cap of transactions under the deposit of funds are more than 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company that are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Receiving financial assistance by the discounting of commercial bills

During the Track Record Period and up to the Latest Practicable Date, we had received financial assistance from GMK Finance, whereby the Group pledges commercial bills received by the Group in the ordinary course of business to GMK Finance for discounting in return for cash loans extended to the Group. As at 30 April 2020, being the latest practicable date for liquidity disclosure in this prospectus, the interest rate payable for the discounting of commercial bills pledged with GMK Finance was 2.70% to 3.045% per annum, and the aggregate principal amount due to GMK Finance under the arrangement was approximately RMB150.0 million.

The discounting of the commercial bills provides the Group a way to factor and to obtain cash from the commercial bills that it receives in its ordinary course of trading, which in turn allows the Group to increase its cash flows in advance. The Group intends to continue this arrangement after Listing. See "Relationship with Controlling Shareholders — Independence from the Controlling Shareholders — Financial independence" for the reasons for such transactions. In anticipation of Listing, on 25 June 2020, the Company and GMK Finance have entered into a framework agreement for the provision of financial assistance by GMK Finance to the Group through the discounting of commercial bills (the "**Bill Financing Framework Agreement**") based on the prevailing market rates for such financing. The Bill Financing Framework Agreement will be for a term commencing from the Listing Date and ending on 31 December 2022, which will be renewable for a term of three years upon mutual consent of all parties to the agreement and subject to compliance with the Company with the requirements under the Listing Rules and other applicable laws and regulations.

The finance department of the Company will regularly (in any event, no less frequently than twice every calendar year) review the interest rates that are charged by two other independent third party banks or financial institutions for the rates offered for the discounting of commercial bills quoted by GMK Finance, and will only discount commercial bills with GMK Finance if the rates offered by it are at least as favourable as those offered by independent third party banks or financial institutions.

Historical amounts and interests paid

For the four years ended 31 December 2016, 2017, 2018 and 2019, the interests paid to GMK Finance as a result of the discounting of commercial bills by the Group amounted to approximately

RMB11.0 million, RMB8.7 million, RMB9.7 million and RMB12.9 million, respectively. For the four years ended 31 December 2016, 2017, 2018 and 2019, the highest daily closing balances of the amounts loaned (including interests accrued on such balances) to the Group by GMK Finance were approximately RMB410.0 million, RMB600.0 million, RMB670.0 million and RMB484.0 million, respectively.

Annual Caps

The table below sets out the maximum daily closing balances of loans obtained through the discounting of commercial bills of the Group with GMK Finance for the periods indicated below:

For the year ending 31 December 2020	RMB700 million
For the year ending 31 December 2021	RMB600 million
For the year ending 31 December 2022	RMB500 million

The above maximum balances have been determined by reference to (a) the historical levels of discounting of commercial bills by the Group during the Track Record Period and the three months ended 31 December 2019, and (b) the ongoing funding needs of the Group as its operations expand, which the Group expects will continue to be partially funded by the discounting of commercial bills.

Listing Rules implications

As all of the applicable percentage ratios (other than the profit ratio) under Rule 14.07 of the Listing Rules in respect of the highest annual cap of transactions under receiving of financial assistance by the discounting of commercial bills are more than 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company that are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PROPOSED ARRANGEMENTS TO MONITOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Company has adopted the connected transactions management rules to govern the Group's connected transactions after Listing. The following arrangements are proposed to monitor the Non-exempt Continuing Connected Transactions after Listing:

(1) the finance department of the Company will review the transaction amounts of the relevant continuing connected transactions and conduct analysis of the data at least half-yearly to manage the continuing connected transactions;

(2) the independent non-executive Directors will consider the continuing connected transactions requiring approval from the Board and/or Shareholders' general meeting, and provide their opinion to the Board;

(3) the independent non-executive Directors and the Company's auditors will conduct annual review of the non-exempt continuing connected transactions and confirmations (as required under the Listing Rules) that the non-exempt continuing connected transactions are conducted in accordance with the terms and the pricing policies of their respective agreements, are on normal commercial terms and in accordance with and do not exceed the proposed applicable annual caps;

(4) the Company will follow the approval procedures for connected transactions including:

(a) in respect of connected transactions not governed by the existing framework agreements, the Company will communicate with the independent non-executive

Directors in advance and provide the necessary documents to facilitate decision-making and disclosure process;

(b) the Company will seek the necessary approvals in advance for continuing connected transactions exceeding the proposed annual caps; and

(5) in respect of acquisition of products and services from our connected persons, the Company will periodically (and in any event not less frequent than twice every year) survey the applicable market rates in respect of such products and services procured under the relevant framework agreement (where applicable).

WAIVERS

As the transactions under (1) the Product Sales Framework Agreement, (2) the Logistics Services Framework Agreement, (3) the Deposit Services Framework Agreement, and (4) the Bill Financing Framework Agreement are expected to continue on a recurring and continuing basis and have been fully disclosed in the prospectus and will be disclosed in the annual reports of the Company on an on-going basis, the Company considers that strict compliance with the announcement, circular and independent shareholders' approval requirement (as the case may be) for the above transactions would be impractical, unduly burdensome and would impose unnecessary administrative costs upon the Company.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under (1) the Product Sales Framework Agreement, and (2) the Logistics Services Framework Agreement from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules for the period commencing from the Listing Date up to 31 December 2022, subject to the condition that the relevant annual transaction values shall not exceed the applicable annual caps as set out above.

In relation to the Deposit Services Framework Agreement and the Bill Financing Framework Agreement, the Directors are of the view that the annual caps that are set pursuant to Rule 14A.53 would be more appropriately expressed in terms of a maximum daily closing balance of deposits or discounted bills (as the case may be) rather than on an annual basis. We have applied for, and the Stock Exchange has granted, waivers pursuant to Rule 14A.105 of the Listing Rules to exempt (1) the placing of deposits with GMK Finance under the Deposit Services Framework Agreement from strict compliance with the announcement, circular and independent shareholders' approval requirements under Rules 14A.35 to 14A.46 of the Listing Rules for the period commencing from the Listing Date up to 31 December 2020; and (2) the receiving of financial assistance by the discounting of commercial bills under the Bill Financing Framework Agreement from strict compliance with the announcement, circular and independent shareholders' approval requirements under Rules 14A.35 to 14A.46 of the Listing Rules for the period commencing from the Listing Date up to 31 December 2022, both subject to the conditions that the maximum daily closing balances of deposits placed, and loans obtained through the discounting of commercial bills (including interests accrued on such balances) of the Group with GMK Finance do not exceed the applicable maximum balances as set out above.

In addition, we will comply with the applicable provisions under Chapter 14A of the Listing Rules after Listing. We will also comply with the applicable requirements under the Listing Rules if any of the applicable proposed annual caps set out above are exceeded, or if any of the framework agreements in relation to the non-exempt continuing connected transactions are renewed or where there is a material change under the terms of such agreements. After expiry of the waivers granted, we will comply with the applicable provisions of Chapter 14A of the Listing Rules as amended from time to time and/or apply for the relevant waivers (where required).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable under Chapter 14A of the Listing Rules as at the Latest Practicable Date on the continuing connected transactions, the Company will take immediate steps to ensure compliance with such requirements within a reasonable time.

VIEWS OF THE DIRECTORS AND THE SOLE SPONSOR IN RESPECT OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) consider, and the Sole Sponsor concurs, that the continuing connected transactions under the (1) the Product Sales Framework Agreement, (2) the Logistics Services Framework Agreement, (3) the Deposit Services Framework Agreement, and (4) the Bill Financing Framework Agreement (i) have been and will be entered into in the ordinary and usual course of the Company's business, (ii) are on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and (iii) the proposed annual caps for the continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Apart from the announcement and/or independent shareholders' approval requirements of which waiver has been sought, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

BOARD OF DIRECTORS

The Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth certain information of the Directors.

Name	Age	Position	Date of appointment as Director	Date of joining the Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Executive Directors						
Mr. Liu Zhiguang (劉志光)	40	Chairman and executive Director	6 December 2010	17 December 2010	Responsible for formulating corporate strategy, planning, business development and supervising the overall operations of the Group, chairman of the nomination committee and a member of the remuneration committee	Son of Mr. Liu Xuejing
Mr. Xiao Dongsheng (肖東生)	48	Executive Director and general manager	1 November 2018	17 December 2010	Responsible for the sales and marketing functions of the Group	None
Mr. Ow Weng Cheong (區永昌)	59	Executive Director and vice general manager	1 November 2018	1 January 2018	Responsible for the strategic planning and meat procurement functions of the Group	None
Mr. Wang Jinsheng (王進聖)	57	Executive Director, vice general manager and general manager of the breeding department	15 October 2013	30 September 2013	Responsible for the breeding function of the Group	None
Non-executive Directors						
Mr. Liu Xuejing (劉學景)	68	Non-executive Director	6 December 2010	22 April 1997	Providing advice to the Board	Father of Mr. Liu Zhiguang
Mr. Zhang Chuanli (張傳立)	58	Non-executive Director	6 December 2010	22 April 1997	Providing advice to the Board	None

Independent non-executive Directors

Name	Age	Position	Date of appointment	Date of joining the Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Guo Tianyong (郭田勇)	51	Independent non-executive Director	8 August 2019	8 August 2019	Providing independent advice to the Board, chairman of the remuneration committee and a member of the audit committee and the nomination committee	None
Mr. Zhang Ye (張曄)	48	Independent non-executive Director	8 August 2019	8 August 2019	Providing independent advice to the Board, a member of the audit committee and the nomination committee	None
Mr. Chung Wai Man (鍾偉文)	56	Independent non-executive Director	8 August 2019	8 August 2019	Providing independent advice to the Board, chairman of the audit committee and a member of the remuneration committee	None

Executive Directors

Mr. Liu Zhiguang (劉志光), aged 40, the chairman of the Board and an executive Director. He was appointed as the chairman of the Board on 1 November 2018 and a Director on 6 December 2010. He is primarily responsible for formulating corporate strategy, planning, business development and supervising the overall operations of the Group. He is the chairman of the nomination committee and a member of the remuneration committee.

Mr. Liu Zhiguang has over 16 years of experience in corporate and business management and nine years of experience in the poultry industry. He joined the Group in December 2010. Prior to joining the Group, he was an assistant to the general manager and vice general manager of Fengxiang Group from July 2002 to September 2005 and from December 2006 to October 2009, respectively. He was an assistant to the general manager of Xiangguang Copper from September 2005 to December 2006 and has been a general manager of Xiangguang Copper since December 2006. Mr. Liu Zhiguang has been the vice-chairman of the board of directors and president of GMK Holdings since October 2009. He also has been the deputy secretary of party committee (黨委副書記) of GMK Holdings since December 2017. He was a representative of the Twelfth and the Thirteenth Shandong Provincial People's Congress (山東省人民代表大會).

Mr. Liu Zhiguang obtained a bachelor's degree in economics from Central University of Finance and Economics (中央財經大學) in the PRC in June 2002. Mr. Liu Zhiguang also graduated from the University of Cambridge in the United Kingdom with a master's degree in philosophy in July 2006.

Mr. Liu Zhiguang is one of the Controlling Shareholders and the son of Mr. Liu Xuejing.

Mr. Xiao Dongsheng (肖東生), aged 48, an executive Director and the general manager of the Company. He was appointed as a Director on 1 November 2018. He is primarily responsible for the sales and marketing functions of the Group. He is also a director of Fengxiang Food and Japan Fengxiang.

Mr. Xiao has over 22 years of experience in corporate and business management. He joined the Group in December 2010. He was a manager of business department in Qingdao division of the Company from December 2010 to December 2011. He has been a general manager and the general manager of international marketing centre of Fengxiang Food Development since December 2011. He has also been a general manager of Fengxiang Food since June 2019.

Prior to joining the Group, Mr. Xiao worked as a manager of business department in Qingdao division of Fengxiang Group from June 1996 to December 2010.

Mr. Xiao obtained a bachelor's degree in engineering from Nanjing University of Chemical Technology (南京化工學院) (currently known as Nanjing Tech University (南京工業大學)) in the PRC in July 1994.

Mr. Ow Weng Cheong (區永昌), aged 59, an executive Director and a vice general manager of the Company. He was appointed as a Director on 1 November 2018. He is primarily responsible for the strategic planning and meat procurement functions of the Group.

Mr. Ow has over 25 years of experience in business and procurement management. He joined the Group in January 2018 as a vice general manager of the Company. He also served several positions at Yum Restaurant Consulting (Shanghai) Company Limited (百勝諮詢(上海)有限公司), a company principally engaged in providing management, business and trade consultation services for the catering industry in China, from April 1994 to December 2017 and his last position was a vice president for procurement management.

Mr. Ow completed a course of management studies approved by the Institute of Supervisory Management (currently known as the Institute of Leadership and Management), which is a provider of leadership, coaching and management qualifications in the United Kingdom in November 1984. He also completed the executive development programme from The Wharton School of the University of Pennsylvania in the United States in May 2013.

Mr. Wang Jinsheng (王進聖), aged 57, an executive Director, a vice general manager, and a general manager of the breeding department of the Company. He was appointed as a Director on 15 October 2013. He is primarily responsible for the breeding function of the Group. Mr. Wang is also a director of Fengxiang Food Development, Fengxiang Industrial and Yanggu Xiangyu Organic Fertiliser.

Mr. Wang has over 30 years of experience in the poultry industry. He joined the Group in September 2013. He was a general manager of the breeding department of the Company from September 2013 to August 2015 before the internal department restructuring and has been a vice general manager of the Company since September 2013. He then served as the general manager of the Company from August 2015 to November 2018.

Prior to joining the Group, he served as a technician and farm head in the breeder farms of experiment field at Beijing Agricultural University (北京農業大學) (currently known as China Agricultural University (中國農業大學)) from May 1989 to September 1992. He also served as a vice general manager and general manager of Chia Tai Broiler Development Centre (正大肉雞發展中心) at Beijing Agricultural University from September 1992 to July 2003. Mr. Wang served various positions at Chia Tai Group Agro-Industry and Food Business (China Area) (正大集團農牧食品企業(中國區)) from

July 2003 to September 2013 as an assistant vice president to the office of chief director and a president and deputy chairman of the poultry business division (China Area). He also served as the head of Beijing Comprehensive Test Station of National Broilers Industry Technology System (國家肉雞產業技術體系北京綜合試驗站) from June 2009 to September 2013.

He completed his education specialising in livestock farming from Zhangjiakou Agricultural College (張家口農業專科學校) in China in July 1985. He completed his education specialising in business administration from the Agriculture and Rural Development College (農業與農村發展學院) of Renmin University of China (中國人民大學) in the PRC in January 2011. He also obtained a qualification certificate for senior livestock farming specialist (高級畜牧師) issued by Shandong Agricultural Technology Professional Evaluation Committee (山東省農業技術職務高級評審委員會) in March 2017.

Non-executive Directors

Mr. Liu Xuejing (劉學景), aged 68, the founder of the Company and a non-executive Director. He was appointed as a Director on 6 December 2010. He is primarily responsible for providing advice to the Board.

Mr. Liu Xuejing has over 35 years of experience in corporate and business management and 28 years of experience in the poultry industry. He served as a director of Fengxiang Food Development from April 1997 to December 2000. He was the chairman of the Board from 6 December 2010 to 1 November 2018.

Prior to founding the Group, Mr. Liu Xuejing worked as a cotton planting worker and technician in Yanggu Anle Town Liumiao Village (陽穀縣安樂鎮劉廟村) from August 1971 to September 1983. Mr. Liu Xuejing served as a factory manager of Yanggu Vegetable Oil Processing Factory (陽穀縣植物油加工廠) from February 1985 to October 1991. He then worked as a manager for Shandong Yanggu Xumu Company Limited (山東陽穀畜牧實業公司) from October 1991 to June 1994. Mr. Liu Xuejing served as the chairman of the board of directors of Fengxiang Group since June 1994. He has also been the chairman of the board of directors of Xiangguang Copper since December 2005. Mr. Liu Xuejing has been the chairman of the board of directors and secretary of party committee (黨委書記) of GMK Holdings since October 2009 and December 2012, respectively. He was a representative of the Ninth, the Tenth, the Eleventh, the Twelfth and the Thirteenth National People's Congress (全國人民代表大會).

Mr. Liu Xuejing completed his high school education at Yanggu County Anlezhen High School (陽穀縣安樂鎮中學) in China in July 1969.

Mr. Liu Xuejing is one of the Controlling Shareholders and the father of Mr. Liu Zhiguang.

Mr. Zhang Chuanli (張傳立), aged 58, a non-executive Director. He was appointed as a Director on 6 December 2010. He is primarily responsible for providing advice to the Board.

Mr. Zhang has over 23 years of experience in corporate and business management. He served as a director of Fengxiang Food Development from April 1997 to December 2000.

Prior to joining the Group, he was a teacher at Yanggu County Experimental High School (陽穀縣實驗中學), formerly known as Yanggu County Chengzhen High School (陽穀縣城鎮中學), from September 1980 to September 1990. He worked as an administrative staff at the Yanggu County Development and Reform Bureau (陽穀縣發展和改革局) from September 1990 to August 1995. He served as a vice general manager of Fengxiang Group from August 1995 to August 2001. He has been a director of Zhongke Fengxiang Biotechnology Co., Ltd. (中科鳳祥生物工程股份有限公司) since August 2001. Mr. Zhang has been a director of GMK Holdings, Luxinan Hospital Co., Ltd. (魯西南醫院有限公司) and Fengxiang Group since March 2015, October 2015 and December 2016, respectively.

Mr. Zhang graduated from Liaocheng Teachers College (聊城師範專科學校) in mathematics in the PRC in January 1981. He completed a three-year part-time course in economic management at Shandong Ganbu Hanshou University (山東幹部函授大學) in the PRC in June 1993.

Independent Non-executive Directors

Mr. Guo Tianyong (郭田勇), aged 51, an independent non-executive Director. He was appointed as a Director on 8 August 2019. He is the chairman of the remuneration committee and a member of the audit committee and the nomination committee.

Mr. Guo has nearly 30 years of experience in banking and finance industry. His work experience includes:

Name of Company	Principal business activity	Position and responsibilities	Period of services
Yantai central sub-branch of the People's Bank of China (中國人民銀行煙台市中心支行)	Operating as a commercial bank	Worker for the computer department and clearing centre	From July 1990 to August 1993
Central University of Finance and Economics (中央財經大學)	A university	Professor	From September 1999 to present
Fangda Carbon New Material Technology Co., Ltd. (方大炭素新材料科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600516)	Provision of graphite and carbon products	Independent director	From January 2009 to March 2012
Beijing Shiji Information Technology Co., Ltd. (北京中長石基信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002153)	Engaging in the development and sale of hotel information management system software	Independent director	From November 2010 to November 2013
Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code:300378)	Provision of software solution	Independent director	From May 2014 to May 2020

Name of Company	Principal business activity	Position and responsibilities	Period of services
Hundsun Technologies Inc. (恒生電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600570)	Provision of financial software and network service	Independent director	From October 2014 to present
Bank of Tianjin Co., Ltd. (天津銀行股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 01578)	Operating as a commercial bank	Independent non-executive director	From December 2014 to June 2018
Hebei Sitong New Metal Material Co Ltd (河北四通新型金屬材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300428)	Engaging in the research and development, manufacture and sales of aluminium based functional master alloys	Independent director	From February 2014 to April 2017
Jiangxi Bank Co., Ltd. (江西銀行), a company listed on the Main Board of the Stock Exchange (stock code: 01916)	Operating as a commercial bank	Independent non-executive director	From March 2016 to May 2019
Ping An Bank Co., Ltd. (平安銀行股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000001)	Provision of services in retail and corporate banking	Independent director	From November 2016 to present
Bank of Guiyang Co., Ltd. (貴陽銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601997)	Operating as a commercial bank	Independent director	From March 2010 to July 2017
Zhejiang Orient Holdings Co., Ltd. (浙江東方金融控股集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600120)	Operating as a comprehensive enterprise group integrating commercial circulation, financial investment and real estate development	Independent director	From October 2017 to present

Name of Company	Principal business activity	Position and responsibilities	Period of services
Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 01833)	Provision of one-stop healthcare ecosystem platform	Independent non-executive director	From May 2018 to present
Aa Industrial Belting (Shanghai) Co Ltd (艾艾精密工業輸送系統(上海)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603580)	Engaging in the research and development, production and sales of conveyor belts	Independent director	From October 2018 to present

Mr. Guo completed his education specialising in control science from Shandong University (山東大學) in the PRC in July 1990. He obtained a master's degree in economics from Renmin University of China (中國人民大學) in the PRC in July 1996. He also obtained a doctoral degree in economics from the Financial Research Institute of the People's Bank of China (中國人民銀行總行金融研究所) in the PRC in September 1999.

The Directors and the Sole Sponsor have considered Mr. Guo's concurrent directorships and other positions in listed companies. The Directors are of the view that Mr. Guo would be able to commit sufficient time to the affairs of the Company, having regard to the following factors:

(a) while Mr. Guo is holding positions in five listed companies currently, his role with the Company is as an independent non-executive Director for providing independent advice to the Board. Mr. Guo has confirmed to the Company that he has the capacity and ability to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director, taking into account his experience and positions that he has previously held in different listed companies;

(b) Mr. Guo has held different directorships in Hong Kong, Shenzhen and Shanghai listed companies since 2009, and the Directors believe that he has demonstrated his ability to handle multiple demands with his time. He has confirmed that he has not encountered any difficulty in devoting and managing his time among different listed companies that he has been involved in, and none of the listed companies that he participated in had questioned or complained about his time devoted to any of them; and

(c) in addition, pursuant to the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Board will regularly review whether each of the Directors is spending sufficient time in performing his/her responsibilities. The Board will, from time to time, review the Directors' attendance record of their meetings with the Board and its committee. The Board will be regularly appraised of any significant changes to the time commitments of the Directors, and in the event that any concerns arise, the Board will seek to resolve such concerns with the relevant Director. At the time when any Director is proposed to be re-elected, we will also set out in the circular to the Shareholders and/or explanatory statements accompanying the notice of the relevant general meeting as to the reasons why the Board believes such individual should be elected, and if appropriate or otherwise required, whether such individual would be able to devote sufficient time to the Board.

On the basis of the factors as set out above, the Sole Sponsor concurs with the Directors' view on Mr. Guo's ability to commit sufficient time to his duties as an independent non-executive Director.

Mr. Zhang Ye (張曄), aged 48, an independent non-executive Director. He was appointed as a Director on 8 August 2019. He is a member of the audit committee and the nomination committee.

Mr. Zhang has over 26 years of experience in corporate and business management. Mr. Zhang worked as a manager in Samsung Corporation, Shanghai office (三星物產上海辦事處) from July 1993 to May 1999. He then worked as a chief executive officer of Reed Information (SH) Co., Ltd. (睿也德信息(上海)有限公司) (formerly known as CBI (Shanghai) Co., Ltd. (易貿資訊(上海)有限公司)), a company principally engaged in providing consultancy services in investment information, scientific and technological information, and business management, from June 1996 to October 2010. Mr. Zhang has been the chairman of Shanghai Enmore Technology Holdings Co., Ltd. (上海易貿科技控股有限公司), a company principally engaged in providing information consultancy services, business exhibition, transaction brokerage, supply chain management and financing services, since November 2010. He has also been a director of Shanghai Yiguo E-commerce Co., Ltd. (上海易果電子商務有限公司), a company principally engaged in providing fresh food sales and distribution services, since January 2016. Mr. Zhang was a non-executive director of Lianhua Supermarket Holdings Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 00980), from March 2017 to August 2017. He also has been a non-independent executive director and a chief executive officer of Sunmoon Food Company Limited, a company listed on the Singapore Exchange Limited (stock code: AAJ), since December 2018.

Mr. Zhang obtained a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1993. He obtained an executive master of business administration degree from Cheung Kong Graduate School of Business (長江商學院) in the PRC in June 2009. He completed his education specialising in entrepreneurship in Hupan University (湖畔大學) in the PRC in March 2019.

Mr. Chung Wai Man (鍾偉文), aged 56, an independent non-executive Director. He was appointed as a Director on 8 August 2019. He is the chairman of the audit committee and a member of the remuneration Committee.

Mr. Chung has over 26 years of experience in accounting, taxation and finance. His work experience includes:

Name of Company	Principal business activity	Position and responsibilities	Period of services
Deloitte Touche Tohmatsu	Certified public accountants	Various, with his last position as manager II	From August 1993 to August 2000
Artel Solutions Group Holdings Limited (currently known as China LNG Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00931))	Provision of computing, multimedia and networking solutions and digital products	Chief financial officer	From August 2000 to August 2002
Venturepharm Laboratories Limited (currently known as China Health Group Inc., a company listed on GEM of the Stock Exchange (stock code: 08225))	Provision of integrated pharmaceutical service and terminal medical service	Chief financial officer and company secretary	From August 2002 to September 2003

Name of Company	Principal business activity	Position and responsibilities	Period of services
Silver Base International Development Co. Limited (銀基國際發展有限公司)	Engaging in trading the Chinese liquor in the wholesale market	Chief financial officer	From May 2004 to September 2007
Silver Base Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00886)	Distribution and sale of high-end liquors	Executive director and chief financial officer	From September 2007 to September 2010
KVB Kunlun International (HK) Limited	Provision of diversified financial products to overseas Asian community	Corporate finance director	From June 2012 to January 2013
E Lighting Group Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 08222)	Retail chain business in lighting and household products	Independent non-executive director	From September 2014 to present
Legend Strategy International Holdings Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 01355)	Provision of hotel operations, hotel consultations and management services	Independent non-executive director	From June 2015 to November 2016
		Chief financial officer, company secretary, authorised representative and process agent	From November 2016 to February 2017
		Non-executive director	From February 2017 to November 2017
Net Pacific Financial Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited (stock code: 5QY)	Provision of financing services to small and medium-sized companies in the PRC, Hong Kong, Australia and beyond	Independent non-executive director	From June 2018 to present

Mr. Chung also served as a chief financial officer of Yongkai International Holding Limited from December 2010 to January 2012, and a vice general manager and chief financial officer of China Taihe Group Limited from February 2017 to May 2019. He has also been a vice general manager and chief financial officer of Huapei Global Capital Limited since June 2019 and a director of Wenhua Renpei Group Holding Limited (文華仁沛集團控股有限公司) since May 2020.

Mr. Chung obtained a bachelor's degree in social sciences from University of Hong Kong in Hong Kong in December 1989 and a master's degree in international business management from City University of Hong Kong in Hong Kong in November 1998. Mr. Chung has been an associate member of the Hong Kong Institute of Certified Public Accountants since April 1995 and a fellow of The Association of Chartered Certified Accountants in the United Kingdom since November 1999.

BOARD OF SUPERVISORS

The Board of Supervisors consists of three Supervisors, comprising one employees representative and two shareholders representatives. Among the three Supervisors, the employees representative was elected by the employees while the shareholders representatives were elected by the Shareholders, all for a term of three years and can be extended upon re-election.

The following table sets forth certain information of the Supervisors.

Name	Age	Position	Date of appointment	Date of joining the Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Kong Xiangwei (孔祥偉)	42	Chairman of the board of Supervisors and shareholders representative Supervisor	16 September 2019	9 October 2014	Exercising supervisory duties in accordance with regulatory requirements and the Articles of Association	None
Mr. Chen Dehe (陳德賀)	31	Shareholders representative Supervisor	1 November 2018	1 February 2013	Exercising supervisory duties in accordance with regulatory requirements and the Articles of Association	None
Ms. Lian Xianmin (廉憲敏)	33	Employees representative Supervisor	16 September 2019	1 March 2012	Exercising supervisory duties in accordance with regulatory requirements and the Articles of Association	None

Mr. Kong Xiangwei (孔祥偉), aged 42, the chairman of the board of Supervisors and a shareholders representative Supervisor. He was appointed and reappointed as a Supervisor on 9 January 2016 and 16 September 2019, respectively.

Mr. Kong joined the Group in October 2014. He has been a supervisor of Yanggu Xiangyu Organic Fertiliser since October 2014. He also was a human resources administration manager of Fengxiang Food Development from October 2015 to October 2017.

Prior to joining the Group, Mr. Kong was a manager of Yanggu Yijia Service Co., Ltd. (陽穀益佳服務有限公司) from February 2012 to October 2015. He also worked as landscape garden manager of Shandong Xiangtai Yongan Engineering Technology Co., Ltd. (山東祥泰永安工程技術有限公司) from October 2017 to April 2019. Mr. Kong has been a director of corporate management department in Yanggu County Agricultural Development Co., Ltd. (陽穀縣農業開發有限公司) since April 2019.

Mr. Kong obtained a bachelor's degree in dyeing and weaving art design from Shandong University of Art & Design (山東工藝美術學院) in the PRC in June 2002.

Mr. Chen Dehe (陳德賀), aged 31, a shareholders representative Supervisor. He was appointed as a Supervisor on 1 November 2018.

Mr. Chen joined the Group in February 2013. He was a management officer of the Company from February 2013 to December 2013. Mr. Chen served as a secretary to the general manager of the

Company from December 2013 to October 2016 and a vice manager of the administrative department of the Company from October 2016 to March 2018. He also served as an executive manager of the Company from March 2018 to April 2019. He has been a deputy director of Yanggu Xiangyu Organic Fertiliser from April 2019 to September 2019. He has been the supervisor of Fengxiang Food Development, Fengxiang Industrial and Fengxiang Food since January 2016.

Prior to joining the Group, Mr. Chen worked as a construction site representative and commissioner for the company system construction at Shandong Fengxiang LDC, Corporation Ltd. (山東鳳祥-愛迪西股份有限公司) from July 2011 to May 2012 and from May 2012 to February 2013, respectively.

Mr. Chen obtained a bachelor's degree in mathematics and applied mathematics from Suihua College (綏化學院) in the PRC in June 2011.

Ms. Lian Xianmin (廉憲敏), aged 33, an employees representative Supervisor. She was appointed and reappointed as a Supervisor on 1 November 2018 and 16 September 2019, respectively.

Ms. Lian joined the Group in March 2012. She was a worker of Fengxiang Food Development from March 2012 to November 2012. She then served as the planning clerk and the head of the comprehensive department at Fengxiang Food Development from November 2012 to November 2013 and from November 2013 to March 2014, respectively. She worked as the head of the planning division and a manager of the planning department at Fengxiang Industrial from March 2014 to January 2015 and from January 2015 to May 2016, respectively. She then worked as a manager of the operational planning department of the Company from May 2016 to September 2016. She also worked as a manager of production planning department and a manager of operational planning department at Fengxiang Food Development from September 2016 to July 2017 and from July 2017 to September 2018, respectively. She has been a director of the operational planning department at Fengxiang Food Development since September 2018.

Ms. Lian completed her education (by way of distance learning) specialising in accounting from Shandong University of Science and Technology (山東科技大學) in the PRC in July 2016.

SENIOR MANAGEMENT

The senior management is responsible for the day-to-day management of the business. The following table sets forth certain information of the members of the senior management of the Company.

Name	Age	Position	Date of appointment	Date of joining the Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Xiao Dongsheng (肖東生)	48	General manager	7 February 2018	17 December 2010	Responsible for the sales and marketing functions of the Group	None

Name	Age	Position	Date of appointment	Date of joining the Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Ow Weng Cheong (區永昌)	59	Vice general manager	7 February 2018	1 January 2018	Responsible for the strategic planning and meat procurement functions of the Group	None
Mr. Wang Jinsheng (王進聖)	57	Vice general manager and general manager of the breeding department	7 February 2018	30 September 2013	Responsible for the breeding function of the Group	None
Mr. Wang Zhixian (汪之現)	54	Vice general manager	7 February 2017	1 August 2001	Responsible for the food safety and quality management functions of the Group	None
Mr. Meng Tao (孟濤)	52	Vice general manager	7 February 2018	1 February 2013	Responsible for the operational planning and supply chain centre of the Group	None
Ms. Zhou Jinying (周勁鷹)	47	Vice general manager	7 February 2018	1 February 2018	Responsible for the marketing and brand building functions of the Group	None
Mr. Shi Lei (石磊)	34	Chief financial officer, secretary to the Board and joint company secretary	7 February 2018, 8 August 2019	17 June 2013	Responsible for the financial aspects of the Group	None

Name	Age	Position	Date of appointment	Date of joining the Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Luo Pingtao (羅平濤)	56	Vice general manager of the breeding centre	20 June 2017	1 October 2013	Responsible for the day-to-day management of the breeding centre of the Company	None
Mr. Su Xiaolong (蘇小龍)	39	E-commerce officer	10 December 2018	1 December 2018	Responsible for the day-to-day operation of e-commerce department of the Company	None
Mr. Ikeda Yoshiaki	66	Chief consultant	1 July 2017	1 July 2017	Responsible for the operation of the Group's Japan research and development centre	None
Mr. Li Libo (李立波)	47	General manager of the domestic affair department	1 July 2018	1 July 2012	Responsible for domestic sales	None

For biographical details of Mr. Xiao Dongsheng (肖東生), Mr. Ow Weng Cheong (區永昌) and Mr. Wang Jinsheng (王進聖), see "— Board of Directors — Executive Directors".

Mr. Wang Zhixian (汪之現), aged 54, a vice general manager of the Company. He is primarily responsible for the food safety and quality management functions of the Group.

Mr. Wang has over 18 years of experience in food safety and quality management industry. He joined the Group in August 2001. He was a vice general manager of Fengxiang Food Development from August 2001 to August 2011. He served as a vice general manager of food business department of Fengxiang Food Development from August 2011 to July 2016. Mr. Wang served as a general manager and an executive director of Xingwen Tianyang from July 2016 to October 2019 and from May 2016 to October 2019, respectively, and served as an executive director and general manager of Yanggu Xiangyu Organic Fertiliser from October 2014 to May 2017. He has been a general manager of Fengxiang Industrial since December 2011.

Prior to joining the Group, he also worked as a factory director of the refrigerated processing plant of Fengxiang Group from July 1996 to August 2001.

Mr. Wang completed his education specialising in Chinese enterprise operator project from Peking University (北京大學) in the PRC in July 2017. He also completed his education specialising in refrigeration from Shandong Commercial School (山東省商業學校) in the PRC in July 1986.

Mr. Meng Tao (孟濤), aged 52, a vice general manager of the Company. He is primarily responsible for the operational planning and supply chain centre of the Group.

Mr. Meng has over 30 years of experience in meat product industry. He joined the Group in February 2013. He was a vice general manager of production department of Fengxiang Food Development from February 2013 to November 2013. He served as a general manager of production department of Fengxiang Industrial from November 2013 to September 2016. Mr. Meng served as a vice general manager of Fengxiang Food Development from September 2016 to February 2018.

Prior to joining the Group, Mr. Meng served as the head of processing factory, a deputy manager of meat production department and a general manager of feed business department of the Beijing Dafa Zhengda Co., Ltd. (北京大發正大有限公司), a company principally engaged in broiler production and food production and processing, from August 1989 to November 2010. He also worked as a general manager of Inner Mongolia Grassland Development Co., Ltd. (內蒙古草原興發股份有限公司), a company principally engaged in prairie meat production, from November 2010 to December 2011. He also served as the head of supply chain management department and social breeding department of the COFCO Meat (Suqian) Co., Ltd. (中糧肉食(宿遷)有限公司), a company principally engaged in operating poultry breeding farms, breeder farms, broiler farms and slaughtering and processing plants, from December 2011 to December 2012.

Mr. Meng completed his education specialising in mechanical engineering from Beijing Union University (北京聯大機械工程學院) in the PRC in August 1989. Mr. Meng was awarded the Post-Experience Certificate in engineering business management from The University of Warwick in the United Kingdom in November 2002.

Ms. Zhou Jinying (周勁鷹), aged 47, a vice general manager of the Company. She is primarily responsible for the marketing and brand building functions of the Group.

Ms. Zhou has over 22 years of experience in marketing and media industry. She joined the Group in February 2018. She has been a vice general manager of the Company since February 2018.

Prior to joining the Group, Ms. Zhou served as a reporter of the China Central Television (中國中央電視台) from April 1998 to June 2005. She also worked as a director and general manager of the public affairs department, a senior general manager of business planning department of Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), from July 2005 to March 2016. Ms. Zhou served as a general manager of the brand management centre and a chief brand officer at GMK Holdings from September 2016 to April 2018. She was a vice general manager and chief brand officer of GMK Holdings from April 2018 to January 2019.

Ms. Zhou obtained a bachelor's degree in cultural business management from Beijing Film Academy (北京電影學院) in the PRC in June 1998.

Mr. Shi Lei (石磊), aged 34, the chief financial officer, the secretary to the Board and a joint company secretary of the Company. He is primarily responsible for the financial aspects of the Group.

Mr. Shi has over 10 years of experience in finance, accounting and management. He joined the Group in June 2013. He was a vice general manager of financial budget and analysis department of the Company from June 2013 to November 2013. He served as a financial manager of the Company from November 2013 to December 2015. He then served as an assistant director of financial centre of the Company from December 2015 to February 2018. He has been a supervisor of Xingwen Tianyang and Yucheng Fengming since May 2016 and August 2017, respectively.

Prior to joining the Group, He worked for the finance department of the Qingdao Zhengda Co., Ltd. (青島正大有限公司) from January 2008 to June 2010. He worked as a supervisor of the finance department of OSI Group (Weihai) Poultry Development Co., Ltd (福喜(威海)農牧發展有限公司) from June 2010 to June 2013.

Mr. Shi obtained a bachelor's degree in financial management from Qingdao Agricultural University (青島農業大學) in the PRC in July 2007. He also completed his education specialising in Chinese manager project from Peking University (北京大學) in the PRC in April 2017. He obtained a qualification certificate for accountant issued by Qingdao Southern District Finance Bureau (青島市南區財政局) in July 2008. He completed a chief financial officer programme of the China Europe International Business School (中歐國際工商學院) in China in November 2018.

Mr. Luo Pingtao (羅平濤), aged 56, a vice general manager of the breeding centre of the Company. He is primarily responsible for the day-to-day management of the breeding centre of the Group.

Mr. Luo has over 30 years of experience in the chicken breeding industry. He joined the Group in October 2013. He was a vice general manager of breeding centre of the Company from October 2013 to August 2015. He then served as a general manager of breeding centre of the Company from August 2015 to June 2017 before the internal department restructuring.

Prior to joining the Group, Mr. Luo served as a technician and an assistant general manager of the Beijing Poultry Breeding Co., Ltd. (北京家禽育種有限公司) from October 1988 to January 2007 and from January 2007 to October 2013, respectively.

Mr. Luo obtained a doctoral degree in animal genetics, breeding and reproduction from China Agricultural University (中國農業大學) in the PRC in June 2006. He also obtained a qualification certificate for senior livestock farming specialist (高級畜牧師) issued by Beijing Senior Professional Technical Position Review Committee (北京市高級專業技術職務評審委員會) in September 1997.

Mr. Su Xiaolong (蘇小龍), aged 39, an e-commerce officer of the Company. He is primarily responsible for managing the day-to-day operation of the e-commerce department of the Company.

Mr. Su has around 18 years of experience in e-commerce industry. He joined the Group in December 2018 as an e-commerce officer of the Company.

Prior to joining the Group, Mr. Su served as a marketing commissioner at IBM Blue Express Computer Technology Co., Ltd. (IBM藍色快車計算機技術有限公司) from September 2001 to September 2005. He worked as a marketing manager and business manager at Acorn International Inc. (橡果國際股份有限公司), a company whose shares are listed on the New York Stock Exchange (stock code: ATV), from October 2005 to January 2008. He was an officer of Beijing Golden Egg E-commerce Co., Ltd. (北京金蛋電子商務有限公司) and Cotton Times Technology Co., Ltd. (全棉時代科技有限公司) from February 2008 to September 2009 and October 2009 to October 2011, respectively. He also served as a general manager at Kangmei Kerry (Beijing) Trading Co., Ltd. (康美可瑞（北京）商貿有限公司) from April 2012 to November 2018.

Mr. Su completed his education specialising in mine surveying from Beijing Polytechnic College (北京工業職業技術學院) in the PRC in July 2001.

Mr. Ikeda Yoshiaki (池田良曉), aged 66, a chief consultant of the Company. He is primarily responsible for managing the operation of the Group's Japan research and development centre. He is a chief adviser of Japan Fengxiang.

Mr. Ikeda has over 42 years of experience in research and development of chicken meat products. He joined the Group in July 2017 as the Japan research and development officer of the Company.

Prior to joining the Group, Mr. Ikeda was the head of research and development department and quality and assurance department at Yokohama Co., Ltd. (横浜共立倉庫株式会社) from January 1977 to March 2001. He served various positions in the food research and development department and the products development department at the Foodlink Corporation (フードリンク株式会社) from May 2001 to March 2017 and his last position is the assistant of the head of business department and executive Director.

Mr. Ikeda completed his education specialising in marine navigation from Toyama National College of Maritime Technology (国立富山商船高等専門学校) in Japan in September 1976. He obtained a chef certificate issued by Nagasu Kazuji, Governor of Kanagawa in October 1992.

Mr. Li Libo (李立波), aged 47, a general manager of the domestic affairs department of the Company. He is primarily responsible for the domestic sales.

Mr. Li has over 24 years of experience in logistics and distribution. He joined the Group in July 2012. He then held various positions in Fengxiang Food Development. He served as a vice general manager of food business department, a general manager of the procurement centre, vice general manager, officer of the distribution channel department and general manager of the procurement department and the distribution channel department of Fengxiang Food Development from July 2012 to July 2018. He has been the general manager of the domestic affair department of the Company since July 2018.

Prior to joining the Group, he worked as a manager of delivery centre and a manager of production and sales department of Fengxiang Group from July 1995 to July 2012.

Mr. Li completed his education specialising in overseas economic management from Shandong Light Industry Economic Management School (山東省輕工業經濟管理學校) in the PRC in July 1995. He completed his education specialising in business management from Peking University (北京大學) in the PRC in October 2006. He also completed his education specialising in Chinese Enterprise Operator Project in Guanghua School of Management of Peking University (北京大學) in the PRC in July 2017.

Save as disclosed above and in "Appendix VII — Statutory and General Information — D. Further Information about the Directors and the Supervisors — 3. Miscellaneous", each of the Directors and Supervisors confirms with respect to him/her that: (i) he/she has not held any directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in the Company or any of the subsidiaries; (iii) he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for him/her pursuant to Rule 13.51(2) of the Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors and Supervisors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors and Supervisors that needs to be brought to the attention of the Shareholders.

JOINT COMPANY SECRETARIES

Mr. Shi Lei (石磊), one of our joint company secretaries, is also the chief financial officer of the Company. See "— Senior Management" above for his biographical details.

Ms. Mok Ming Wai (莫明慧), one of our joint company secretaries, is a director and the head of listing corporate services department of Trident Corporate Services (Asia) Limited ("**Trident**"), a global professional services firm.

She has over 20 years of professional and in-house experience in company secretarial field. Prior to joining Trident, she worked as a director and the head of listing services at TMF Group from January 2011 to October 2018. She is a fellow member of the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. She obtained a master degree of science in applied accounting and finance from the Hong Kong Baptist University in 2011. She is currently the company secretary of companies, whose shares are listed on the Stock Exchange, including China Yongda Automobiles Services Holdings Limited (中國永達汽車服務控股有限公司) (stock code: 03669), SPT Energy Group Inc. (華油能源集團有限公司) (stock code: 01251), China Fortune Financial Group Limited (中國富強金融集團有限公司) (stock code: 00290) and Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司) (stock code: 00460).

BOARD COMMITTEES

Audit committee

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, being Mr. Guo Tianyong, Mr. Zhang Ye and Mr. Chung Wai Man. The chairman of the audit committee is Mr. Chung Wai Man, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control risk management system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

Nomination committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, being Mr. Guo Tianyong and Mr. Zhang Ye, and one executive Director, being Mr. Liu ZG. The chairman of the nomination committee is Mr. Liu ZG. The primary duties of the nomination committee are to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment and removal of the Directors and senior management of the Company, and the implementation of the board diversity policy of the Company.

Remuneration committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of two independent non-executive Directors, being Mr. Guo Tianyong and Mr. Chung Wai Man, and one executive Director, being Mr. Liu ZG. The chairman of the remuneration committee is Mr. Guo Tianyong. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity on the Board. The board diversity policy provides that the Company should endeavour to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of the Group's business strategy. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, age, gender, cultural and education background, ethnicity and length of service.

We have three independent non-executive Directors with diverse industry backgrounds, representing over one-third of the members of the Board. Taking into account the existing business model, industry nature and specific needs as well as the different background of the Directors, the Directors consider that the composition of the Board upon Listing satisfies the board diversity policy while the Board recognises that the gender diversity at the board level can be further improved given its current composition of all-male directors.

The Company will continue to take steps to promote gender diversity of the Board and senior management. Under the board diversity policy, the Board shall increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments, so as to generally achieve gender diversity with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing greater gender diversity to the Board. In recognising the particular importance of gender diversity, we are committed to identify suitable female candidate(s) for future appointments to the Board and shall provide career development and training opportunities to our female staff such that they will be eligible for managerial and board-level positions in future. The nomination committee will, within two years from the Listing Date, identify and recommend one female candidate to the Board for its consideration on her appointment a director of the Company. While we recognise that gender diversity at the Board level can be improved given its current composition of all-male Directors, we will continue to apply the principle of appointment based on merits with reference to the diversity policy as a whole.

The nomination committee is delegated by the Board to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. After Listing, the nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

REMUNERATION POLICY

The Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension scheme contribution and other benefits in kind (if applicable) with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses the Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors, Supervisors and senior management and the performance of the Company.

COMPENSATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the four years ended 31 December 2016, 2017, 2018 and 2019, the aggregate amount of fees, salaries, allowances and benefits in kind and pension scheme contributions (if applicable) paid by the Company to the Directors and Supervisors were approximately RMB1.9 million, RMB2.1 million, RMB7.4 million and RMB7.4 million, respectively. The Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

For the four years ended 31 December 2016, 2017, 2018 and 2019, the aggregate amount of fees, salaries, allowances and benefits in kind and pension scheme contributions (if applicable) paid by the Company to the senior management were approximately RMB4.0 million, RMB4.6 million, RMB11.2 million and RMB7.5 million, respectively. The senior management's remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

The salaries, allowances and benefits in kind and pension scheme contributions (if applicable) payable by the Company to the top five highest paid individuals who are neither a Director nor chairman of the Board for the four years ended 31 December 2016, 2017, 2018 and 2019 were approximately RMB6.0 million, RMB3.9 million, RMB2.7 million and RMB3.6 million, respectively.

During the Track Record Period, no remuneration was paid by the Company to, or receivable by, the Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining the Company. No compensation was paid by us to, or receivable by, the Directors, past Directors, the Supervisors, past Supervisors or the five highest-paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of the Company.

None of the Directors or Supervisors had waived any remuneration during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by the Company or any of the subsidiaries to the Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

It is estimated that under the arrangements currently in force, the aggregate amount of compensation (including salaries and benefits in kind) payable to the Directors and Supervisors for the year ending 31 December 2020 will be approximately RMB7.5 million.

COMPLIANCE ADVISER

The Company has appointed Southwest Securities (HK) Capital Limited as the compliance adviser upon Listing 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 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 but not limited to share issues and share repurchases;

(c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of the Group deviate from any forecast, estimate, or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, Southwest Securities (HK) Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Southwest Securities (HK) Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines in Hong Kong.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after Listing.

CORPORATE GOVERNANCE CODE

The Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Directors will review the corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual reports upon Listing.

So far as the Directors are aware, as at the Latest Practicable Date and immediately prior to and following the completion of the Global Offering (taking no account of any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or underlying Shares which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, be 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 the Company:

Substantial Shareholders in Shares

Shareholders	Nature of interest	Class of Shares	Shares directly or indirectly held as at the date of this prospectus(5)(6)		Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)		Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)	
			Number	Approximate % of interest in the Company	Approximate % of interest in the Company	Approximate % of the relevant class of Shares	Approximate % of interest in the Company	Approximate % of the relevant class of Shares
Mr. Liu XJ(1)	Interest in controlled corporation	Domestic Shares	992,854,500(L)	95.01%	70.92%	95.01%	68.32%	95.01%
Ms. Zhang XY(2)	Interest of spouse	Domestic Shares	992,854,500(L)	95.01%	70.92%	95.01%	68.32%	95.01%
Mr. Liu ZG(1)(3)	Interest in controlled corporation	Domestic Shares	52,145,500(L)	4.99%	3.72%	4.99%	3.72%	4.99%
	Interests held jointly with another person	Domestic Shares	992,854,500(L)	95.01%	70.92%	95.01%	70.92%	95.01%
Mr. Liu ZM(1)(3)	Interest in controlled corporation	Domestic Shares	52,145,500(L)	4.99%	3.72%	4.99%	3.72%	4.99%
	Interests held jointly with another person	Domestic Shares	992,854,500(L)	95.01%	70.92%	95.01%	70.92%	95.01%
GMK Holdings(4)	Beneficial Interest	Domestic Shares	198,654,500(L)	19.01%	14.19%	19.01%	13.67%	19.01%
	Interest in controlled corporation	Domestic Shares	794,200,000(L)	76.00%	56.73%	76.00%	54.65%	76.00%
Fengxiang Group(4)	Beneficial Interest	Domestic Shares	627,000,000(L)	60.00%	44.79%	60.00%	43.14%	60.00%
Fengxiang Investment(4)	Beneficial Interest	Domestic Shares	167,200,000(L)	16.00%	11.94%	16.00%	11.51%	16.00%

Notes:

(1) The Company is owned as to 19.01% by GMK Holdings, 60% by Fengxiang Group, 16% by Fengxiang Investment and 4.99% by Guangdong Hengqin. Fengxiang Group and Fengxiang Investment are wholly owned by GMK Holdings and in turn held as to 51% by Mr. Liu XJ, 9% by Ms. Zhang XY, spouse of Mr. Liu XJ, 20% by Mr. Liu ZG and 20% by Mr. Liu ZM. By virtue of the SFO, Mr. Liu XJ is deemed to be interested in the Shares directly and indirectly held by GMK Holdings.

(2) Ms. Zhang XY and Mr. Liu XJ are spouses, and therefore Ms. Zhang XY is deemed to be interested in all of Mr. Liu XJ's interests in the Company by virtue of the SFO.

(3) Guangdong Hengqin is held as to 99% by Xizang Xinfengxiang and 1% by Xinfengxiang Guangming. Xizang Xinfengxiang is held as to 49.5% by Mr. Liu ZG, 49.5% by Mr. Liu ZM and 1% by Xinfengxiang Guangming. Xinfengxiang Guangming is a limited liability company established in the PRC on 26 March 2015, which is owned as to 50% by Mr. Liu ZG and 50% by Mr. Liu ZM, is the general partner of Guangdong Hengqin and Xizang Xinfengxiang. As such, each of Mr. Liu ZG and Mr. Liu ZM is deemed to be interested in the Shares held by Guangdong Hengqin and is indirectly interested in more than 10% of the nominal value of the Domestic Shares through GMK Holdings and Guangdong Hengqin.

(4) The Company is owned as to 19.01% by GMK Holdings, 60% by Fengxiang Group, 16% by Fengxiang Investment and 4.99% by Guangdong Hengqin. Fengxiang Group and Fengxiang Investment are wholly owned by GMK Holdings. By virtue of the SFO, GMK Holdings is deemed to be interested in the Shares held by Fengxiang Group and Fengxiang Investment.

(5) Same as the number of Shares held as at the date of the Listing application.

(6) The letter "L" denotes a long position in the Shares.

Save as disclosed above, the Directors are not aware of any person who will, immediately following the completion of the Global Offering (without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be 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 the Company.

SHARE CAPITAL

As at the Latest Practicable Date, the registered capital of the Company was RMB1,045,000,000 dividing into 1,045,000,000 Domestic Shares with a nominal value of RMB1.00 each, representing 100% of the total share capital of the Company.

Immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised, the total share capital of the Company will be as follows:

Shareholder	Number of Shares	Approximate percentage of total share capital
Domestic Shares	1,045,000,000	74.6%
H Shares issued pursuant to the Global Offering	355,000,000	25.4%
Total	1,400,000,000	100.0%

Immediately following completion of the Global Offering, assuming the Over-allotment Option is exercised in full, the total share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of total issued share capital
Domestic Shares	1,045,000,000	71.9%
H Shares issued pursuant to the Global Offering	408,250,000	28.1%
Total	1,453,250,000	100.0%

The above tables assume the Global Offering becomes unconditional and is completed.

PUBLIC FLOAT REQUIREMENTS

The Company undertakes that it will meet the public float requirement of at least 25% of the issuer's total number of issued shares must of all times be held by the public as repaired under Rule 8.08(1)(a) the Listing Rules at the time of Listing and after the completion of the Global Offering. We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

THE SHARES

The H Shares in issue following completion of the Global Offering and the Domestic Shares are ordinary Shares in the share capital of the Company. Domestic Shares and H Shares are regarded as different classes of shares under the Articles of Association. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can be subscribed for by and traded between legal or natural persons of the PRC and qualified foreign institutional investors. The differences between Domestic Shares and H Shares, and the provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of

Shares on different registers of Shareholders, the method of Share transfer, appointment of dividend receiving agents and circumstances under which general meeting and class meeting are required are set out in the Articles of Association and summarised in "Appendix VI — Summary of the Articles of Association". Under the Articles of Association, the rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the affected Shareholders at a separate meeting. The circumstances deemed to be a variation or abrogation of the rights of class Shareholders are listed in "Appendix VI — Summary of the Articles of Association". However, the procedures for approval by separate classes of Shareholders do not apply (i) where we issue, upon approval by a special resolution of the Shareholders in a general meeting, either separately or concurrently once every 12 months, Shares representing no more than 20% of each of the existing issued Domestic Shares and H Shares; (ii) where our plan to issue Domestic Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval of the securities regulatory authorities of the State Council; (iii) where the conversion of Domestic Shares for listing and trading on the Stock Exchange as H Shares has been approved by securities regulatory authorities of the State Council or (iv) where all or part of the Domestic Shares are converted into foreign shares and upon such conversion, the foreign shares are listed and traded on an overseas stock exchange.

RANKING

Except for the differences set out in "— The Shares" above, Domestic Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of Domestic Shares, dividends in the form of Shares will be distributed in the form of additional Domestic Shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange. Following the grant of relevant approvals, the holder of Domestic Shares shall submit an application to us to deregister the Domestic Shares to be converted from the Domestic Share register, together with the relevant document(s) of title. Upon all the requisite approvals being obtained, we will instruct the H Share Registrar to issue certificate(s) of such number of H Shares to the relevant holders of H Shares. Registration on our H Share register will be on the condition that (i) our H Share Registrar lodging with 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 (ii) the admission of the H Shares to trade on the Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. The converted Shares will not be listed as H Shares until they are registered on our H Share register.

As a result of the conversion, the shareholding of the relevant holder of Domestic Shares in our Domestic Share capital registered shall be reduced by the number of Domestic Shares converted and the number of H Shares shall be increased by the number of converted H Shares. As at the Latest Practicable Date, the Directors were not aware of any intention of any holder of Domestic Shares to convert all or part of their Domestic Shares into H Shares.

On 29 December 2017, the CSRC issued a press release in connection with the launch of the H share full circulation pilot project (H股全流通試點項目) (the "**Pilot Project**"). A participating company, which was a H share company listed on the Stock Exchange, in the Pilot Project would be allowed to convert certain of its domestic shares into H shares, which are eligible to be listed and traded on the Stock Exchange. On 15 November 2019, the CSRC announced to fully promote its "full circulation" reform of the H shares by covering both qualified H share companies already listed on the Stock Exchange and companies planning initial public offerings of the H shares on the Stock Exchange.

INCREASE IN SHARE CAPITAL

As advised by the PRC Legal Advisers, pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, the Company, upon the Listing of the H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of Shareholders whose interest is affected in a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than two thirds of the votes (including two-thirds) represented by the Shareholders (including proxies) present at the general meeting must be exercised in favour of the resolution. Resolutions of a class of Shareholders shall be passed by votes representing more than two thirds (including two-thirds) of Shareholders with voting rights attending the class Shareholders' meeting.

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 China Securities Depository and Clearing Corporation Limited within 15 business days upon listing.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which the Shareholders' general meeting and class Shareholders' meeting are required, see "Appendix VI — Summary of the Articles of Association — Notice of Meeting and Business to be Conducted Thereat".

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and the accompanying notes of the Group as at and for the four years ended 31 December 2016, 2017, 2018 and 2019 included as Appendix I to this prospectus. The consolidated financial statements included as Appendix I has been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements".

The following discussion and analysis also contains certain amounts and percentage figures that 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 and all momentary amounts shown are approximate amounts only.

OVERVIEW

We are the second largest fully integrated white-feathered broiler producer in the PRC in terms of commercial broiler production volume in 2019 with a market share of 3.1% according to the Frost & Sullivan Report. With track record of exporting both raw and processed white-feathered broilers products overseas, we are also the largest fully integrated white-feathered broiler meat exporter in the PRC in terms of export revenue and export volume in 2018 with a market share of 8.6% and 10.4%, respectively, according to the Frost & Sullivan Report. Our market share in the total production of white-feathered broilers and yellow-feathered broilers in the PRC in 2019 is 1.7% in terms of number of birds produced and 1.4% in terms of tonnes produced, according to the Frost & Sullivan Report.

We are principally based in Shandong in the PRC. Our main products include (1) chicken meat products, which mainly consist of raw chicken meat products and processed chicken meat products; and (2) chicken breeds. For the four years ended 31 December 2016, 2017, 2018 and 2019, our raw chicken meat products contributed to 62.4%, 54.7%, 53.8% and 48.1% of our total revenue, respectively, and our processed chicken meat products contributed to 26.7%, 37.4%, 37.0% and 36.5% of our total revenue, respectively.

One of our key competitive advantages is our vertically integrated business model for our chicken meat products, from chicken breeding, slaughtering and processing to sales of raw and processed chicken meat products, enabling us to control every stage of the poultry lifecycle and effectively manage quality and costs throughout the production process. As at the Latest Practicable Date, we had 22 breeder farms, three hatcheries, 45 broiler farms (11 of which have been modified from cage-free systems into battery cage systems), eight slaughtering and processing plants, two feedmills and one organic fertiliser plant.

We adopt both a B2B sales model and a B2C sales model. We sell our products to our B2B domestic customers either directly or through distributors, and to our B2B overseas customers directly. Our B2B customers include (i) foodservice or industrial customers; (ii) quick service restaurants; and (iii) retail groceries. In respect of our processed chicken meat products, we also adopt a B2C sales model where we sell our processed chicken meat products through third-party online and offline sales platforms to end-users in the PRC. Our chicken products are sold and marketed mainly under our brands "鳳祥食品 (Fovo Foods)" and "優形 (iShape)".

Our revenue has an increasing growth trend at a CAGR of 18.6% from RMB2,354.1 million in 2016 to RMB3,926.2 million in 2019. Our profit decreased from RMB119.8 million in 2016 to RMB37.1 million in 2017, but edged up to RMB136.6 million in 2018. Our profit significantly increased to RMB837.4 million in 2019, which was mainly attributable to the increase in the market price of chicken meat products and chicken breeds and partially attributable to the decrease in the average purchase costs of the raw materials, such as, soybean meal, in 2019.

BASIS OF PRESENTATION

The following discussion and analysis of the Group's financial condition and results of operations are based on the selected financial information as at and for the years ended 31 December 2016, 2017, 2018 and 2019, and are qualified entirely by reference to the historical financial information in the Accountants' Report set out in Appendix I to this prospectus and have been prepared based on the audited consolidated financial statements of the Group, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and International Accounting Standards ("**IAS**") issued by the International Accounting Standards Board ("**IASB**") and Interpretations issued by IFRS Interpretations Committee. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of biological assets and agricultural produce.

Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from banks and other financial institutions to fund its operations and business development. In light of the financial resources of the Group, including the anticipated operating cash inflows of the Group and financing from banks and other financial institutions, the Directors are of the opinion that the Group will have sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due during next 12 months. Therefore, the Historical Financial Information has been prepared on a going concern basis, notwithstanding that the Group had net current liabilities of RMB118.2 million as at 31 December 2019.

For the purposes of the Accountants' Report, the related financial information of Shandong Fengxiang Supermarket Co., Ltd. (山東鳳祥超市有限公司), a former subsidiary of the Group, which was principally engaged in the operation of supermarket in China and was disposed of by the Group on 29 December 2016, has been excluded from the financial statements throughout the Track Record Period, as its business was considered by the Directors to be separately managed and dissimilar in the nature of business conducted by the Group during the Track Record Period, and its related financial information was identifiable.

During the Track Record Period, the Company has completed an acquisition of Fengxiang Food which was under common control of the controlling shareholders of the Company. This acquisition are regarded as "business combination under common control". Accordingly, these financial statements have been prepared using the principles of merger accounting as if the current structure had been in existence throughout the Track Record Period.

The Group has adopted (i) IFRS 9, "Financial Instruments", effective for the period beginning on or after 1 January 2018, (ii) IFRS 15, "Revenue from contracts with customers"; and (iii) IFRS 16, "Leases", throughout the Track Record Period. The Directors confirm that the adoption of the IFRS 9, IFRS 15 and IFRS 16 had no significant impact on the Group's financial position and performance during the Track Record Period, when compared to that of IAS 39, IAS 18 and IAS 17, respectively.

The following discussion and analysis should be read together with the financial information and the notes thereto included in the Accountants' Report set out in Appendix I to this prospectus.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Fluctuations in Commodity Prices

Feed costs

Our results of operations are affected by feed costs, which comprises mainly costs of corn and soybean meal. These raw materials are commodities and thus are subject to significant price fluctuations. The price and supply of such raw materials may fluctuate significantly and are affected by various factors, including but not limited to the weather conditions, harvest conditions in major farming regions, government policies and initiatives and market competition. Our feed costs represented 50.2%, 45.4%, 37.9% and 34.3% of our cost of sales (before biological assets fair value adjustments) for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. We expect that feed costs will continue to be important to our results of operations.

The fluctuation in average prices of corn and soybean meal is primarily attributable to the policies of the PRC Government and the changes in consumers' demand and supply of such commodity in the global markets. The average prices for procuring the following raw materials per kg for the Track Record Period are set out below:

	Year ended 31 December						
	2016	2017	2018	2019	2016 vs 2017	2017 vs 2018	2018 vs 2019
					% Change	% Change	% Change
Average purchase price for corn (RMB/kg)	1.8	1.8	2.0	2.0	—	11.1	—
Average purchase price of soybean meal (RMB/kg)	3.0	3.0	3.2	3.0	—	6.7	(6.3)

Fluctuations in our feed costs and our ability to pass on any increase in raw material costs to our customers will affect our total cost of sales and our gross margins (before biological assets fair value adjustments). Based on the table above, the average absolute percentage changes per year in the average purchase prices of corn and soybean meal were from 0% to 11.1% during the Track Record Period. For illustrative purposes only, the following table illustrates the sensitivity of the changes in our gross profit margin (before biological assets fair value adjustments) in the event that there is a 5.0% or 10.0% increase or decrease in the prices of each of corn and soybean meal (while keeping the prices of the other cost of sales constant) during the Track Record Period:

	Corn prices					Soymeal prices				
	(10%)	(5%)	Base Case	5%	10%	(10%)	(5%)	Base Case	5%	10%
Gross profit margin of the Group for the year ended 31 December 2016	18.6%	17.6%	16.7%	15.7%	14.8%	17.7%	17.2%	16.7%	16.2%	15.6%
Gross profit margin of the Group for the year ended 31 December 2017	13.9%	13.0%	12.1%	11.1%	10.2%	13.0%	12.5%	12.1%	11.6%	11.1%
Gross profit margin of the Group for the year ended 31 December 2018	15.9%	15.2%	14.5%	13.7%	13.0%	15.2%	14.9%	14.5%	14.1%	13.7%
Gross profit margin of the Group for the year ended 31 December 2019	32.2%	31.7%	31.1%	30.6%	30.0%	31.7%	31.4%	31.1%	30.8%	30.5%

We entered into future contracts as hedging instruments in order to manage our exposure to the variability in the expected future cash flows attributable to commodity price risk associated with the forecasted purchase of soybean meal, corn and soybean oil. For further details on this hedging arrangement, see "— Market and Other Financial Risks — Price Risk" for more information. For risk relating to fluctuation of our feed costs, see "Risk Factors — Risks Relating to Our Business — Our results of operations are substantially affected by the selling prices of our poultry products, which affect our revenue, and by fluctuations in the purchase prices of raw materials or interruption in the supply of raw materials, which affect our costs".

Consumer Demand and Consumption Patterns for Our Products

Our results of operations are strongly affected by consumer demand and consumption patterns for chicken meat products. Consumer demand and consumption patterns for our 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 meat products generally and our products, outbreak of livestock diseases (such as avian influenza), 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. Raw chicken meat product prices typically move cyclically over time, reflecting changes in market demand and supply, and such fluctuation can be significant.

China's nominal GDP grew at a CAGR of 10.0% from 2015 to 2019. The per capita disposable income of Chinese urban households grew at CAGR of 8.0% from 2015 to 2019. These economic developments, coupled with enhanced awareness of food safety and quality issues, have resulted in Chinese consumers' increased preference for safe, high-quality branded meat products. In addition, we believe that there is significant growth potential in China for protein products. As the second largest animal protein in China, broiler meat plays an important role in China's protein products market. In 2019, according to Frost & Sullivan, China's total broiler meat consumption was 13.9 million tonnes, accounting for 12.9% of the total global consumption. According to Frost & Sullivan, China's white-feathered broiler meat consumption is expected to grow at a CAGR of 7.0% from 2019 to 2024. We believe that the continued development of China's economy and living standards will benefit the consumption of our broiler meat products.

Product Portfolio and Segment Mix

Our overall profitability is significantly affected by our business segments' revenue mix. Raw chicken meat products and processed chicken meat products are our main products among our four product segments. Our raw chicken meat products accounted for 62.4%, 54.7%, 53.8% and 48.1% of our total revenue in 2016, 2017, 2018 and 2019, respectively. Our processed chicken meat products accounted for 26.7%, 37.4%, 37.0% and 36.5% of our total revenue in 2016, 2017, 2018 and 2019, respectively. The price fluctuation of our raw chicken meat products is generally higher than processed chicken meat products and is generally market-driven. Compared to our processed chicken meat products, the fluctuation of gross profit margin of our raw chicken meat products is generally more volatile, as it is impacted significantly by changes in feed costs as well as fluctuations in average selling prices of raw chicken meat which is generally market-driven. The gross profit margin (before biological assets fair value adjustments) of our raw chicken meat product segment was 13.3%, 10.1%, 11.4% and 29.5% in 2016, 2017, 2018 and 2019, respectively. The gross profit margin of our processed chicken meat product segment is typically more stable when compared to our raw chicken meat product segment. The gross profit margin (before biological assets fair value adjustments) of our processed chicken meat product segment was 17.5%, 17.3%, 13.8% and 22.7% in 2016, 2017, 2018 and 2019, respectively. Our chicken breeds accounted for 6.3%, 2.9%, 5.4% and 10.9% of our total revenue in 2016, 2017, 2018 and 2019, respectively. While the segment's revenue contributions were not substantial, the gross profit margin of our chicken breeds segment experienced significant volatility during the Track Record Period due to price fluctuations which are beyond our control. For example, our revenue derived from the chicken breeds segment substantially decreased in 2017 due to a sharp price decrease during the year, and substantially increased in 2019 due to a sharp price increase during the year.

We intend to increase the proportion of our processed chicken meat products among our product segments in light of its relatively stable selling prices and gross profit margin, as compared to raw chicken meat products.

Our mix of product offerings have affected, and will continue to affect, our overall gross profit margin and our financial performance.

Taxation and Government Grants

Our profitability is affected by preferential tax treatments and government grants we enjoy during the Track Record Period. Under the EIT Law and the related implementation rules, our Chinese subsidiaries are subject to EIT at the rate of 25%. Pursuant to the EIT Law and the related implementation rules, our Chinese subsidiaries that engage in animal-husbandry are exempt from EIT on income derived from that business. 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) (財政部國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知(財稅[2008]149號)), our Chinese subsidiaries that carry out primary processing of agriculture products (for example, slaughtering of broilers) are exempt from EIT on income derived from that business.

We also received government grants, which are subject to the discretion of government authorities, during the Track Record Period. We recorded government grants of RMB4.0 million, RMB4.9 million, RMB6.6 million and RMB10.2 million in 2016, 2017, 2018 and 2019, respectively, accounting for 0.2%, 0.2%, 0.2% and 0.3% of our revenue during these respective periods, and accounting for 3.3%, 13.2%, 4.8% and 1.2% of our net profit in 2016, 2017, 2018 and 2019, respectively. These government grants included financial subsidies that we received from local governments in connection with the industry that we operate in and from in support of our industry's development.

There is no assurance that we will continue to enjoy the preferential tax treatments and government grants at the levels that we historically have, or at all. Any material reduction in the tax benefits and government grants that we enjoy may have a material adverse effect on our financial results.

Biological Fair Value Adjustments

Our results of operations are affected by changes in fair values of our biological assets. Our biological assets include (1) breeders, (2) broilers, and (3) broiler eggs. As discussed below, our results of operations are affected by these changes in two ways. In aggregate, these changes increased our profit for the year by RMB5.3 million, RMB8.7 million, RMB18.1 million and RMB3.4 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. For a presentation of our full results of operations both before and after biological assets fair value adjustments and the amounts of these three types of adjustments recorded during the Track Record Period, see our consolidated statements of comprehensive income in Appendix I to this prospectus.

Biological Assets Fair Value Adjustments

Our biological assets represent breeders, broilers, chicken breeds and broiler eggs. We measure our biological assets at their fair value less costs to sell when they are sold or as at the balance sheet dates pursuant to IAS 41 Agriculture. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss and presented as "Gain or loss arising from changes in fair value less costs to sell of biological assets" for the period in which it arises. Changes in the fair value less costs to sell of our biological assets resulted in our recognition of gain in the amount of RMB103.7 million, RMB14.4 million, RMB132.9 million and RMB393.7 million in our consolidated statements of comprehensive income for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. For further details, see "— Critical Accounting Policies and Estimates — Biological assets" below and "— Description of Selected Statement of Comprehensive Income Items — Gain arising from changes in fair value less costs to sell of biological assets" below. These fair value gains represent fair value changes of our live breeders, live broilers and broiler eggs during the year and those remain on our balance sheet at year-end less the costs to sell.

Fair values of biological assets are largely dependent on the number of chickens, type of chicken and their age. The fair value of our biological assets could also be affected by, among other things, the expected market price and the estimated yield of the agricultural produce, being chicken carcass, the expected market price of breeders and survival rate. Fair value gains do not generate any cash inflow for our operations and, similarly, fair value losses do not result in any cash outflows of our operations. We expect that our results will continue to be affected by changes in the fair value of our biological assets.

Fair Value Adjustments of Agricultural Produce

Chicken meat products are produced from agricultural produce (that is, chicken carcass) harvested from the Group's biological assets. We measure our agricultural produce (that is, the chicken carcass) harvested from the biological assets at their 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 and presented as "Gain or loss arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest" for the period in which it arises. Changes in the initial recognition of our agricultural produce at fair value less costs to sell at the point of harvest resulted in gains in the amount of RMB225.5 million, RMB250.5 million, RMB169.2 million and RMB402.8 million in our consolidated statements of comprehensive income for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. See "— Description of Selected Statement of Comprehensive Income Items — Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest" below. Agricultural produce is then transferred to inventories and upon subsequent sales, our cost of sales are also charged for changes in the initial recognition of agricultural produce at fair value less costs to sell at point of harvest.

Biological assets fair value adjustments increased our total cost of sales by RMB323.9 million, RMB256.1 million, RMB283.9 million and RMB793.0 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively.

Production Capacity and Capacity Utilisation

Our results of operations are affected by the growth in capacity and utilisation of our production facilities. For 2016, 2017, 2018 and 2019, we had an average utilisation rate of 85.8%, 86.7%, 84.6%, 88.1% for our breeder farms, an average utilisation rate of 98.8%, 98.6%, 91.0%, 90.0% for our broiler farms, an average utilisation rate of 85.4%, 86.5%, 80.1%, 75.6% for our slaughtering operations and an average utilisation rate of 77.0%, 80.0%, 75.7%, 75.7% for our processing operations. By the end of 2020, the annual maximum design capacity of our breeder farms is expected to increase by 35.5%, the annual production capacity of our broiler farms is expected to increase by 39.7%, and the annual production capacity of our slaughtering operations is expected to increase by 67.0%, as compared to our maximum annual production capacity for the year ended 31 December 2019. We believe increase in our production capacity will help us broaden our market reach and will continue to drive our growth in the foreseeable future.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for you to understand our financial condition and results of operations, are set forth in details in Note 5 to the Accountant's Report in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgements 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 judgements used in preparing our financial statements.

Revenue Recognition

(i) Sale of goods — 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 in exchange for those goods or services, 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.

(ii) Interest income — Interest income is recognised as it accrues using the effective interest method.

Biological Assets

Our biological assets represent breeders, broilers and broiler eggs. We measure biological assets on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce harvested from the biological assets are measured at their 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.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on standard costing basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Useful Lives and Residual Values of Non-current Assets

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically review the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on our historical experience with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Intangible Assets

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is stated at cost less accumulated amortisation and impairment losses, if any. These costs are amortised on the straight-line basis over their estimated useful lives of 10 years.

The intangible assets of the Group and the Company mainly represents its purchased computer software, namely systems applications and products in data processing ("**SAP system**"), a well-developed system which consists of a number of fully integrated modules and covers virtually every aspect of business management. The Company expects that the SAP system would be available for use for 10 years, which forms the basis of its useful life, after taking into account, among other things, that the production processes of the Group did not have material changes in the past few years and are not expected to be changed materially in the near future.

Fair Value Measurement of Biological Assets

The Group's management determine the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, costs incurred and professional valuation.

The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. These determinations involve the use of significant judgement. If actual results differ from our original estimates, these differences from the original estimates will affect the fair value changes we recognise in profit or loss in the period in which the estimates change and in future periods. The fair value of our biological assets as at 31 December 2016, 2017, 2018 and 2019 was RMB225.7 million, RMB231.5 million, RMB265.4 million and RMB299.8 million, respectively.

DESCRIPTION OF SELECTED STATEMENT OF COMPREHENSIVE INCOME ITEMS

Revenue

Our revenue is derived from four product segments: (1) revenue from our raw chicken meat products segment includes sales of fresh chilled and frozen chicken meat products, (2) revenue from our processed chicken meat products segment includes sales of chilled and frozen processed chicken meat products, including seasoned, semi-cooked and fully-cooked products, (3) revenue from our chicken breeds segment includes sales of live chicks, and (4) revenue from our other segment primarily includes sales of broilers that cannot satisfy our quality requirements (淘汰雞) and excess broiler eggs that exceed our internal need, by-products, organic fertiliser, black-bone chicken meat products (being our Sichuan Mountain Black Bone Chicken), packing materials and other miscellaneous products. Our revenue on a consolidated basis is arrived at after elimination of inter-segment transactions. As a result, our discussions of operating segments below use revenue amounts that include only sales to external customers.

The table below sets forth our revenue (after elimination of inter-segment transactions) by product segments for the years indicated.

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Raw chicken meat products	1,469,917	62.4	1,330,977	54.7	1,719,278	53.8	1,887,398	48.1
Processed chicken meat products	627,971	26.7	910,018	37.4	1,183,568	37.0	1,433,227	36.5
Chicken breeds	149,367	6.3	69,875	2.9	172,110	5.4	426,448	10.9
Others	106,849	4.6	123,522	5.0	122,143	3.8	179,144	4.5
Total	2,354,104	100.0	2,434,392	100.0	3,197,099	100.0	3,926,217	100.0

The table below sets forth our sales volume, average selling price and gross profit by product segments for the years indicated.

	For the year ended 31 December											
	2016			2017			2018			2019		
	Sales volume(1)	Average selling price(2)	Gross profit(3)	Sales volume(1)	Average selling price(2)	Gross profit(3)	Sales volume(1)	Average selling price(2)	Gross profit(3)	Sales volume(1)	Average selling price(2)	Gross profit(3)
	('000)	(RMB)	(RMB)	('000)	(RMB)	(RMB)	('000)	(RMB)	(RMB)	('000)	(RMB)	(RMB)
Raw chicken meat products	169,884	8.7	1.2	158,603	8.4	0.9	173,267	9.9	1.1	159,901	11.8	3.5
Processed chicken meat products	31,857	19.7	3.5	47,726	19.1	3.3	61,192	19.3	2.7	69,566	20.6	4.7
Chicken breeds	47,892	3.1	1.6	47,446	1.5	-0.2	46,666	3.7	1.9	60,446	7.1	5.2

Notes:

(1) Per kg for raw chicken meat products and processed chicken meat products segments, and per bird for chicken breeds segment.

(2) RMB/kg for raw chicken meat products and processed chicken meat products segments, and RMB/bird for chicken breeds segment. The average selling price has been rounded to one decimal place.

(3) RMB/kg for raw chicken meat products and processed chicken meat products segments, and RMB/bird for chicken breeds segment. For details of the gross profit and gross profit margins of our product segments during the Track Record Period, see "Financial Information — Description of Selected Statement of Comprehensive Income Items — Gross Profit and Gross Profit Margin".

(4) The "others" product segment comprises a variety of different products with different measurement basis and average selling prices. Accordingly, an average sale volume and selling price for the entire "others" product segment is not available.

The following sensitivity analysis illustrates the impact of hypothetical changes in the average selling prices of our raw chicken meat products on our revenue, gross profit (before biological assets fair value adjustments) and gross profit margin (before biological assets fair value adjustments) during the Track Record Period. Fluctuations are assumed to be 10% and 20%, for the four years ended 31 December 2016, 2017, 2018 and 2019, which are within the range of fluctuations in the average selling price of raw chicken meat products of the Group during the Track Record Period:

For the year ended 31 December 2016				
% Change in average selling price of raw chicken meat products	20%	10%	(10%)	(20%)
Corresponding change in revenue (RMB'000)	293,983.3	146,991.7	(146,991.7)	(293,983.3)
% Change in revenue	12.5%	6.2%	(6.2%)	(12.5%)
Corresponding change in gross profit (RMB'000)	293,983.3	146,991.7	(146,991.7)	(293,983.3)
% Change in gross profit	75.0%	37.5%	(37.5%)	(75.0%)
Corresponding change in gross profit margin (%)	11.1%	5.9%	(6.7%)	(14.3%)
Absolute change in gross profit margin (%)	9.3%	4.9%	(5.6%)	(11.9%)
For the year ended 31 December 2017				
% Change in average selling price of raw chicken meat products	20%	10%	(10%)	(20%)
Corresponding change in revenue (RMB'000)	266,195.5	133,097.7	(133,097.7)	(266,195.5)
% Change in revenue	10.9%	5.5%	(5.5%)	(10.9%)
Corresponding change in gross profit (RMB'000)	266,195.5	133,097.7	(133,097.7)	(266,195.5)
% Change in gross profit	90.8%	45.4%	(45.4%)	(90.8%)
Corresponding change in gross profit margin (%)	9.9%	5.2%	(5.8%)	(12.3%)
Absolute change in gross profit margin (%)	8.7%	4.6%	(5.1%)	(10.8%)
For the year ended 31 December 2018				
% Change in average selling price of raw chicken meat products	20%	10%	(10%)	(20%)
Corresponding change in revenue (RMB'000)	343,855.5	171,927.8	(171,927.8)	(343,855.5)
% Change in revenue	10.8%	5.4%	(5.4%)	(10.8%)
Corresponding change in gross profit (RMB'000)	343,855.5	171,927.8	(171,927.8)	(343,855.5)
% Change in gross profit	74.4%	37.2%	(37.2%)	(74.4%)
Corresponding change in gross profit margin (%)	9.7%	5.1%	(5.7%)	(12.1%)
Absolute change in gross profit margin (%)	8.3%	4.4%	(4.9%)	(10.3%)
For the year ended 31 December 2019				
% Change in average selling price of raw chicken meat products	20%	10%	(10%)	(20%)
Corresponding change in revenue (RMB'000)	377,366.4	188,683.2	(188,683.2)	(377,366.4)
% Change in revenue	9.6%	4.8%	(4.8%)	(9.6%)
Corresponding change in gross profit (RMB'000)	377,366.4	188,683.2	(188,683.2)	(377,366.4)
% Change in gross profit	30.9%	15.5%	(15.5%)	(30.9%)
Corresponding change in gross profit margin (%)	8.8%	4.6%	(5.0%)	(10.6%)
Absolute change in gross profit margin (%)	6.0%	3.2%	(3.5%)	(7.3%)

The following sensitivity analysis illustrates the impact of hypothetical changes in the average selling prices of our processed chicken meat products on our revenue, gross profit (before biological assets fair value adjustments) and gross profit margin (before biological assets fair value adjustments) during the Track Record Period. Fluctuations are assumed to be 10% and 20%, which are within the range of fluctuations in the average selling price of processed chicken meat products during the Track Record Period:

For the year ended 31 December 2016				
% Change in average selling price of processed chicken meat products	20%	10%	(10%)	(20%)
Corresponding change in revenue (RMB'000)	125,594.3	62,797.1	(62,797.1)	(125,594.3)
% Change in revenue	5.3%	2.7%	(2.7%)	(5.3%)
Corresponding change in gross profit (RMB'000)	125,594.3	62,797.1	(62,797.1)	(125,594.3)
% Change in gross profit	32.0%	16.0%	(16 .0%)	(32.0%)
Corresponding change in gross profit margin (%)	5.1%	2.6%	(2.7%)	(5.6%)
Absolute change in gross profit margin (%)	4.2%	2.2%	(2.3%)	(4.7%)

For the year ended 31 December 2017				
% Change in average selling price of processed chicken meat products	20%	10%	(10%)	(20%)
Corresponding change in revenue (RMB'000)	182,003.5	91,001.8	(91,001.8)	(182,003.5)
% Change in revenue	7.5%	3.7%	(3.7%)	(7.5%)
Corresponding change in gross profit (RMB'000)	182,003.5	91,001.8	(91,001.8)	(182,003.5)
% Change in gross profit	62.1%	31.0%	(31.0%)	(62.1%)
Corresponding change in gross profit margin (%)	7.0%	3.6%	(3.9%)	(8.1%)
Absolute change in gross profit margin (%)	6.1%	3.2%	(3.4%)	(7.1%)
For the year ended 31 December 2018				
% Change in average selling price of processed chicken meat products	20%	10%	(10%)	(20%)
Corresponding change in revenue (RMB'000)	236,713.6	118,356.8	(118,356.8)	(236,713.6)
% Change in revenue	7.4%	3.7%	(3.7%)	(7.4%)
Corresponding change in gross profit (RMB'000)	236,713.6	118,356.8	(118,356.8)	(236,713.6)
% Change in gross profit	51.2%	25.6%	(25.6%)	(51.2%)
Corresponding change in gross profit margin (%)	6.9%	3.6%	(3.8%)	(8.0%)
Absolute change in gross profit margin (%)	5.9%	3.1%	(3.3%)	(6.8%)
For the year ended 31 December 2019				
% Change in average selling price of processed chicken meat products	20%	10%	(10%)	(20%)
Corresponding change in revenue (RMB'000)	286,612	143,306	(143,306)	(286,612)
% Change in revenue	7.3%	3.7%	(3.7%)	(7.3%)
Corresponding change in gross profit (RMB'000)	286,612	143,306	(143,306)	(286,612)
% Change in gross profit	23.5%	11.7%	(11.7%)	(23.5%)
Corresponding change in gross profit margin (%)	6.8%	3.5%	(3.8%)	(7.9%)
Absolute change in gross profit margin (%)	4.7%	2.4%	(2.6%)	(5.4%)

The following sensitivity analysis illustrates the impact of hypothetical changes in the average selling prices of our chicken breeds on our revenue, gross profit (before biological assets fair value adjustments) and gross profit margin (before biological assets fair value adjustments) during the Track Record Period. Fluctuations are assumed to be 100% and 200% for the four years ended 31 December 2016, 2017, 2018 and 2019, which are within the range of fluctuations in the average selling price of chicken breeds during the Track Record Period:

For the year ended 31 December 2016				
% Change in average selling price of chicken breeds	150%	130%	(30%)	(50%)
Corresponding change in revenue (RMB'000)	224,049.9	194,176.5	(44,810.0)	(74,683.3)
% Change in revenue	9.5%	8.3%	(1.9%)	(3.2%)
Corresponding change in gross profit (RMB'000)	224,049.9	194,176.5	(44,810.0)	(74,683.3)
% Change in gross profit	57.1%	49.5%	(11.4%)	(19.1%)
Corresponding change in gross profit margin (%)	8.7%	7.6%	(1.9%)	(3.3%)
Absolute change in gross profit margin (%)	7.2%	6.4%	(1.6%)	(2.7%)
For the year ended 31 December 2017				
% Change in average selling price of chicken breeds	150%	130%	(30%)	(50%)
Corresponding change in revenue (RMB'000)	104,813.2	90,838.1	(20,962.6)	(34,937.7)
% Change in revenue	4.3%	3.7%	(0.7%)	(1.4%)
Corresponding change in gross profit (RMB'000)	104,813.2	90,838.1	(20,962.6)	(34,937.7)
% Change in gross profit	35.7%	31.0%	(7.2%)	(11.9%)
Corresponding change in gross profit margin (%)	4.1%	3.6%	(0.9%)	(1.5%)
Absolute change in gross profit margin (%)	3.6%	3.2%	(0.8%)	(1.3%)

For the year ended 31 December 2018				
% Change in average selling price of chicken breeds	150%	130%	(30%)	(50%)
Corresponding change in revenue (RMB'000)	258,165.3	223,743.2	(51,633.1)	(86,055.1)
% Change in revenue	8.1%	7.0%	(1.6%)	(2.7%)
Corresponding change in gross profit (RMB'000)	258,165.3	223,743.2	(51,633.1)	(86,055.1)
% Change in gross profit	55.8%	48.4%	(11.2%)	(18.6%)
Corresponding change in gross profit margin (%)	7.5%	6.5%	(1.6%)	(2.8%)
Absolute change in gross profit margin (%)	6.4%	5.6%	(1.4%)	(2.4%)
For the year ended 31 December 2019				
% Change in average selling price of chicken breeds	150%	130%	(30%)	(50%)
Corresponding change in revenue (RMB'000)	643,750	557,916.6	(128,750)	(214,583.3)
% Change in revenue	16.4%	14.2%	(3.3%)	(5.5%)
Corresponding change in gross profit (RMB'000)	643,750	557,916.6	(128,750)	(214,583.3)
% Change in gross profit	52.7%	45.7%	(10.5%)	(17.6%)
Corresponding change in gross profit margin (%)	14.1%	12.4%	(3.4%)	(5.8%)
Absolute change in gross profit margin (%)	9.7%	8.6%	(2.3%)	(4%)

The above sensitivity analyses assume that only one variable changes while other variables remain unchanged. They are intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that these sensitivity analyses are not intended to be exhaustive and are limited to the impact of changes in the average selling prices of our main product segments.

The table below sets forth our revenue by geographic areas and product segments for the years indicated.

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Mainland China	**1,803,800**	**76.6**	**1,773,053**	**72.7**	**2,236,454**	**69.9**	**2,959,778**	**75.4**
Raw chicken meat products	1,290,740	54.8	1,160,219	47.7	1,393,235	43.6	1,641,933	41.8
Processed chicken meat products	256,844	10.9	419,437	17.1	548,966	17.1	712,253	18.1
Chicken breeds	149,367	6.3	69,875	2.9	172,110	5.4	426,448	10.9
Others	106,849	4.6	123,522	5.0	122,143	3.8	179,144	4.6
Japan	**338,928**	**14.4**	**420,203**	**17.3**	**491,071**	**15.4**	**461,599**	**11.8**
Processed chicken meat products	338,928	14.4	420,203	17.3	491,071	15.4	461,599	11.8
Malaysia	**160,553**	**6.8**	**151,028**	**6.2**	**302,284**	**9.5**	**220,715**	**5.6**
Raw chicken meat products	160,553	6.8	151,028	6.2	302,284	9.5	220,715	5.6
European Union	**17,964**	**0.8**	**30,440**	**1.3**	**66,645**	**2.1**	**186,602**	**4.8**
Raw chicken meat products	—	—	5,547	0.2	327	—	—	0.0
Processed chicken meat products	17,964	0.8	24,893	1.1	66,318	2.1	186,602	4.8
Others countries	**32,859**	**1.4**	**59,668**	**2.5**	**100,645**	**3.1**	**97,523**	**2.5**
Raw chicken meat products	18,624	0.8	14,183	0.6	23,432	0.7	24,750	0.6
Processed chicken meat products	14,235	0.6	45,485	1.9	77,213	2.4	72,773	1.9
Total	2,354,104	100.0	2,434,392	100.0	3,197,099	100.0	3,926,217	100.0

Our sales to overseas customers during the Track Record Period were not subject to any overseas tax exposure. Any import taxes imposed on our products sold to overseas customers were borne by the overseas customers.

Cost of Sales

Our cost of sales consists primarily of direct raw materials (primarily feed costs), direct labour, depreciation, utilities, repairs and maintenance, as well as biological assets fair value adjustments.

The direct raw materials used in our production are primarily feeds including corn and soybean meal. Other costs on direct raw materials include costs on procurement of raw chicken meat from third party suppliers, accessory food, packaging materials and medicine. Depreciation represents depreciation on machinery and equipment. Utilities includes electricity and gas.

In addition, when our biological assets and agricultural produces are being sold during the year, our cost of sales is adjusted by changes in fair values of our biological assets. We adjust our cost of sales for changes in fair values of biological assets, with fair value gains increasing our cost of sales and fair value losses decreasing our cost of sales, although the timing of these adjustments to our cost of sales are not necessarily the same as the related gains or losses. Our cost of sales in each reporting year is adjusted to add (i) a gain or loss arising from agriculture produce (i.e. chicken carcass) at fair value less costs to sell at the point of harvest (i.e. slaughtering of live chickens) that we sold in that year, and (ii) gain or loss arising from changes in fair value less costs to sell of biological assets recognised previously. These adjustments increased our total cost of sales by RMB323.9 million, RMB256.1 million, RMB283.9 million and RMB793.0 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. Our biological assets fair value adjustments decreased by 20.9% from RMB323.9 million for the year ended 31 December 2016 to RMB256.1 million for the year ended 31 December 2017, primarily due to the decrease in market prices of chicken breeds in 2017. Our biological assets fair value adjustments increased by 179.3% from RMB283.9 million for the year ended 31 December 2018 to RMB793.0 million for the year ended 31 December 2019, primarily due to the increase in market prices of live broilers and chicken breeds in the year ended 31 December 2019. See "— Principal Factors Affecting Our Results of Operations — Fair value adjustments of biological assets" above for more information on these biological assets fair value adjustments.

The table below sets forth our cost of sales by category for the years indicated.

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Direct raw materials								
Feeds	985,424	43.1	971,836	40.5	1,037,042	34.3	926,429	26.5
Procurement of raw chicken meat	90,454	4.0	132,532	5.5	394,455	13.1	549,337	15.7
Accessory food, packaging materials and others	238,952	10.4	289,226	12.1	366,704	12.2	364,885	10.4
Direct labour	265,883	11.6	325,902	13.6	398,104	13.2	347,272	9.9
Depreciation	109,577	4.8	114,346	4.8	136,223	4.5	141,184	4.0
Utilities	93,617	4.1	108,303	4.5	139,051	4.6	128,664	3.7
Repairs and maintenance	42,966	1.9	44,169	1.8	55,712	1.8	42,420	1.2
Others	135,104	5.9	154,852	6.5	207,861	6.9	204,566	5.9
Cost of sales results before agricultural produce fair value adjustments	1,961,977	85.8	2,141,166	89.3	2,735,152	90.6	2,704,757	77.3
Biological assets fair value adjustments	323,881	14.2	256,127	10.7	283,943	9.4	793,045	22.7
Total	2,285,858	100.0	2,397,293	100.0	3,019,095	100.0	3,497,802	100.0

During the Track Record Period, feed costs remained the simple largest cost item in our cost of sales. The following sensitivity analysis illustrates the impact of hypothetical changes in the feed costs on our net profit (before biological assets fair value adjustments) during the Track Record Period:

For the year ended 31 December 2016								
% Change in feed costs	10%	5%	2%	1%	(1%)	(2%)	(5%)	(10%)
Corresponding change in net profit (RMB'000)	(98,542.4)	(49,271.2)	(19,708.5)	(9,854.2)	9,854.2	19,708.5	49,271.2	98,542.4
% Change in net profit	(86.0)%	(43.0)%	(17.2)%	(8.6)%	8.6%	17.2%	43.0%	86.0%
For the year ended 31 December 2017								
% Change in feed costs	10%	5%	2%	1%	(1%)	(2%)	(5%)	(10%)
Corresponding change in net profit (RMB'000)	(97,184)	(48,592)	(19,437)	(9,718)	9,718	19,437	48,592	97,184
% Change in net profit	(341.9)%	(171.0)%	(68.4)%	(34.2)%	34.2%	68.4%	171.0%	341.9%
For the year ended 31 December 2018								
% Change in feed costs	10%	5%	2%	1%	(1%)	(2%)	(5%)	(10%)
Corresponding change in net profit (RMB'000)	(103,704)	(51,852)	(20,741)	(10,370)	10,370	20,741	51,852	103,704
% Change in net profit	(87.5)%	(43.8)%	(17.5)%	(8.8)%	8.8%	17.5%	43.8%	87.5%
For the year ended 31 December 2019								
% Change in feed cost	10%	5%	2%	1%	(1%)	(2%)	(5%)	(10%)
Corresponding change in net profit (RMB'000)	(92,642.9)	(46,321.5)	(18,528.6)	(9,264.3)	9,264.3	18,528.6	46,321.5	92,642.9
% Change in net profit	(11.1)%	(5.6)%	(2.2)%	(1.1)%	1.1%	2.2%	5.6%	11.1%

The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged and that costs of internally produced feed change at the same rates as the prices for externally purchased feed. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the price for feed for our operations.

The table below sets forth our cost of sales (before biological assets fair value adjustments) by products segments for the years indicated.

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	% of cost of sales	RMB'000	% of cost of sales	RMB'000	% of cost of sales	RMB'000	% of cost of sales
Raw chicken meat products	1,274,469	65.0	1,196,179	55.9	1,523,908	55.7	1,330,042	49.2
Processed chicken meat products	518,000	26.4	752,824	35.2	1,020,552	37.3	1,107,655	41.0
Chicken breeds	74,789	3.8	80,676	3.7	81,330	3.0	112,130	4.1
Others	94,719	4.8	111,487	5.2	109,362	4.0	154,930	5.7
Total	1,961,977	100.0	2,141,166	100.0	2,735,152	100.0	2,704,757	100.0

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents gross profit as a percentage of revenue. Our cost of sales is adjusted by changes in fair values of our biological assets[1].

[1] "Biological asset" is defined as a living animal or plant under IAS 41, in our case refers to breeders, broilers and broiler eggs.

As the Group carries out agricultural activity, the accounting standard IAS 41 is applicable to us. The objective of IAS 41 is to establish standards of accounting for agricultural activity — the management of biological transformation of biological assets (that is, breeders, broilers and broiler eggs for the Group) to agricultural produce (that is, chicken carcass for the Group). IAS 41 requires that the biological assets to be measured at fair value less costs to sell. This method should be used when initially measuring the biological assets and then at every balance sheet dates. Biological assets are measured at fair value in order to allow users to gain more timely information; for example, they are able to assess the value of their investment and efforts of management over the period to accrete value to the biological assets.

Accordingly, as required by IAS 41, we measure our biological assets at their fair values less costs to sell[2]. We also measure our agricultural produces (that is, the chicken carcass) harvested from the biological assets at their fair values less costs to sell at the point of harvest[3]. Such measurement is the cost at that date when applying IAS 2 Inventories. In this connection, when we sell our biological assets and agricultural produces, our cost of sales is adjusted, with fair value gains increasing our cost of sales and fair value losses decreasing our cost of sales. We recognised fair value gains during the Track Record Period. As such, fair value adjustments led to an increase in our cost of sales, which in turn led to a reduction in our gross profit, during the Track Record Period.

Our gross profit after biological assets fair value adjustments was RMB68.2 million, RMB37.1 million, RMB178.0 million and RMB428.4 million in 2016, 2017, 2018 and 2019, respectively. Our gross profit margin after biological assets fair value adjustments was 2.9%, 1.5%, 5.6% and 10.9% in these respective periods.

Our gross profit before biological assets fair value adjustments was RMB392.1 million, RMB293.2 million, RMB461.9 million and RMB1,221.5 million in 2016, 2017, 2018 and 2019, respectively. Our gross profit margin before biological assets fair value adjustments was 16.7%, 12.0%, 14.4% and 31.1% in these respective periods.

The table below sets forth our gross profit and gross profit margin (before biological assets fair value adjustments) by product segments for the years indicated.

	For the year ended 31 December							
	2016		2017		2018		2019	
	RMB'000	% of total gross profit	RMB'000	% of total gross profit	RMB'000	% of total gross profit	RMB'000	% of total gross profit
Raw chicken meat products	195,448	49.8	134,798	46.0	195,370	42.3	557,356	45.6
Processed chicken meat products	109,971	28.1	157,194	53.6	163,016	35.2	325,572	26.7
Chicken breeds	74,578	19.0	(10,801)	(3.7)	90,780	19.7	314,318	25.7
Others	12,130	3.1	12,035	4.1	12,781	2.8	24,214	2.0
Total	392,127	100.0	293,226	100.0	461,947	100.0	1,221,460	100.0

2 "Costs to sell" is defined as incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes under IAS 41.

3 "Harvest" is defined as the detachment of produce from a biological assets or the cessation of a biological asset's life processes under IAS 41. As such, the point of harvest for the Group's biological assets is at the time of slaughtering of live broilers.

	Year ended 31 December			
	2016	2017	2018	2019
	%	%	%	%
Gross profit margin				
Raw chicken meat products	13.3	10.1	11.4	29.5
Processed chicken meat products	17.5	17.3	13.8	22.7
Chicken breeds	49.9	(15.5)	52.7	73.7
Others	11.4	9.7	10.5	13.5
Overall	16.7	12.0	14.4	31.1

Reconciliation of gross profit before and after biological assets fair value adjustments

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Gross profit (before biological assets fair value adjustments	392,127	293,226	461,947	1,221,460
Biological assets fair value adjustments	(323,881)	(256,127)	(283,943)	(793,045)
Gross profit (after biological assets fair value adjustments)	68,246	37,099	178,004	428,415

Generally, the gross profit margin for our processed chicken meat products is higher than that of our raw chicken meat products. In the year ended 31 December 2019, the gross profit margin of our raw chicken meat products was particularly high, primarily due to (i) an increase in the average selling prices of raw chicken meat products primarily as a result of increase in demand stimulated by the substitution effect of protein sources caused by the outbreak of African Swine Fever in 2018, (ii) decrease in feed costs, and (iii) a decrease in direct labour costs. For details, see "— Results of our operations — The year ended 31 December 2019 compared with the year ended 31 December 2018 — Gross profit and gross profit margin".

Gain Arising on Initial Recognition of Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

We recognised gains of RMB225.5 million, RMB250.5 million, RMB169.2 million and RMB402.8 million arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest in the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. See "— Principal Factors Affecting Our Results of Operations — Fair value adjustments of agricultural produce" above for more information.

Gain Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

For breeders, broilers and broiler eggs that remained as our biological assets at the end of a reporting period, we recognise gains or losses equal to the change in the fair value of these biological assets, less costs to sell at the period-end. At each balance sheet date, the Group's biological assets are valued at fair value less point-of-sale costs at year-end. The aggregate gains or losses arising from the initial recognition of the biological assets and from the change in the fair value of the biological assets less point-of-sale costs, is recognised in the Group's income statement as profit or loss. Any such profit or loss reflects only unrealised gains or losses on the Group's biological assets as at the relevant balance sheet date and does not generate actual cash inflow or outflow. We recognised gains of RMB103.7 million, RMB14.4 million, RMB132.9 million and RMB393.7 million arising from changes in fair value less costs to sell of biological assets in 2016, 2017, 2018 and 2019, respectively. See "— Principal Factors Affecting Our Results of Operations — Biological assets fair value adjustments" above for more information.

Other Income and Gains

Our other income and gains principally consisted of interest income from banks, exchange gains from foreign currency translation and government grants. We exported a portion of our products to overseas customers outside the PRC. We recorded exchange gains of RMB5.5 million, nil, nil and RMB7.0 million in 2016, 2017, 2018 and 2019, respectively, primarily due to the weakening of RMB against certain currencies used in the countries that we exported to. Government grants, which are subject to the discretion of government authorities, affected our profitability during the Track Record Period. During the Track Record Period, our government grants included financial subsidies, including in the form of reimbursement of certain of our expenses, that we received from various levels of government authorities in support of our business in the agriculture industry and for our use of certain environmentally friendly facilities. Our other income and gains was RMB14.4 million, RMB12.3 million, RMB13.0 million and RMB27.9 million in for the years ended 31 December 2016, 2017, 2018 and 2019, respectively.

Selling and Distribution Costs

Our selling and distribution costs principally consisted of employee compensation for sales and marketing staff, transportation costs, promotion and advertising expenses, travel expenses, depreciation and other sales-related expenses.

The following table sets out our selling and distribution expenses during the Track Record Period:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Employee compensation	38,564	33,025	35,207	44,564
Transportation costs	34,035	33,106	46,985	54,006
Promotion and advertising expenses	24,793	8,407	20,892	43,395
Depreciation	347	343	402	579
Travel expenses	8,366	7,264	8,097	9,207
Rental expenses	1,158	1,254	2,202	1,982
Others	4,944	5,783	6,628	5,557
Total	112,207	89,182	120,413	159,290

In 2016, 2017, 2018 and 2019, our selling and distribution costs were RMB112.2 million, RMB89.2 million, RMB120.4 million and RMB159.3 million, representing 4.8%, 3.7%, 3.8% and 4.1% of our revenue, respectively.

Administrative Expenses

Our administrative expenses principally consisted of employee compensation for administrative staff, other tax expenses (including taxes relating to land-use-rights, property tax and stamp duty), depreciation, travel expenses, rental expenses, consultancy and professional fees, utilities and other administrative-related expenses. In 2016, 2017, 2018 and 2019, our administrative expenses were RMB104.9 million, RMB109.5 million, RMB134.7 million and RMB160.6 million, representing 4.5%, 4.5%, 4.2% and 4.1% of our revenue, respectively.

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

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Employee compensation	56,501	57,071	70,829	67,682
Other tax expenses	14,965	16,127	21,407	24,165
Depreciation	6,359	7,416	9,794	11,343
Exchange loss	—	3,797	948	—
Travel expenses	4,990	3,768	3,402	3,028
Rental expenses	3,300	2,464	665	4,346
Consultancy and professional fees	1,943	2,798	6,580	14,386
Utilities	1,098	1,840	1,671	2,317
Maintenance and repair	877	1,146	1,156	452
Loss on disposals of property, plant and equipment	3,008	3,320	6,630	12,686
Others	11,810	9,781	11,618	20,226
Total	104,851	109,528	134,700	160,631

Provision for Impairment Loss/Loss Allowance

Our provision for impairment loss is primarily related to our trade receivables and other receivables.

We made a provision for impairment loss in the amount of RMB1.6 million in the year ended 31 December 2016. Such impaired trade receivables relate to one single customer whom our management expected only a portion of its receivables to be recoverable. The Group no longer conducts business transaction with such customer. We did not make provision for impairment loss in 2017. We adopted IFRS 9, effective for the period beginning on or after 1 January 2018. The adoption of IFRS 9 has changed our impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses (ECLs) model". We made provision for impairment loss in the amount of RMB2.6 million and RMB0.7 million for the years ended 31 December 2018 and 2019, respectively, based on the ECLs model.

We elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and to calculate ECLs based on lifetime ECLs. We have established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Based on the assessment of the management of the Group for the two years ended 31 December 2018 and 2019, there was no significant change in the historical repayment records of our debtors, and we had not noted any forward-looking factors specific to our debtors or the economic environment which would materially affect the default risk of our debtors. Accordingly, our ECL rates remained the same for 2018 and 2019. For further details on ECLs, see Note 4A to the Accountants' Report in Appendix I.

Other Expenses

In 2016, 2017, 2018 and 2019, our other expenses solely represented our listing expenses charged to the consolidated statement of comprehensive income in these periods. In 2016, 2017, 2018 and 2019, our other expenses were nil, RMB5.0 million, RMB0.9 million and RMB4.1 million, representing immaterial percentage of our revenue for the corresponding year.

Finance Costs

Our finance costs consisted of interest on bank and other borrowings, interest on bills payable and interest on lease liabilities. Our bills payable represented payables to our supplier, Yanggu Dafeng. During the Track Record Period, Yanggu Dafeng agreed with the Group to use bills as one of the methods to settle the payable amount to Yanggu Dafeng. It was also agreed that when Yanggu Dafeng required to obtain financing for the funds needed for, inter alia, purchase of raw materials to be sold to the Group by discounting the respective bills, the Group would bear the relevant finance costs incurred which were in the amount of RMB2.9 million, RMB4.4 million, RMB13.8 million and RMB13.7 million for each of the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. The effective interest rate per annum of the bills payable ranged from 3.7% to 6.2% during the Track Record Period. In 2016, 2017, 2018 and 2019, our finance costs were RMB72.3 million, RMB73.7 million, RMB97.0 million and RMB89.3 million, representing 3.1%, 3.0%, 3.0% and 2.3% of our revenue, respectively.

Income Tax Expense

Under the EIT Law and the related implementation rules, our Chinese subsidiaries are subject to EIT at the rate of 25%. Pursuant to the EIT Law and the related implementation rules, our Chinese subsidiaries that engage in animal-husbandry (for example, live chicken production) and poultry feeding are exempt from EIT on income derived from that business. According to the EIT Law and the related implementation rules and the Circular of MOF and SAT on Scope of Agricultural Products' Primary Processing Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), our Chinese subsidiaries that carry out primary processing of agriculture products (for example, slaughtering of chickens) are exempt from EIT on income derived from that business.

We had income tax expense of RMB0.9 million, income tax credit of RMB0.3 million, income tax expense of RMB0.8 million and income tax expense of RMB1.3 million in 2016, 2017, 2018 and 2019, respectively. Our effective tax rates was 0.8%, (0.8)%, 0.6% and 0.2% for the 2016, 2017, 2018 and 2019, respectively. Our effective tax rates during the Track Record Period were lower than the EIT rate of 25% primarily due to the tax exemptions granted to certain of our operations. Further details are set forth in "— Principal Factors Affecting our Results of Operations — Taxation and Government Grants" above and Note 13 to the Accountants' Report in Appendix I.

RESULTS OF OUR OPERATIONS

The following table summarises the consolidated statements of comprehensive income for the years indicated:

	Year ended 31 December											
	2016			2017			2018			2019		
	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	Biological assets fair value adjustments RMB'000	Total RMB'000
Revenue	2,354,104	—	2,354,104	2,434,392	—	2,434,392	3,197,099	—	3,197,099	3,926,217	—	3,926,217
Cost of sales	(1,961,977)	(323,881)	(2,285,858)	(2,141,166)	(256,127)	(2,397,293)	(2,735,152)	(283,943)	(3,019,095)	(2,704,757)	(793,045)	(3,497,802)
Gross profit	392,127	(323,881)	68,246	293,226	(256,127)	37,099	461,947	(283,943)	178,004	1,221,460	(793,045)	428,415
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	—	225,480	225,480	—	250,473	250,473	—	169,173	169,173	—	402,785	402,785
Gain arising from changes in fair value less costs to sell of biological assets	—	103,663	103,663	—	14,352	14,352	—	132,912	132,912	—	393,706	393,706
Other income and gains	14,373	—	14,373	12,272	—	12,272	12,972	—	12,972	27,942	—	27,942
Selling and distribution costs	(112,207)	—	(112,207)	(89,182)	—	(89,182)	(120,413)	—	(120,413)	(159,290)	—	(159,290)
Administrative expenses	(104,851)	—	(104,851)	(109,528)	—	(109,528)	(134,700)	—	(134,700)	(160,631)	—	(160,631)
Provision for impairment loss/loss allowance	(1,628)	—	(1,628)	—	—	—	(2,639)	—	(2,639)	(745)		(745)
Other expenses	—	—	—	(5,001)	—	(5,001)	(900)	—	(900)	(4,141)	—	(4,141)
Finance costs	(72,286)	—	(72,286)	(73,669)	—	(73,669)	(96,995)	—	(96,995)	(89,322)	—	(89,322)
Profit before income tax	115,528	5,262	120,790	28,118	8,698	36,816	119,272	18,142	137,414	835,273	3,446	838,719
Income tax (expense)/credit	(942)	—	(942)	303	—	303	(803)	—	(803)	(1,338)	—	(1,338)
Profit for the year	114,586	5,262	119,848	28,421	8,698	37,119	118,469	18,142	136,611	833,935	3,446	837,381

The Year Ended 31 December 2019 Compared with the Year Ended 31 December 2018

Revenue

Our revenue increased by 22.8% from RMB3,197.1 million in 2018 to RMB3,926.2 million in 2019, primarily due to increase in sales volume of processed chicken meat products and chicken breeds, as well as increase in average selling prices across our main product segments.

Raw chicken meat products

Our revenue from the raw chicken meat products segment increased by 9.8% from RMB1,719.3 million in 2018 to RMB1,887.4 million in 2019. Such increase was mainly due to a 19.2% increase in average selling prices of raw chicken meat products, partially offset by a 7.7% decrease in sales volume in 2019. The decrease in sales volume was primarily due to a decrease in our broilers breeding as a result of (i) the temporary closures of certain of our broiler farms during upgrade of such broiler farms to caged systems, and (ii) our increased sales of chicken breeds in 2019.

Processed chicken meat products

Our revenue from the processed chicken meat products segment increased by 21.1% from RMB1,183.6 million for the year ended 31 December 2018 to RMB1,433.2 million for the year ended 31 December 2019. This increase was mainly due to a 13.7% increase in sales volume, mainly attributable to our domestic sales and sales to the European Union, and a 6.5% increase in average selling prices of processed meat products in 2019.

Chicken breeds

Our revenue from chicken breeds segment increased by 147.8% from RMB172.1 million in 2018 to RMB426.5 million in 2019, primarily due to a significant increase of 91.9% in average selling prices in chicken breeds and a 29.5% increase in sales volume in 2019. The average selling price for chicken breeds is generally volatile, market-driven and beyond our control.

Others

Our revenue from the others segment increased by 46.7% from RMB122.1 million in 2018 to RMB179.1 million in 2019, primarily due to increase in revenue recognised from (i) sales of broilers that did not satisfy our quality requirement as a result of increase in average selling prices of such broilers, and (ii) sales of broiler eggs as a result of increase in sales volume and average selling prices. At times, our breeders may lay broiler eggs in quantity exceeding our need, resulting in an increase in quantity of broiler eggs sold by us at a given time.

Cost of Sales

Our cost of sales increased by 15.9% from RMB3,019.1 million in 2018 to RMB3,497.8 million in 2019; biological assets fair value adjustments increased our cost of sales by RMB283.9 million in 2018 and RMB793.0 million in 2019. The increase in our cost of sales in 2019 was primarily due to a RMB509.1 million, or 179.3%, increase in biological assets fair value adjustments.

Raw chicken meat products

Cost of sales for our raw chicken meat products segment (before biological assets fair value adjustments) decreased by 12.7% from RMB1,523.9 million in 2018 to RMB1,330.0 million in 2019.

Such decrease was primarily due to (i) a decrease of 7.7% in sales volume of raw chicken meat products in 2019, (ii) a decrease of in feed costs as a result of a decrease in our broilers breeding and a decrease in the average selling prices of soybean meal, and (iii) a decrease in direct labour costs as a result of the temporary closures of certain of our broiler farms during upgrade of such broiler farms to caged systems.

Processed chicken meat products

Cost of sales for our processed chicken meat products segment (before biological assets fair value adjustments) increased by 8.5% from RMB1,020.6 million in 2018 to RMB1,107.7 million in 2019, primarily due to our increased procurement of raw chicken meat from suppliers generally in line with the increase in sales volume of processed chicken meat products in 2019.

Chicken breeds

Cost of sales for our chicken breeds segment (before biological assets fair value adjustments) increased by 37.8% from RMB81.3 million in 2018 to RMB112.1 million in 2019, generally in line with the increase in sales volume of chicken breeds in 2019.

Others

Cost of sales for our others segment (before biological assets fair value adjustments) increased by 41.6% from RMB109.4 million in 2018 to RMB154.9 million in 2019, generally in line with the increase in revenue in this segment during the period.

Gross Profit and Gross Profit Margin

Our gross profit after biological assets fair value adjustments increased by 140.7% from RMB178.0 million in 2018 to RMB428.4 million in 2019. Our gross profit margin was 5.6% for 2018 and 10.9% for 2019. Our gross profit and gross profit margin after biological assets fair value adjustments for each of 2018 and 2019 were significantly impacted by our biological assets fair value adjustments which are included in our cost of sales. Our gross profit before biological assets fair value adjustments increased by 164.5% from RMB461.9 million in 2018 to RMB1,221.5 million in 2019, primarily due to (i) an increase in average selling prices across our raw and processed chicken meat products segments, (ii) an increase in average selling prices of chicken breeds of 91.9%, and (iii) a decrease in feed costs across the period. Our gross profit margin before fair value adjustments for biological assets (which are included in our total cost of sales) were 14.4% and 31.1% for 2018 and 2019, respectively.

Raw chicken meat products

Gross profit from our raw chicken meat products segment (before biological assets fair value adjustments) increased by 185.3% from RMB195.4 million in 2018 to RMB557.4 million in 2019, primarily as a result of (i) an increase in average selling prices of raw chicken meat products, (ii) a decrease in feed costs, and (iii) a decrease in direct labour costs across the period. Our feed costs was particularly high in 2018, primarily due to an increase in the average selling prices of corn and soybean meals across the year. For the foregoing reasons, the gross profit margin for our raw chicken meat products segment increased from 11.4% for 2018 to 29.5% for 2019.

Processed chicken meat products

Gross profit from our processed chicken meat products segment (before biological assets fair value adjustments) increased by 99.8% from RMB163.0 million in 2018 to RMB325.6 million in 2019, primarily as a result of (i) a 6.5% increase in average selling prices of processed meat products, and (ii) a decrease in feed costs in 2019. For the foregoing reasons, the gross profit margin for our processed chicken meat products segment increased from 13.8% for 2018 to 22.7% for 2019.

Chicken breeds

Gross profit from our chicken breeds segment (before biological assets fair value adjustments) increased by 246.1% from RMB90.8 million in 2018 to RMB314.3 million in 2019, primarily as a result of a 91.1% increase in average selling prices of chicken breeds in 2019.

Others

Gross profit from our others segment (before biological assets fair value adjustments) increased by 89.1% from RMB12.8 million in 2018 to RMB24.2 million in 2019, primarily as a result of increases in average selling prices of broilers and broiler eggs across the period.

Gain Arising on Initial Recognition of Agriculture Produce at fair Value Less Costs to Sell at the Point of Harvest

Our gain arising on initial recognition of agriculture produce at fair value less costs to sell at the point of harvest increased by 138.1% from RMB169.2 million in 2018 to RMB402.8 million in 2019, primarily due to an increase in market prices of live broilers in 2019.

Gain Arising from Changes in fair Value Less Costs to Sell of Biological Assets

Gain arising from changes in fair value less estimated costs to sell of biological assets increased by 196.2% from RMB132.9 million in 2018 to RMB393.7 million in 2019, primarily due to an increase in the market prices of chicken breeds in 2019.

Other Income and Gains

Our other income and gains increased by 114.6% from RMB13.0 million in 2018 to RMB27.9 million in 2019, which was primarily due to an exchange gain in the amount of RMB7.0 million as a result of the weakening of RMB against certain currencies used in the countries we exported to in 2019.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 32.3% from RMB120.4 million in 2018 to RMB159.3 million in 2019. As a percentage of revenue, our selling and distribution expenses remained stable at 3.8% and 4.1% in 2018 and 2019, respectively.

Administrative Expenses

Our administrative expenses increased by 19.3% from RMB134.7 million in 2018 to RMB160.6 million in 2019. As a percentage of revenue, our administrative expenses remained stable at 4.2% and 4.1% in 2018 and 2019, respectively.

Provision for Impairment Loss/Loss Allowance

We made loss allowance on trade receivables and other receivables in the amount of RMB2.6 million and RMB0.7 million in 2018 and 2019, respectively, representing solely the expected credit losses recognised as required by IFRS 9. In 2018, the Group had a larger amount of trade receivables that were over one year past due, resulting in higher credit risk as determined by our management and the relatively larger amount of provision for impairment loss on trade receivables in such period. Such trade receivables were collected by the end of 2018.

Other Expenses

Our other expenses in 2018 and 2019 solely represented our listing expenses charged to the consolidated statement of comprehensive income in these periods. We charged an insignificant amount (namely, RMB0.9 million and RMB4.1 million) as listing expenses to the consolidated statement of comprehensive income in 2018 and 2019, respectively, as most of our listing expenses incurred during these periods were accounted for as prepayment and subsequently as a deduction from equity upon Listing.

Finance Costs

Our finance costs decreased insignificantly from RMB97.0 million in 2018 to RMB89.3 million in 2019, primarily due to a slight decrease in interest on borrowings as the amount of our borrowings decreased slightly in 2019.

Profit/(loss) Before Income Tax

For the foregoing reasons, our profit before income tax increase significantly from RMB137.4 million in 2018 to RMB838.7 million in 2019.

Income Tax Expense

Our income tax expense was RMB0.8 million and RMB1.3 million in December 2018 and 2019, respectively, representing an effective tax rate of 0.6% and 0.2%, primarily due to tax exemptions granted to us due to the nature of our business.

Profit for the Year

For the foregoing reasons, our profit for the year increased significantly by 513.0% from RMB136.6 million in 2018 to RMB837.4 million in 2019. Our profit margin increased from 4.3% in 2018 to 21.3% in 2019.

The Year Ended 31 December 2018 Compared with the Year Ended 31 December 2017

Revenue

Our revenue increased by 31.3% from RMB2,434.4 million in 2017 to RMB3,197.1 million in 2018, as a result of increases in sales of our raw chicken meat products, processed chicken meat products and chicken breeds segments, partially offset by a decrease in sales of our others segment.

Raw chicken meat products

Our revenue from the raw chicken meat products segment increased by 29.2% from RMB1,331.0 million in 2017 to RMB1,719.3 million in 2018. This increase was primarily due to a 9.2% increase in sales volume, as well as a 17.9% increase in our average selling price for raw chicken meat products in 2018. Such increase in sales volume was primarily due to an increase in domestic sales and export sales to Malaysia. The price fluctuation of our raw chicken meat products is generally higher than processed chicken meat products and is generally market-driven beyond our control.

Processed chicken meat products

Our revenue from the processed chicken meat products segment increased by 30.1% from RMB910.0 million in 2017 to RMB1,183.6 million in 2018. This increase was primarily due to a 28.2% increase in sales volume as a result of (i) an increase in domestic sales, and (ii) our expansion of our exports to Europe and Japan as well as the commencement of operation of our new processing plant in the first half of 2018. It is our strategy to expand our production of processed chicken meat products due to the relatively stable selling prices and gross profit margin as compared to raw chicken meat products. We expect the proportion of our processed chicken meat products to increase as we expand our production volume and diversify our processed chicken meat product portfolio.

Chicken breeds

Our revenue from the chicken breeds segment increased by 146.2% from RMB69.9 million in 2017 to RMB172.1 million in 2018, primarily due to a 146.7% increase in selling price of chicken breeds in 2018 driven by increase in demand. The average selling price for chicken breeds is generally volatile, market-driven and beyond our control.

Others

Our revenue from the others segment decreased slightly by 1.1% from RMB123.5 million in 2017 to RMB122.1 million in 2018.

Cost of Sales

Our total cost of sales increased by 25.9% from RMB2,397.3 million in 2017 to RMB3,019.1 million in 2018; while biological assets fair value adjustments increased our total cost of sales by RMB256.1 million in 2017 and RMB283.9 million in 2018. The increase in our total cost of sales in 2018 was primarily due to a 27.7% increase in cost of sales before biological assets fair value adjustments, generally in line with the increase in our sales volume in 2018 and a RMB27.8 million, or 10.9%, increase in biological assets fair value adjustments as a result of an increase in market prices of chicken breeds.

Raw chicken meat products

Cost of sales for our raw chicken meat products segment (before biological assets fair value adjustments) increased by 27.4% from RMB1,196.2 million in 2017 to RMB1,523.9 million in 2018, primarily as a result of the increase in sales volume of our raw chicken meat products.

Processed chicken meat products

Cost of sales of our processed chicken meat products segment (before biological assets fair value adjustments) increased by 35.6% from RMB752.8 million in 2017 to RMB1,020.6 million in 2018. Cost of sales of our processed chicken meat product segment increased at a higher rate than the revenue derived from this segment primarily due to (i) an increase in average selling price and volume of chicken leg products we purchased from third-party suppliers for further processing in 2018, which increased our raw material costs; and (ii) the recognition of certain fixed costs in relation to our new processing plant to the cost of sales of our processed chicken meat product segment.

Chicken breeds

Cost of sales of our chicken breeds segment (before biological assets fair value adjustments) remained stable at RMB80.7 million in 2017 and RMB81.3 million in 2018, generally in line with the stable sales volume of chicken breeds across this period.

Others

Cost of sales of our others segment (before biological assets fair value adjustments) remained stable at RMB111.5 million in 2017 and RMB109.4 million in 2018.

Gross Profit and Gross Profit Margin

Our gross profit after biological assets fair value adjustments increased by 379.8% from RMB37.1 million in 2017 to RMB178.0 million in 2018. Our gross profit margin was 1.5% and 5.6% for 2017 and 2018, respectively. Our gross profit and gross profit margin after biological assets fair value adjustments for each of 2017 and 2018 were significantly impacted by our biological assets fair value adjustments which are included in our total cost of sales. Our gross profit before biological assets fair value adjustments increased by 57.5% from RMB293.2 million in 2017 to RMB461.9 million in 2018, primarily due to (i) the increase in average selling prices of raw chicken meat products and processed chicken meat products, and (ii) the significant increase in average selling prices of chicken breeds in 2018. Our gross profit margin before fair value adjustments for biological assets (which are included in our total cost of sales) were 12.0% and 14.4% for 2017 and 2018, respectively.

Raw chicken meat products

Gross profit from our raw chicken meat products segment (before biological assets fair value adjustments) increased by 45.0% from RMB134.8 million in 2017 to RMB195.4 million in 2018. The gross profit margin for our raw chicken meat products segment increased from 10.1% in 2017 to 11.4% in 2018, primarily due to increase in average selling price of raw chicken meat products in 2018.

Processed chicken meat products

Gross profit from our processed chicken meat products segment (before biological assets fair value adjustments) increased by 3.7% from RMB157.2 million in 2017 to RMB163.0 million in 2018. Due to the higher growth of cost of sales than revenue in this segment as described above, gross profit margin for our processed chicken meat products segment decreased from 17.3% in 2017 to 13.8% in 2018.

Chicken breeds

Before biological assets fair value adjustments, we had a gross loss of RMB10.8 million and a gross loss margin of (15.5)% for our chicken breeds segment in 2017. Before biological assets fair value adjustments, we had a gross profit of RMB90.8 million and a gross profit margin of 52.7% for our chicken breeds segment in 2018. The difference is primarily due to a significant increase in selling price of chicken breeds in 2018.

Others

Gross profit from our others segment (before biological assets fair value adjustments) remained stable at RMB12.0 million and RMB12.8 million in 2017 and 2018, respectively. Gross profit margin for our others segment (before biological assets fair value adjustments) remained stable at 9.7% and 10.5% in 2017 and 2018, respectively.

Gain Arising on Initial Recognition of Agriculture Produce at Fair Value Less Costs to Sell at the Point of Harvest

Our gain arising on initial recognition of agriculture produce at fair value less costs to sell at the point of harvest decreased by 32.5% from RMB250.5 million in 2017 to RMB169.2 million in 2018. The decrease was primarily due to (i) a decrease in breeding volume of live broiler chickens, and (ii) an increase in feed costs in 2018.

Gain Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

Gain arising from changes in fair value less costs to sell of biological assets increased by 822.9% from RMB14.4 million in 2017 to RMB132.9 million in 2018, primarily due to the significant increase in the market prices of chicken breeds in 2018.

Other Income and Gains

Our other income and gains increased slightly by 5.7% from RMB12.3 million in 2017 to RMB13.0 million in 2018, which was primarily due to a slightly increase in government grants in 2018.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 35.0% from RMB89.2 million in 2017 to RMB120.4 million in 2018. As a percentage of revenue, our selling and distribution expenses remained stable at 3.7% and 3.8% in 2017 and 2018, respectively.

Administrative Expenses

Our administrative expenses increased by 23.0% from RMB109.5 million in 2017 to RMB134.7 million in 2018. As a percentage of revenue, our administrative expenses remained stable at 4.5% and 4.2% in 2017 and 2018, respectively.

Provision for Impairment Loss/Loss Allowance

We made loss allowance on trade receivables in the amount of RMB2.6 million in 2018, representing solely the expected credit losses recognised as required by IFRS 9.

Other Expenses

Our other expenses in 2017 and 2018 solely represents our listing expenses charged to the consolidated statement of comprehensive income in these periods. We charged RMB5.0 million and RMB0.9 million as listing expenses to the consolidated statement of comprehensive income in 2017 and 2018, respectively. Part of our listing expenses incurred during the Track Record Period was regarded as incremental costs directly attributable to the proposed issue of new Shares under the Global Offering and to be accounted for as a deduction from equity. See "— Listing Expenses" below for further details.

Finance Costs

Our finance costs increased by 31.6% from RMB73.7 million in 2017 to RMB97.0 million in 2018, primarily due to increase in interest on borrowings and interest on bills payable. In 2016 and 2017, the government provided certain subsidies to us in the form of paying a portion of our interests on bank borrowings. In 2018, the extent of these subsidies was reduced, resulting in an increase in our interest on borrowings in 2018. Our interest on bills payable increased from 2017 to 2018 primarily due to an increase in the amount of bills payable to our supplier, Yanggu Dafeng.

Profit/(loss) before Income Tax

For the foregoing reasons, our profit before income tax increased significantly from RMB36.8 million in 2017 to RMB137.4 million in 2018.

Income Tax Expense

We had an income tax credit of RMB0.3 million in 2017. Our income tax expenses was RMB0.8 million in 2018, representing an effective tax rate of 0.6%.

Profit for the Year

For the foregoing reasons, our profit for the year increased significantly by 268.2% from RMB37.1 million in 2017 to RMB136.6 million in 2018, and our profit margin increased from 1.5% in 2017 to 4.3% in 2018.

The Year Ended 31 December 2017 Compared with the Year Ended 31 December 2016

Revenue

Our revenue increased by 3.4% from RMB2,354.1 million in 2016 to RMB2,434.4 million in 2017, primarily due to increase in sales volume of our processed chicken meat products in 2017.

Raw chicken meat products

Our revenue from the raw chicken meat products segment decreased by 9.4% from RMB1,469.9 million in 2016 to RMB1,331.0 million in 2017. This decrease was primarily due to (i) a 6.6% decrease in sales volume and (ii) a 3.4% decrease in average selling price for raw chicken meat products in 2017. We utilised a higher proportion of our raw chicken meat products for production of our processed chicken meat products, resulting in a decrease in our sales volume of raw chicken meat products in 2017.

Processed chicken meat products

Our revenue from the processed chicken meat products segment increased by 44.9% from RMB628.0 million in 2016 to RMB910.0 million in 2017. This increase was primarily due to a 49.8% increase in sales volume (particularly in domestic sales and export sales to Japan) in line with our strategy to expand production of processed chicken meat products partially offset by a 3.0% decrease in our average selling price for processed chicken meat products in 2017.

Chicken breeds

Our revenue from the chicken breeds segment decreased by 53.2% from RMB149.4 million in 2016 to RMB69.9 million in 2017. The average selling prices of chicken breeds are generally volatile. The average selling prices of chicken breeds decreased significantly in 2017, primarily due to the impact of H7N9 avian influenza reported in 2017. Despite that the sales volume of our chicken breeds remained stable from 2016 to 2017, our revenue from the chicken breeds segments decreased significantly primarily due to a 51.6% decrease in average selling price of chicken breeds in 2017.

Others

Our revenue from the others segment increased by 15.5% from RMB106.9 million in 2016 to RMB123.5 million in 2017, primarily due to increase in sales volume of livestock feeds and by-product.

Cost of Sales

Our total cost of sales increased by 4.9% from RMB2,285.9 million in 2016 to RMB2,397.3 million in 2017; biological assets fair value adjustments increased our total cost of sales by RMB323.9 million in 2016 and RMB256.1 million in 2017. The increase in our total cost of sales in 2017 was primarily due to a 9.1% increase in cost of sales before biological assets fair value adjustments, partially offset by an RMB67.8 million, or 20.9%, decrease in biological assets fair value adjustments.

Raw chicken meat products

Cost of sales for our raw chicken meat products segment (before biological assets fair value adjustments) decreased by 6.1% from RMB1,274.5 million in 2016 to RMB1,196.2 million in 2017, generally in line with the decrease in our revenue from this segment in 2017.

Processed chicken meat products

Cost of sales of our processed chicken meat products segment (before biological assets fair value adjustments) increased by 45.3% from RMB518.0 million in 2016 to RMB752.8 million in 2017, generally in line with the increase in our revenue derived from this segment in 2017.

Chicken breeds

Cost of sales of our chicken breeds segment (before biological assets fair value adjustments) increased by 7.9% from RMB74.8 million in 2016 to RMB80.7 million in 2017. Our cost of sales of our chicken breeds segment increased by 7.9% despite a 0.9% decrease in our sales volume across the year was primarily due to an increase in production overhead, including labour cost and utilities, attributable to this segment in 2017.

Others

Cost of sales of our others segment (before biological assets fair value adjustments) increased by 17.7% from RMB94.7 million in 2016 to RMB111.5 million in 2017, generally in line with the increase in our revenue derived from this segment across the year.

Gross Profit and Gross Profit Margin

Our gross profit after biological assets fair value adjustments decreased by 45.6% from RMB68.2 million in 2016 to RMB37.1 million in 2017, and our gross profit margin decreased from 2.9% in 2016 to 1.5% in 2017. Our gross profit and gross profit margin after biological assets fair value adjustments for each of 2016 and 2017 were significantly impacted by our biological assets fair value adjustments which are included in our total cost of sales. Our gross profit before biological assets fair value adjustments decreased by 25.2% from RMB392.1 million in 2016 to RMB293.2 million in 2017. Our gross profit margin before fair value adjustments for biological assets (which are included in our total cost of sales) were 16.7% and 12.0% for 2016 and 2017, respectively. The decrease in our gross profit and gross profit margin before fair value adjustments for biological assets from 2016 to 2017 was primarily due to (i) a significant decrease in gross profit from the chicken breeds segment, due to volatility in the price of chicken breeds, and (ii) an increase in labour costs.

Raw chicken meat products

Gross profit from our raw chicken meat products segment (before biological assets fair value adjustments) decreased by 31.0% from RMB195.4 million in 2016 to RMB134.8 million in 2017. The gross profit margin for our raw chicken meat products segment decreased from 13.3% in 2016 to 10.1% in 2017. Gross profit from our raw chicken meat products segment decreased at a higher rate than the decrease in our revenue derived from our raw chicken meat products was primarily due to a 3.4% decrease in average selling price of raw chicken meat products in the PRC.

Processed chicken meat products

Gross profit from our processed chicken meat products segment (before biological assets fair value adjustments) increased by 42.9% from RMB110.0 million in 2016 to RMB157.2 million in 2017, generally in line with the increase in our revenue derived from the processed chicken meat products across the year. Gross profit margin for our processed chicken meat products segment remained stable at 17.5% in 2016 and 17.3% in 2017.

Chicken breeds

We had a gross profit of RMB74.6 million from and a gross profit margin of 49.9% for our chicken breeds segment in 2016. We had a gross loss of RMB10.8 million from and a gross loss margin of 15.5% for our chicken breeds segment in 2017. The difference is primarily due to a significant decrease of 51.6% in the selling price of chicken breeds in 2017, primarily due to the impact of H7N9 avian influenza reported in 2017.

Others

Gross profit from our others segment (before biological assets fair value adjustments) decreased slightly by 0.8% from RMB12.1 million in 2016 to RMB12.0 million in 2017. Gross profit margin for our others segment remained stable at 11.4% and 9.7% for 2016 and 2017, respectively.

Gain Arising on Recognition of Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

Our gain arising on recognition of agricultural produce at fair value less costs to sell at the point of harvest increased by 11.1% from RMB225.5 million in 2016 to RMB250.5 million in 2017, primarily due to a decrease in the cost of breeding broilers in 2017 as a result of a slight decrease in feed costs.

Gain Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

Our gain arising from changes in fair value less costs to sell of biological assets decreased by 86.1% from RMB103.7 million in 2016 to RMB14.4 million in 2017, primarily due to a decrease in the market prices of chicken breeds in 2017.

Other Income and Gains

Our other income and gains decreased by 14.6% from RMB14.4 million in 2016 to RMB12.3 million in 2017. We recorded exchange gain in the amount of RMB5.5 million in 2016 but recorded an exchange loss in the amount of RMB3.8 million in 2017, which was recognised as part of our administrative expenses in 2017.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 20.5% from RMB112.2 million in 2016 to RMB89.2 million in 2017 mainly due to the management strategies to downscale the marketing and promotional campaigns in 2017.

Administrative Expenses

Our administrative expenses increased slightly by 4.4% from RMB104.9 million in 2016 to RMB109.5 million in 2017, mainly due to the exchange loss incurred as a result of settlement of sales and procurement transaction in foreign currency, mainly USD, in 2017.

Provision for Impairment Loss

We made a provision for impairment loss in the amount of RMB1.6 million in 2016, which related to a single customer which the Group no longer conducts business with. We did not make any provision for impairment loss in relation to trade receivables in 2017. Based on the IAS 39 "incurred loss model", the Directors is of the view that no provision of impairment losses for trade receivable is required in 2017.

Other Expenses

Our other expenses was nil in 2016. Our other expenses was RMB5.0 million in 2017 which was primarily due to the recognition of listing expenses in the amount of RMB5.0 million in 2017. We did not incur any listing expenses in 2016.

Finance Costs

Our finance costs remained stable at RMB72.3 million in 2016 and RMB73.7 million in 2017.

Profit/(loss) Before Income Tax

For the foregoing reasons, we had a profit before tax of RMB120.8 million and RMB36.8 million in 2016 and 2017, respectively.

Income Tax Expense

Our income tax expenses was RMB0.9 million in 2016 while we had an income tax credit of RMB0.3 million in 2017 which is mainly derived from the recognition of deferred tax assets related to government grants received but not yet recognised as income. Our effective tax rate in 2016 was 0.8%, primarily due to effect of tax exemptions granted to us due to the nature of our businesses.

Profit for the Year

For the foregoing reasons, our profit for the year decreased by 69.0% from RMB119.8 million in 2016 to RMB37.1 million in 2017.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations principally with cash generated from our operations, borrowings and shareholders' capital contributions. Our primary uses of cash during the Track Record Period were for working capital purposes and capital expenditures for expansion and improvement of production facilities.

Cash Flow

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash inflows before movements in working capital	308,242	236,898	378,304	1,097,278
Changes in working capital	(89,797)	(150,842)	406,471	(371,909)
Income tax paid	(1,562)	(1,616)	(1,881)	(1,856)
Net cash flows generated from operating activities	216,883	84,440	782,894	723,513
Net cash flows used in investing activities	(127,317)	(464,047)	(387,343)	(177,768)
Net cash flows (used in)/generated from financing activities	6,487	273,910	(308,141)	(231,104)
Cash and cash equivalents at beginning of the year	170,958	267,011	161,314	248,724
Cash and cash equivalents at end of the year	267,011	161,314	248,724	563,365

Cash Flow Generated from Operating Activities

In 2019, we had net cash generated from operating activities of RMB723.5 million, consisting of RMB1,097.3 million in operating cash inflows before movements in working capital, net cash outflows of RMB371.9 million relating to movements in working capital and income tax paid of RMB1.9 million. Our operating cash inflows before movements in working capital were primarily attributable to our profit before income tax for the year of RMB838.7 million, adjusted for non-cash items, including primarily to add back (i) depreciation of RMB163.1 million, and (ii) finance costs of RMB89.3 million; and to deduct (i) gain arising from changes in fair value less costs to sell of biological assets of RMB3.4 million, (ii) exchange gain of RMB7.0 million, and (iii) interest income of RMB7.4 million. Our net cash outflows relating to movements in working capital were primarily attributable to (i) a RMB138.6 million increase in inventories, primarily due to our import of raw chicken meat from Brazil for our processed chicken meat products production, (ii) a RMB182.1 million decrease in trade and bills payables, primarily due to a decrease in our bills payable, (iii) a RMB24.9 million decrease in accruals and other payables, primarily due to the completion of the construction of new production facility and upgrade of our broiler farms, and (iv) a RMB11.5 million increase in trade receivables; partially offset a RMB5.3 million decrease in prepayments, deposits and a RMB9.4 million increase in contract liabilities.

In 2018, we had net cash generated from operating activities of RMB782.9 million, consisting of RMB378.3 million in operating cash inflows before movements in working capital, net cash inflows of RMB406.5 million relating to movements in working capital and income tax paid of RMB1.9 million. Our operating cash inflows before movements in working capital were primarily attributable to our profit before income tax for the year of RMB137.4 million, adjusted for non-cash items, including primarily to add back (i) depreciation of RMB146.4 million, and (ii) finance costs of RMB97.0 million; and to deduct loss arising from changes in fair value less costs to sell of biological assets of RMB18.1 million. Our net cash inflows relating to movements in working capital were primarily attributable to (i) a RMB160.3 million decrease in inventories, primarily due to our increased sales volume in 2018, and (ii) a RMB293.4 million increase in trade and bills payables, primarily due to increase in bills payables in 2018; partially offset by a RMB85.6 million increase in trade receivables as a result of our receipt of a few large orders from a major customer towards the end of 2018.

In 2017, we had net cash generated from operating activities of RMB84.4 million, consisting of RMB236.9 million in operating cash inflows before movements in working capital, net cash outflows of RMB150.9 million relating to movements in working capital and income tax paid of RMB1.6 million. Our operating cash inflows before movements in working capital were primarily attributable to our profit before income tax for the year of RMB36.8 million, adjusted for non-cash items, including primarily to add back (i) depreciation of RMB122.1 million, and (ii) finance costs of RMB73.7 million; and to deduct loss arising from changes in fair value less costs to sell of biological assets of RMB8.7 million. Our net cash outflows relating to movements in working capital were primarily attributable to (i) a RMB104.8 million decrease in trade and bills payables, primarily due to our unintentional delay in settlement of trade payables at the end of 2016 resulting in a high level of trade payables as at 31 December 2016, (ii) a RMB73.3 million increase in prepayments, deposits and other receivables, primarily due to an increase in VAT recoverable related to the purchase of property, plant and equipment for our new processing facility in 2017, and (iii) a RMB13.0 million increase in inventories, primarily due to a minor stockpiling of raw chicken meat products in 2017 in anticipation of a market price increase in 2018; partially offset by a RMB66.4 million increase in accruals and other payables as a result of increase in other payables relating to the construction of our new processing facility in 2017.

In 2016, we had net cash generated from operating activities of RMB216.9 million, consisting of RMB308.2 million in operating cash inflows before movements in working capital, net cash outflows of RMB89.7 million relating to movements in working capital and income tax paid of RMB1.6 million. Our operating cash inflows before movements in working capital were primarily attributable to our profit for the year of RMB120.8 million, adjusted for non-cash items, including primarily to add back (i) depreciation of RMB116.3 million, and (ii) finance costs of RMB72.3 million; and to deduct (i) exchange gain of RMB5.5 million, and (ii) gain arising from change in fair value less costs to sell of biological assets of RMB5.3 million. Our net cash outflows relating to movements in working capital were primarily attributable to (i) a RMB73.0 million increase in inventories, primarily due to an increase in inventories of raw chicken meat products in 2016, (ii) a RMB43.1 million increase in biological assets, primarily due to an increase in the quantity of breeder chickens as well as fair value of breeders in 2016, and (iii) a RMB29.1 million decrease in trade and bills payables as we discontinued purchases from suppliers which failed to satisfy our quality requirements; partially offset by net proceeds from related parties of RMB32.2 million.

Cash Flow Used in Investing Activities

In 2019, we recorded net cash used in investing activities of RMB177.8 million, primarily as a result of purchases of property, plant and equipment of RMB258.6 million and an increase in prepayments for prepayments for such purchases of RMB43.8 million, primarily due to the upgrade of our broiler farms battery-cage systems; partially offset by a RMB89.1 million decrease in pledged deposits as a result of a decrease in our bills payable in 2019.

In 2018, we recorded net cash used in investing activities of RMB387.3 million, primarily as a result of (i) purchases of property, plant and equipment of RMB183.0 million primarily due to the upgrade of our broiler farms to battery-cage systems, and (ii) increase of RMB208.1 million in pledged deposits as a result of an increase of bills payables in 2018.

In 2017, we recorded net cash used in investing activities of RMB464.0 million, primarily as a result of purchases of property, plant and equipment of RMB578.7 million in relation to the construction of our new processing facility in 2017; partially offset by a RMB65.5 million decrease in pledged deposits in 2017.

In 2016, we recorded net cash used in investing activities of RMB127.3 million, primarily as a result of (i) purchases of property, plant and equipment of RMB135.6 million primarily due to the construction of a research and development facility in 2016, (ii) increase of RMB57.4 million in pledged deposits, as a result of an increase of bills payables in 2018, and (iii) land lease prepayments of RMB22.6 million made in relation to our new processing plant, the construction of which was commenced in 2017; partially offset by a decrease in prepayments for purchase of property, plant and equipment in the amount of RMB81.1 million.

Cash Flow Generated from/(Used in) Financing Activities

In 2019, we recorded net cash used in financing activities of RMB231.1 million, reflecting primarily net repayment borrowings of RMB118.4 million, and interest paid in the amount of RMB110.4 million.

In 2018, we recorded net cash used in financing activities of RMB308.1 million, reflecting primarily net repayment of borrowings in the amount of RMB190.5 million and interest paid in the amount of RMB83.2 million .

In 2017, we recorded net cash generated from financing activities of RMB273.9 million, reflecting primarily net proceeds from borrowings of RMB297.9 million.

In 2016, we recorded net cash used in financing activities of RMB6.5 million, primarily as a result of repayment of amount due to immediate holding companies in the amount of RMB72.9 million and interest paid of RMB69.4 million, partially offset by net proceeds from borrowings of RMB121.2 million.

Net Current Liabilities/Assets

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December				As at 30 April 2020 ("the Indebtedness Date")
	2016	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	497,154	508,809	347,515	485,025	554,371
Biological assets	112,494	120,669	138,422	141,873	148,272
Trade receivables	80,691	106,659	188,648	206,625	213,129
Prepayments, deposits and other receivables	134,879	208,150	164,061	158,531	187,202
Due from related parties	3,214	—	—	46	172
Due from ultimate holding company	43	—	—	—	—
Pledged deposits	131,145	65,600	273,667	184,590	303,052
Cash and cash equivalents	267,011	161,314	248,724	563,365	847,794
Total current assets	1,226,631	1,171,201	1,361,037	1,740,055	2,253,992
Current liabilities					
Trade and bills payables	304,839	204,450	511,378	308,120	290,476
Accruals and other payables	199,746	266,136	277,393	252,470	246,249
Contract liabilities	13,727	8,847	11,765	21,160	33,594
Lease liabilities	7,346	1,438	1,977	3,476	3,476
Due to related parties	4,123	4,948	3,757	5,283	4,510
Due to ultimate holding company	237	—	—	—	—
Due to immediate holding company	—	14,000	—	—	—
Borrowings	1,338,013	1,675,944	1,419,432	1,266,398	1,736,408
Deferred government grants	480	1,711	522	847	—
Income tax payable	3,436	2,359	1,204	545	469
Total current liabilities	1,871,947	2,179,833	2,227,428	1,858,299	2,315,182
Net current liabilities	(645,316)	(1,008,632)	(866,391)	(118,244)	(61,190)

We had net current liabilities of RMB645.3 million, RMB1,008.6 million, RMB866.4 million and RMB118.2 million as at 31 December 2016, 2017, 2018 and 2019, respectively.

Our net current liabilities as at end of the years during the Track Record Period was primarily due to our borrowings, most of which are short-term bank borrowings. Our borrowings were primarily utilised for construction of our production facility, acquisition of property, plant and equipment and for general working capital purposes.

Our net current liabilities was particularly high as at 31 December 2017 as we incurred additional short-term borrowings for construction of our new processing plant in 2017. Our net current liabilities gradually improved after 2017 as we completed the construction of our new processing plant in the first half of 2018 and as our operating cash inflow increased. We expect our net current liabilities position will improve in the future after the Listing as (i) we lessen the use of borrowings for our production facility expansion or upgrades, and (ii) as our business expands and operating cash inflow increases.

Working Capital

The Directors believe that, after taking into account the financial resources available to us, including internally generated funds, credit facilities available, and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

After due consideration and discussions with the Company's management and based on the above and the assumption that there is no material change in the composition and trend of our capital expenditure, the Sole Sponsor has no reason to believe that the Company cannot meet its working capital requirements for the 12-month period from the date of this prospectus.

INDEBTEDNESS

Borrowings

The following table sets forth the composition of our interest-bearing bank and other borrowings as at the dates indicated:

	As at 31 December				As at the Indebtedness Date
	2016	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank loans, secured	1,050,600	1,361,097	991,427	894,542	1,548,700
Other loans from financial institution, unsecured	—	198,000	28,000	28,000	—
Other loans from financial institution, secured	327,413	116,847	466,031	444,491	300,806
Total borrowings	1,378,013	1,675,944	1,485,458	1,367,033	1,849,506

The following table sets forth the maturity profile of our bank and other borrowings as at the dates indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans repayable:				
Within one year	1,010,600	1,361,097	991,427	894,542
In the second year	40,000	—	—	—
Subtotal	1,050,600	1,361,097	991,427	894,542
Other loans from financial institution, unsecured:				
Within one year	—	198,000	28,000	28,000
Other loans from financial institution, secured:				
Within one year	327,413	116,847	400,005	343,856
In the second year	—	—	31,986	71,060
In the third to fifth years, inclusive	—	—	34,040	29,575
Subtotal	327,413	116,847	466,031	444,491
	1,378,013	1,675,944	1,485,458	1,367,033

Our borrowings amounted to RMB1,378.0 million, RMB1,675.9 million, RMB1,485.5 million and RMB1,367.0 million as at 31 December 2016, 2017, 2018 and 2019, respectively. Our borrowings were primarily utilised for acquisition of property, plant and equipment.

Our bank borrowings as at 31 December 2016, 2017, 2018 and 2019 are secured by (i) mortgages of the Group's leasehold lands situated in the PRC with aggregate net carrying values of RMB13.3 million, RMB3.4 million, RMB3.3 million and RMB26.7 million, respectively; (ii) pledge of the Group's bank deposits of RMB131.1 million, RMB65.6 million, RMB273.7 million and RMB184.6 million; (iii) pledge of certain of the Group's property, plant and equipment with aggregate net carrying amount of nil, RMB22.7 million, RMB22.9 million and RMB249.5 million, respectively; (iv) mortgage over 13.19% equity interests in a related company by our controlling shareholder, which will be released before/upon Listing; and (v) pledge of certain inventories of the related company with aggregate net carrying amount of RMB527.1 million, RMB527.1 million, RMB527.1 million and RMB539.4 million, respectively.

As at 31 December 2016, 2017, 2018 and 2019, (i) up to nil, RMB100 million, nil and nil of our bank borrowings was jointly guaranteed by Fengxiang Group, and Shandong Xiangguang Group and Mr. Liu XJ; (ii) up to RMB242.9 million, RMB239.4 million, RMB219.4 million and nil of our bank borrowings were jointly guaranteed by Fengxiang Group and Mr. Liu XJ; (iii) up to RMB125.0 million, RMB40.0 million, nil and nil of our bank loans were jointly guaranteed by Fengxiang Group and Shandong Xiangguang Group, respectively; (iv) up to RMB49.0 million, nil, nil and nil of our bank loans were guaranteed by a related company; and (v) up to RMB355.0 million, RMB370.0 million, RMB355.0 million and nil of our bank loans were jointly guaranteed by and Shandong Xiangguang Group and Mr. Liu XJ, respectively.

The abovementioned pledges over assets of our related company and the personal or corporate guarantees given by our related company or Controlling Shareholders or their close associates will not be released in full prior to the Listing. For more details, see "Relationship with Controlling Shareholder — Independence from the Controlling Shareholders — Financial Independence" in this prospectus.

During the Track Record Period, our unsecured other loans from financial institution solely represented loans from GMK Finance.

During the Track Record Period, our secured other loans from financial institution represented loans from GMK Finance and another financial institution. As at 31 December 2016, 2017, 2018 and 2019, RMB327.4 million, RMB116.8 million, RMB370.0 million and RMB276.2 million, respectively, of our secured other loans from financial institution represented loans from GMK Finance and were secured by bills receivable issued by a subsidiary to the Company for intra-group transactions. Other than the above, the remaining secured other loans from financial institution were jointly guaranteed by GMK Finance, Shandong Xiangguang Group and Mr. Liu XJ and secured by pledge of certain property, plant and equipment held by the Group as at 31 December 2018 and 2019. For details, see Note 29 to the Accountants' Report in Appendix I.

Our borrowings increased by 21.6% from RMB1,378.0 million as at 31 December 2016 to RMB1,675.9 million as at 31 December 2017, primarily due to increase in bank loans in the amount of RMB310.5 million, mainly utilised for the construction of our new processing plant in 2017. Our borrowings decreased by 11.4% from RMB1,675.9 million as at 31 December 2017 to RMB1,485.5 million as at 31 December 2018, primarily due to the repayment of certain bank borrowings. We did not incur substantial new borrowings in 2018. Our balance of borrowings remained relatively stable at RMB1,367.0 million as at 31 December 2019. The Directors confirm that during the Track Record Period and as at the Latest Practicable Date, the Group had not experienced any material difficulties in obtaining bank and other borrowing.

As at the Indebtedness Date (i.e. 30 April 2020, being the most recent practicable date for the purpose of the indebtedness statements), we had outstanding (i) secured bank loans of RMB1,548.7 million (unaudited) and (ii) secured other loans from financial institution of RMB300.8 million (unaudited) which were secured by bills receivable issued by a subsidiary to the Company for intra-group transactions and certain property, plant and equipment held by the Group.

All of our bank loans and other loans from financial institution are with floating interest rate. The following table sets forth our interest rate for each type of borrowings as at the dates indicates:

	As at 31 December				As at the Indebtedness Date
	2016	2017	2018	2019	
	%	%	%	%	%
Bank loans, secured	1.5 to 7.3	0.4 to 6.6	1.5 to 6.0	2.9 to 5.1	2.9-5.2
Other loans from financial institution, unsecured	—	3.9 to 6.2	6.2	6.2	—
Other loans from financial institution, secured	3.1	3.1	3.1 to 6.7	2.7 to 6.7	2.7-6.7

Certain of our bank borrowings contain terms or covenants that require the borrower to, among others, notify or obtain consent from the relevant lenders prior to certain corporate actions or material transactions, including without limitation, the following:

(i) amendments of the borrower's articles of association, change of legal representative, change of senior management, reduction of capital;

(ii) public listing, merger and acquisitions, material asset dispositions or transfer, issuance of debt securities, material financing, material transactions with affiliates, incurrence of material indebtedness, provision of guarantees for third party's indebtedness; and

(iii) any change of control of the borrower.

The Directors confirmed that there had been no material delay or default in repayment of borrowings nor material non-compliance with the covenants contained in our borrowing throughout the Track Record Period and up to the Latest Practicable Date. The Directors confirmed that there are no material covenants which would adversely affect the Group's ability to undertake additional debt or equity financings.

During the Track Record Period and as at the Latest Practicable Date, the Group did not maintain any unutilised banking facilities.

Lease Liabilities

The following table sets forth the minimum lease payments due under our lease liabilities as at the dates indicated below:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities				
Current portion	7,346	1,438	1,977	3,476
Non-current portion	171,369	182,508	183,635	193,443
	178,715	183,946	185,612	196,919

During the Track Record Period, we entered into leases for land use rights and plant and office. As required by IFRS 16, at the commencement of a lease, a lease will recognise a liability to make lease payments (namely, the lease liabilities) and an asset representing the right to use the underlying asset during the lease term (namely, the right-of-use asset). In accordance with the adoption of IFRS 16 throughout the Track Record Period, we recorded lease liabilities in the amount of RMB178.7 million, RMB183.9 million, RMB185.6 million and RMB196.9 million as at 31 December 2016, 2017, 2018 and 2019, respectively. There were not significant fluctuations in our lease liabilities during the Track Record Period.

As at the Indebtedness Date, we had lease liabilities in the amount of RMB195.7 million.

CONTINGENT LIABILITIES

We had the following contingent liabilities not provided for in financial statements as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to a related company of the Group	124,260	95,000	64,061	—

Given that the fair values of the guarantees are not significant and the Directors consider that the risk of default is remote, no provision for the guarantees have been made in our financial statements. As at 31 December 2019, such guarantees provided by us to banks in connection with facilities granted to a related company had been fully released.

As at the Indebtedness Date, we had no contingent liabilities not provided for in the financial statements.

Save as disclosed in this section, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, authorised or otherwise created but unissued, and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed or unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at the Indebtedness Date.

The Directors have confirmed that, up to the Latest Practicable Date, there had been no material adverse change in indebtedness of the Group since the Indebtedness Date.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Payments for property, plant and equipment	135,561	578,747	183,038	258,622
Payments for lease liabilities	17,536	18,949	13,183	15,280
Payments for other intangible assets	125	6,152	1,451	6
Total	153,222	603,848	197,672	273,908

Our capital expenditures during the Track Record Period comprised primarily expenditures for the construction and upgrades of our production and ancillary facilities. Our capital expenditure was particularly high in 2017 primarily due to the construction of our new processing plant in 2017. See "Business — Production Facilities" for more information. The increase in our capital expenditure in 2017 was primarily due to the construction of our new processing plant. During the Track Record Period, we funded our capital expenditures primarily with internally generated resources and borrowings.

COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period were for the construction and expansion of our production processes and facilities. We plan to finance our capital commitments as at 31 December 2019 primarily with our cash flows generated from operating activities. The table below sets forth our capital commitments as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Commitments for acquisition of property, plant and equipment — contracted for but not yet incurred	19,021	67,087	145,037	171,815

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Our inventories include primarily finished goods, as well as raw materials and work in progress. Finished goods consist primarily of raw chicken meat products and processed chicken meat products and feed. Raw materials consist primarily of feed, feed ingredients, food ingredients and consumables. Work in progress consists primarily of meat undergoing processing and related semi-finished packaging materials.

The following table sets forth our inventories as at the dates indicated.

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	160,809	126,411	135,515	146,010
Work in progress	341	631	269	358
Finished goods	336,004	381,767	211,731	338,657
Total	497,154	508,809	347,515	485,025

Our inventories increased by 2.3% from RMB497.2 million as at 31 December 2016 to RMB508.8 million as at 31 December 2017. This increase was primarily due to an RMB45.8 million increase in finished goods as a result of our minor stockpiling of frozen raw chicken meat products towards the end of 2017 as we believed raw chicken meat products prices would be likely to increase in 2018. Our inventories decreased by 31.7% from RMB508.8 million as at 31 December 2017 to RMB347.5 million as at 31 December 2018, primarily due the increase in our sales volume in 2018 using up our inventories. Our inventories increased by 39.6% from RMB347.5 million as at 31 December 2018 to RMB485.0 million as at 31 December 2019, primarily as a result of our import of raw chicken meat from Brazil to meet our planned production volume for processed chicken meat products in the second half of 2019.

We periodically assess impairment of inventories and typically recognise write-down of inventories when their cost is lower than their net realisable value. We wrote down inventories of RMB0.6 million, RMB1.4 million, RMB1.0 million and RMB1.1 million in 2016, 2017, 2018 and 2019, respectively.

The following table sets forth our inventory turnover days for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
Inventory turnover days[1]	73.6	76.6	51.8	43.4

Note:

(1) Calculated as the average of the beginning and ending inventory for the year divided by total cost of sales for that year and multiplied by 365 days.

Our inventory turnover days remained relatively stable at 73.6 days for the year ended 31 December 2016 and 76.6 days for the year ended 31 December 2017. Our inventory turnover days then decreased to 51.8 days for the year ended 31 December 2018 and 43.4 days for the year ended 31 December 2019, as we utilised our inventories as a faster rate due to our increased sales volume in 2018 and 2019, respectively.

As at 30 April 2020, we had used or sold RMB434.5 million, or 89.6%, of our balance of inventories as at 31 December 2019.

Trade Receivables

Our trade receivables represent amount receivables in connection with the sales of our products. We typically offer our customers a credit period of 30 to 60 days after the product delivery date to our overseas customers and our major domestic customers. We typically do not grant any credit period to other domestic customers. We seek to maintain strict control over our outstanding trade receivables by assessing our customers' creditworthiness, limiting the credit terms and balances we may grant, and regularly reviewing any overdue balances. We do not hold any collateral or other credit enhancements over our trade receivables.

The following table sets forth our trade receivables as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	82,319	106,659	191,298	209,816
Impairment provision	(1,628)	—	(2,650)	(3,191)
Total	80,691	106,659	188,648	206,625

Our trade receivables increased by 32.2% from RMB80.7 million in as at 31 December 2016 to RMB106.7 million as at 31 December 2017, primarily due to the increase in our sales volume and the increase in sales to countries outside of mainland China, which carries a longer credit period than domestic sales. Our trade receivables increased by 76.8% from RMB106.7 million as at 31 December 2017 to RMB188.6 million as at 31 December 2018, primarily due to a few large orders from a major customer towards the end of 2018 resulting in a higher amount of trade receivables as at 31 December 2018. Our trade receivables increased by 9.5% from RMB188.6 million as at 31 December 2018 to RMB206.6 million as at 31 December 2019.

The following table sets forth an ageing analysis of our trade receivables as at the dates indicated, based on invoice date and net of provision:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	66,823	72,773	155,934	136,053
One to three months	11,040	26,614	30,481	62,779
Three months to one year	1,200	3,961	592	1,403
Above one year	1,628	3,311	1,641	6,390
Total	80,691	106,659	188,648	206,625

During the Track Record Period, a substantial majority of our trade-nature receivables were aged within one month.

The following table sets forth an ageing analysis of our trade receivables that are neither individually nor collectively considered to be impaired as at 31 December 2016 and 2017:

	As at 31 December	
	2016	2017
	RMB'000	RMB'000
Neither past due nor impaired	68,117	92,589
Within three month past due	10,074	8,200
Three months to one year past due	872	2,582
Over one year past due	1,628	3,288
Total	80,691	106,659

Our trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Our trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with us. We believe that no provision for impairment is necessary in respect of these balances, as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The following table sets forth our trade receivables turnover days for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
Trade receivables turnover days[1]	12.0	14.0	16.9	18.4

Note:

(1) Calculated as the average of the beginning and ending trade receivables for the year divided by revenue for that year and multiplied by 365 days.

Our trade receivable turnover days remained relatively stable at 12.0 days for the year ended 31 December 2016 and 14.0 days for the year ended 31 December 2017. Our trade receivable turnover days increased to 16.9 days for the year ended 31 December 2018 and 18.4 days for the year ended 31 December 2019, primarily due to the receipt of a few large orders from a major customer towards the end of 2018 with a credit period of 30 to 60 days.

As at 30 April 2020, we had collected RMB194.9 million, or 92.9%, of our balance of trade receivables as at 31 December 2019.

Prepayments, Deposits and Other Receivables

The current portion of our prepayments, deposits and other receivables consists primarily of VAT and other recoverable, prepayments to suppliers for products and services, prepayments of expenses, and other receivables and deposits.

The following table sets forth a breakdown of the current portion of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	29,228	36,244	58,717	69,652
Deposits and other receivables	10,688	17,055	3,909	3,787
VAT and other recoverable	94,963	154,851	101,435	85,092
Total	134,879	208,150	164,061	158,531

The current portion of our prepayments, deposits and other receivables increased by 54.3% from RMB134.9 million as at 31 December 2016 to RMB208.2 million as at 31 December 2017. This increase was primarily due to an increase in VAT recoverable related to the purchase of property, plant and equipment for the construction of our new processed chicken meat products production facility in 2017. The current portion of our prepayments, deposits and other receivables decreased by 21.2% from RMB208.2 million as at 31 December 2017 to RMB164.1 million as at 31 December 2018, primarily due to a decrease in VAT recoverable as a result of (i) decrease in purchase of property, plant and equipment as our new processing facility completed in early 2018, and (ii) increase in our sales of raw chicken meat products, processed chicken meat products and chicken breeds in 2018. The current portion of our prepayments, deposits and other receivables decreased slightly by 3.4% from RMB164.1 million as at 31 December 2018 to RMB158.5 million as at 31 December 2019, primarily due to a slight decrease in VAT and other receivable as our purchase of property, plant and equipment decreased.

Amounts Due from Related Parties and Ultimate Holding Company

The following table sets forth an analysis of the amounts due from related parties and ultimate holding company as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Related parties	3,214	-	-	46
Ultimate holding company	43	-	-	-
Total	3,257	-	-	46

Our amounts due from related parties amounted to RMB3.2 million, nil, nil and RMB46,000 as at 31 December 2016, 2017, 2018 and 2019, respectively. Our amounts due from ultimate holding company amounted to RMB43,000, nil, nil and nil as at 31 December 2016, 2017, 2018 and 2019, respectively. All amounts due from related parties and ultimate holding company are trade in nature, non-interest-bearing, unsecured and repayable on demand.

During the Track Record Period, we have been purchasing natural gas used in the production of the Group from Liaocheng Aode Energy Co., Ltd. (聊城奧德能源有限公司) ("Aode Energy"). We also sold certain natural gas pipelines owned by us to Aode Energy for their provision of services to us. Our balances with Aode Energy as at 31 December 2016 primarily represented outstanding balances owed by Aode Energy to us in relation to sale of certain natural gas pipelines owned by the Group to Aode Energy. Our balances with Aode Energy as at 31 December 2019 primarily represented certain prepayments and deposits made to Aode Energy for use of its natural gas provision services.

During the Track Record Period, our amounts due from ultimate holding company mainly comprised administrative-related balances with our ultimate holding company.

Trade and Bills Payables

Our trade and bills payables include accounts and bills payables to suppliers for purchases of products. Our trade payables are non-interest-bearing. The credit periods granted by each supplier were set on a case-by-case basis in accordance with the supply agreement. Our bills payable are all due within six months. The effective interest rate of our bills payable ranged from 3.7% to 6.2% during the Track Record Period.

The following table sets forth a breakdown of our trade and bills payables as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	224,839	149,450	151,378	168,120
Bills payable	80,000	55,000	360,000	140,000
Total	304,839	204,450	511,378	308,120

Our trade payables as at 31 December 2016 was particularly high as there was an unintentional delay in settlement of trade payables from the end of 2016 to January 2017. As a result, our trade and bills payables decreased by 32.9% from RMB304.8 million as at 31 December 2016 to RMB204.5 million as at 31 December 2017. Our trade and bills payables increased by 150.1% from RMB204.5 million as at 31 December 2017 to RMB511.4 million as at 31 December 2018, primarily as a result of the increase in our production and sales in 2018. With an aim to improve our liquidity position in 2018, we utilised bills payable to settle certain of our amounts due to our major supplier, Yanggu Dafeng, in 2018, resulting in an increase of our bills payable from RMB55.0 million as at 31 December 2017 to RMB360.0 million as at 31 December 2018. As our liquidity position gradually improved, our bills payable gradually decreased to RMB140.0 million as at 31 December 2019. Our trade and bills payable decreased by 39.7% from RMB511.4 million as at 31 December 2018 to RMB308.1 million as at 31 December 2019, primarily due to a decrease in bills payables.

The following table sets forth an ageing analysis of our trade payables (excluding bills payable) as at the dates indicated, based on the invoice date:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	165,500	102,980	101,772	123,076
one to three months	36,353	30,167	29,225	33,364
three months to one year	20,459	9,796	11,846	7,469
Over one year	2,527	6,507	8,535	4,211
Total	224,839	149,450	151,378	168,120

During the Track Record Period, a substantial of our trade payables were aged within one month. Trade payables that were aged above one year primarily related to payables to Yanggu Dafeng who granted us longer credit periods for our purchases.

The following table sets forth our trade payables (excluding bills payable) turnover days for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
Trade payables turnover days(1)	40.3	31.9	20.1	21.6

Note:

(1) Calculated as the average of the beginning and ending trade payables for the year divided by cost of sales (before biological assets fair value adjustments) for that year and multiplied by 365 days.

Our trade payables turnover days was particularly high at 40.3 days for the year ended 31 December 2016, primarily due to an unintentional delay in settlement of trade payables at the end of 2016, which was settled in early 2017. Our trade payables turnover days was relatively low at 20.1 days for the year ended 31 December 2018, primarily due to increase in cost of sales before biological assets fair value adjustments as a result of increase in revenue during the year. Our trade payables turnover days remained stable at 21.6 days for the year ended 31 December 2019.

As at 30 April 2020, we had settled RMB165.4 million, or 98.4%, of our balance of trade payables as at 31 December 2019. Our bills payable in the amount of RMB140.0 million as at 31 December 2019 remained outstanding as at 30 April 2020 as they were not due for repayment as at 30 April 2020.

Accruals and Other Payables

Our accruals and other payables consist primarily of accrued expenses, other payables and VAT and other tax payables. Accrued expenses include accrued salaries and other expenses of the Group. Other payables include deposit received for construction projects and other payables for constructions works and for property, plant and equipment.

The following table sets forth our accruals and other payables as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	95,363	91,621	125,370	130,511
Other payables	100,727	170,468	145,973	116,553
VAT and other taxes payables	3,656	4,047	6,050	5,406
Total	199,746	266,136	277,393	252,470

Our accruals and other payables increased by 33.2% from RMB199.7 million as at 31 December 2016 to RMB266.1 million as at 31 December 2017, primarily due to an increase in other payables relating to the construction of our new processing plant in 2017. Our accruals and other payables increased slightly by 4.2% from RMB266.1 million as at 31 December 2017 to RMB277.4 million as at 31 December 2018, primarily due to an increase in accrued salaries and wages as we hired new workers for certain of our broiler farms as they completed the adoption of the battery-cage systems; partially offset by a decrease in other payables for property, plant and equipment as the construction of our new processing plant was completed in the first half of 2018. Our accruals and other payables decreased by 9.0% from RMB277.4 million as at 31 December 2018 to RMB252.5 million as at 31 December 2019, primarily due to a decrease in other payables for property, plant and equipment as we did not commence any major construction in 2019.

Amounts Due to Related Parties, Ultimate Holding Company and Immediate Holding Company

The following table sets forth an analysis of the amounts due to related parties, ultimate holding company and immediate holding companies as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Related parties	4,123	4,948	3,757	5,283
Ultimate holding company	237	—	—	—
Immediate holding company	—	14,000	—	—
Total	4,360	18,948	3,757	5,283

Our amounts due to related parties amounted to RMB4.1 million, RMB4.9 million, RMB3.8 million and RMB5.3 million as at 31 December 2016, 2017, 2018 and 2019, respectively. Our amounts due to ultimate holding company amounted to RMB0.2 million, nil, nil and nil as at 31 December 2016, 2017, 2018 and 2019, respectively. Our amounts due to immediate holding company amounted to nil, RMB14.0 million, nil and nil as at 31 December 2016, 2017, 2018 and 2019, respectively. All of our trade in nature, amounts due to related parties, ultimate holding company and immediate holding company are non-interest-bearing, unsecured and repayable on demand.

During the Track Record Period, our amounts due to related parties mainly comprised (i) selling and distribution related balances with Qingdao Xiangguang Logistics Co., Ltd. (青島祥光物流有限公司), which provided logistics related services to the Group primarily in relation to export of the Group's products out of the PRC, and (ii) trade balances with Aode Energy, which supplied natural gas used in the production of the Group.

Our amounts due to immediate holding company in the amount of RMB14.0 million as at 31 December 2017 solely represented our payables to immediate holding company for our purchase of an asset from the immediate holding company during the year.

During the Track Record Period, our amounts due to ultimate holding company mainly comprised administrative-related balance with our ultimate holding company.

Biological Assets

During the Track Record Period, our biological assets represent breeders, broilers and broiler eggs. Broilers and broiler eggs are raised for sale and consumption in production, which are classified as current assets. Breeders are held to produce further broiler eggs and broilers, which are classified as non-current assets.

The following table sets out the breakdown of our biological assets at the end of each of the report periods:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Biological assets comprise:				
— Breeders	113,187	110,866	126,956	157,877
— Broilers and broiler eggs	112,494	120,669	138,422	141,873
	225,681	231,535	265,378	299,750
Non-current portion	113,187	110,866	126,956	157,877
Current portion	112,494	120,669	138,422	141,873
	225,681	231,535	265,378	299,750

	As at 31 December			
	2016	2017	2018	2019
Quantities of biological assets (number of heads or eggs):				
— Breeders	1,679,292	1,404,017	1,629,288	1,615,581
— Broilers	11,470,623	10,652,949	9,923,145	10,641,754
— Broiler eggs	16,584,554	13,575,167	14,401,520	13,597,187

During the Track Record Period, the quantities of our biological assets decreased by 13.8% from 29.7 million heads/eggs as at 31 December 2016 to 25.6 million heads/eggs as at 31 December 2017. The decrease was primarily due to our strategy to rear a lower quantity of breeders in response to the decrease in average selling prices of chicken meat products and chicken breeds in 2017. The quantities of our breeders and broiler eggs went back to an increasing trend after 2017, when the average selling prices of chicken meat products and chicken breeds increased. The quantities of our broilers decreased by 7.5% from 10.7 million heads as at 31 December 2017 to 9.9 million heads as at 31 December 2018, primarily due to a relatively lower production volume at our hatcheries in the last two months of 2018. As at 31 December 2018, only two of our broiler farms completed the conversions to battery-caged systems, with one of which commenced receiving chicken breeds in August 2018 and one of which commenced receiving chicken breeds in December 2018. During the year ended 31 December 2019, eight additional broiler farms completed the conversions to battery-caged systems, resulting in an increase in the quantities of our broilers of 7.1% from 9.9 million heads as at 31 December 2018 to 10.6 million heads as at 31 December 2019.

The fair value of our biological assets increased by 2.6% from RMB225.7 million as at 31 December 2016 to RMB231.5 million as at 31 December 2017, primarily due to an increase in market prices assumptions of our key biological assets valuation input, namely, white-feathered broiler chicken breeds, white-feathered mature broilers, white-feathered breeder chicken breeds, culled white-feathered hens, culled white-feathered cocks and broiler eggs, as at the end of 2017. The fair value of our biological assets further increased by 14.6% from RMB 231.5 million as at 31 December 2017 to RMB265.4 million as at 31 December 2018, primarily due to a significant increase in market prices of broiler eggs as at the end of 2018. The fair value of our biological assets increased by 13.0% from RMB265.4 million as at 31 December 2018 to RMB299.8 million as at 31 December 2019, primarily due to an increase in the quantity of our broilers as well as an increase in market prices of white-feathered broiler chicken breeds and white-feathered breeder chicken breeds as at 31 December 2019.

As at 31 December 2016, 2017, 2018 and 2019, the fair value of our biological assets represented 18.2%, 17.7%, 18.6% and 13.2% of our net asset value, respectively.

Our biological assets were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), which is an independent professional valuer not connected with us and has extensive experience in valuation of biological assets. See "—Valuation of Biological Assets" below.

VALUATION OF BIOLOGICAL ASSETS

Information about the independent valuer of our biological assets

We have engaged JLL, an independent valuer, to determine the fair values of our biological assets as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. The key valuer of the JLL team includes Mr. Simon M.K. Chan.

Mr. Simon Chan, Regional 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 Chartered Valuer and Appraiser (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA), and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Simon oversees the business valuation services of JLL and has experience in corporate advisory and valuation. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States. Simon oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of Eggriculture Foods Limited (8609.HK), China Modern Dairy Holdings Ltd. (1117.HK), China Huishan Dairy Holdings Company Limited (6863.HK), YuanShengTai Dairy Farm Limited (1431.HK), WH Group Limited (288.HK) and China Shengmu Organic Milk Limited (1432.HK).

Based on market reputation and relevant background research, the Directors and the Sole Sponsor 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 cost approach.

A market approach is adopted to value broilers and hatchable eggs, as market-based prices for broiler chick, mature broiler and hatchable eggs can be obtained as at the respective valuation date of the biological assets. Given the relatively short finishing cycle of broilers, the fair values of the broilers and hatchable eggs are developed through the application of market approach with reasonable adjustments to reflect the age differences during the rearing period.

A replacement cost approach is adopted to value chicken breeds, since (i) there are chicken breeders of various ages and production cycles, and (ii) there are no market prices for these breeders at different stages. The valuation was based on the market prices of breeder chicken breeds and culled chicken breeders and the feed cost for rearing chicken breeders, with adjustment for the reduction or consumption of useful lives of the breeders.

Key assumptions and inputs

The key input and assumption made for valuing our biological assets include the following:

- classification of the Company's biological assets into three categories, namely, broilers, breeders and broiler eggs. According to different breeds, the broilers can be divided into two categories, namely white-feathered broilers and black-bone broilers; and breeders can also be divided into two categories, namely, white-feathered breeders and black-bone breeders;

- quantity of each category of our biological assets at each valuation date;
- unit market price of key valuation input, namely, white-feathered broiler chicken breeds, white-feathered mature broilers, white-feathered breeder chicken breeds, culled white-feathered chicken breeders (comprising hens and cocks), black-bone broiler chicken breeds, black-bone mature broilers and broiler eggs, at each valuation date;
- cost for rearing breeders;
- reduction or consumption of the useful lives of breeders, which will be affected by changes in market price of mature breeders that are more than 65 weeks old; and
- there are no hidden or unexpected conditions associated with our business that might adversely affect the reported values.

The following factors form an integral part of the bases of JLL's opinion:

- assumptions on the market and the asset that are considered to be fair and reasonable;
- consideration and analysis on the micro and macro economy affecting our biological assets;
- analysis on tactical planning, management standard and synergy of the biological assets;
- analytical review of the biological assets; and
- assessment of the liquidity of the biological assets.

Set forth below are the key inputs adopted for the valuation of our biological assets:

	As at 31 December			
	2016	2017	2018	2019
Average Unit Price (RMB/head or RMB/egg)				
White-feathered broiler chicken breeds	2.93	3.17	6.04	3.60
White-feathered broilers	16.55	17.24	17.23	20.57
White-feathered breeder chicken breeds	25.00	25.20	23.50	59.30
Culled white-feathered hens	34.81	37.36	45.47	23.30
Culled white-feathered cocks	41.76	44.69	39.33	26.05
Black-bone broiler chicken breeds	—	14.70	15.44	16.51
Black-bone broilers	—	63.28	50.34	46.29
Broiler eggs	0.92	1.26	3.62	2.50
Costs for rearing breeders (RMB)	0-90.62	0-90.50	0-100.43	0-64.17
Reduction/consumption of useful lives of breeders (%)	0-70	0-66	0-63	0-44

Our market unit price of white-feathered chicken and black-bone chicken is based on historial average selling prices, and the market unit price of broiler eggs is from external market data.

The Sole Sponsor and JLL conducted a number of site inspections to perform an independent verification of the biological assets without experiencing any limitation in material aspect. JLL also engaged Professor Tian Yadong as a consultant to advise on the physical and biological attributes of the biological assets. Professor Tian currently heads the department of animal production system and engineering of the College of Animal Science and Veterinary Medicine of the Henan Agricultural University (河南農業大學牧醫工程學院). Professor Tian also serves as the executive director of China Quality Poultry Breeding and Production Research Association (中國優質禽育種與生產研究會), the director of poultry branch of Chinese Association of Animal Science and Veterinary Medicine (中國畜牧獸醫學會), the deputy secretary general of the Henan Animal Husbandry and Veterinary Medicine

Society (河南畜牧獸醫學會), and the secretary general of Henan Province Poultry Industry Technology Innovation Strategic Alliance (河南省家禽產業技術創新戰略聯盟). Professor Tian graduated from Graduate School of Chinese Academy of Agriculture Sciences (中國農業科學院研究生院) with a doctoral degree in Animal Nutrition and Feed Science (動物營養與飼料科學). JLL determined Professor Tian Yadong to be suitably qualified given his expertise and past experience in the poultry industry. JLL is satisfied that the basis of advice presented by Professor Tian Yadong and believes it is reasonable.

The Sole Sponsor had 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. As confirmed by JLL, the valuation of our biological assets were conducted in accordance with the International Valuation Standards issued by the International Valuation Standards Council. JLL has further confirmed that its valuation procedures provide a reasonable basis for its opinion, and that the inputs used in the valuation techniques are appropriate and reasonable. In addition, the Sole Sponsor discussed with our management and the Reporting Accountants with respect to the techniques chosen and inputs used in the valuations. The Sole Sponsor further compared the valuation techniques chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. The Sole Sponsor and the Reporting Accountants are satisfied that the valuation techniques chosen and the inputs used in the valuation techniques are appropriate and reasonable.

Furthermore, the Sole Sponsor discussed with the Reporting Accountants with respect to their procedures performed on the valuation of the biological assets, including obtaining an understanding on the assumptions and methods used by JLL in the valuation of our biological assets and making inquiries regarding the source data used and procedures undertaken in accordance with the HKSA 500 Audit Evidence. The Reporting Accountants provided an unqualified opinion to the financial information of the Group as a whole as set out in Appendix I to this prospectus.

Sensitivity Analysis

The following table indicates the instantaneous change in the value of our biological assets that would arise if the key inputs for valuation as at 31 December 2019 had changed at that date, assuming all other risk variables remained constant:

% change in unit market price of white-feathered broiler chicken breeds	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(7,013)	(4,736)	(2,369)	2,366	4,734	7,101
% change in unit market price of white-feathered broilers	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(22,240)	(14,926)	(7,502)	7,559	15,161	22,795
% change in unit market price of white-feathered breeder chicken breeds	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(20,961)	(13,975)	(6,988)	6,987	13,973	20,965
% change in unit market price of culled white-feathered hens	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(4,324)	(2,882)	(1,442)	1,441	2,882	4,323
% change in unit market price of culled white-feathered cocks	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(432)	(288)	(144)	143	287	431
% change in unit market price of black-bone broilers chicken breeds	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(324)	(216)	(108)	107	216	324
% change in unit market price of black-bone broilers	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(1,351)	(901)	(450)	450	901	1,350
% change in unit market price of broiler eggs	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(10,198)	(6,799)	(3,399)	3,399	6,799	10,198
% change in costs for rearing breeders (RMB)	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(23,940)	(15,961)	(7,980)	7,978	15,958	23,939
Absolute change in reduction or consumption of useful lives of breeders (%)	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	31,508	21,005	10,503	(10,503)	N/A	N/A

Stock-take and Internal Control

We have established standard procedures to ensure accuracy of headcount of our biological assets and other relevant information. Through our production management system, we are able to track the quantity, health, survival rate and other relevant information of our broilers and breeders, as well as quantity, production rate and other relevant information of broiler eggs, on a daily basis.

Our production management system would produce reports containing details of quantities, survival rates and other information of our broilers when they are sent to our slaughtering facilities. In addition, when broilers are sent to our slaughtering facilities, our production planning department together with our finance department would conduct spot checks on the quantity of the broilers and reconcile the findings against the reports. Reports containing details of the quantities, survival rates and other information of breeders are produced before mature breeders are sold. Reports containing quantity, production rate and other information of broiler eggs are produced on a monthly basis. These reports are reviewed by our production planning department, production management department and finance department.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set forth in Note 35 to the Accountants' Report in Appendix I, the Directors confirm that each transaction set forth therein was conducted on arm's length basis, on normal commercial terms and in the ordinary course of business.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet arrangements.

KEY FINANCIAL DATA AND RATIOS

The following table sets forth our key financial data and ratios as at the dates or for the years indicated:

	For the year ended 31 December			
	2016	2017	2018	2019
Gross profit (RMB'000)	68,246	37,099	178,004	428,415
Gross profit margin after biological assets fair value adjustments(1)	2.9%	1.5%	5.6%	10.9%
Gross profit before biological assets fair value adjustments (RMB'000)	392,127	293,226	461,947	1,221,460
Gross profit margin before biological assets fair value adjustments(2)	16.7%	12.0%	14.4%	31.1%
Net profit (RMB'000)	119,848	37,119	136,611	837,381
Net profit margin(3)	5.1%	1.5%	4.3%	21.3%
Net profit before biological assets fair value adjustments (RMB'000)	114,586	28,421	118,469	833,935
Net profit margin before biological assets fair value adjustments(4)	4.9%	1.2%	3.7%	21.2%
Return on equity (before biological assets fair value adjustments)(5)	9.2%	2.2%	8.3%	36.8%
Return on equity (after biological assets fair value adjustments)(6)	9.7%	2.8%	9.6%	37.0%
Return on assets (before biological assets fair value adjustments)(7)	3.4%	0.8%	3.0%	18.8%
Return on assets (after biological assets fair value adjustments)(8)	3.6%	1.0%	3.5%	18.9%
Interest coverage ratio (times)(9)	2.7	1.5	2.4	10.4

	As at 31 December			
	2016	2017	2018	2019
Current ratio(10)	0.66	0.54	0.61	0.94
Net debt-to-equity ratio(11)	89.9%	117.0%	87.0%	35.7%
Gearing ratio (times)(12)	111.0%	127.9%	104.2%	60.4%

Notes:

(1) Equals gross profit for the year after biological assets fair value adjustments divided by revenue for that year and multiplied by 100%.

(2) Equals gross profit for the year before biological assets fair value adjustments divided by revenue for that year and multiplied by 100%.

(3) Equals profit for the year divided by revenue for the year and multiplied by 100%.

(4) Equals profit for the year after biological assets fair value adjustments minus (i) gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest; (ii) gain arising from changes in fair value less costs to sell of biological assets; and (iii) biological assets fair value adjustments for cost of sales divided by revenue for that year and multiplied by 100%.

(5) Equals profit for the year (before biological assets fair value adjustments) divided by the total equity for that year and multiplied by 100%.

(6) Equals profit for the year (after biological assets fair value adjustments) divided by the total equity for that year and multiplied by 100%.

(7) Equals profit for the year (before biological assets fair value adjustments) divided by the total asset for that year and multiplied by 100%.

(8) Equals profit for the year (after biological assets fair value adjustments) divided by the total assets for that year and multiplied by 100%.

(9) Equals profit before income tax and finance costs for the year divided by finance costs for that year.

(10) Equals total current assets divided by total current liabilities as at the respective financial year-end date.

(11) Equals total interest-bearing borrowings minus cash and cash equivalents, and adding with due to related parties, due to ultimate holding company and due to immediate holding company, divided by total equity as at the respective year-end date and multiplied by 100%.

(12) Equals total borrowings divided by total equity and multiplied by 100%.

Return on Equity

Our return on equity (before biological assets fair value adjustments) was 9.2%, 2.2%, 8.3% and 36.8% in 2016, 2017, 2018 and 2019 of which the fluctuation was in line with the change in our net profit (before biological assets fair value adjustments) for the four years ended 31 December 2019.

Our return on equity (after biological assets fair value adjustments) was 9.7%, 2.8%, 9.6% and 37.0% in 2016, 2017, 2018 and 2019 of which the fluctuation was inline with the change in our net profit (after biological assets fair value adjustments) for the four years ended 31 December 2019.

Our net profit (both before and after biological assets fair value adjustments) in 2019 was particularly high, primarily due to an increase in the market price of chicken meat products and chicken breeds coupled with a decrease in the average purchase cost of the raw materials, such as, soybean meal, in 2019.

Return on Assets

Our return on assets (before biological assets fair value adjustments) was 3.4%, 0.8%, 3.0% and 18.8% in 2016, 2017, 2018 and 2019 of which the fluctuation was in line with the change in our net profit (before biological assets fair value adjustments) for the four years ended 31 December 2019.

Our return on assets (after biological assets fair value adjustments) was 3.6%, 1.0%, 3.5% and 18.9% in 2016, 2017, 2018 and 2019 of which the fluctuation was in line with the change in our net profit (after biological assets fair value adjustments) for the four years ended 31 December 2019.

Interest Coverage Ratio

We had an interest coverage ratio of 2.7, 1.5, 2.4 and 10.4 in 2016, 2017, 2018 and 2019, respectively. Our relatively high interest coverage ratio in the year ended 31 December 2019 was primarily attributable to our significant profit in that year.

Current Ratio

Our current ratio was 0.66, 0.54, 0.61 and 0.94 as at 31 December 2016, 2017, 2018 and 2019, respectively. Our current ratio decreased from 0.66 as at 31 December 2016 to 0.54 as at 31 December 2017, primarily due to the reclassification of certain borrowings into current liabilities as at 31 December 2017. Our current ratio increased from 0.61 as at 31 December 2018 to 0.94 as at 31 December 2019, primarily due to the increase in our cash and cash equivalent as at 31 December 2019.

Net Debt-to-equity Ratio

Our net debt-to-equity ratio was 89.9%, 117.0%, 87.0% and 35.7% in 2016, 2017, 2018 and 2019, respectively. Our net debt-to-equity ratio increased from 89.9% as at 31 December 2016 to 117.0% as at 31 December 2017, primarily due to the increase in our borrowings in 2017 to fund the construction of our new processing facility. Our net debt-to-equity ratio decreased from 87.0% as at 31 December 2018 to 35.7% as at 31 December 2019, primarily to the increase in our cash and cash equivalent as at 31 December 2019.

Gearing ratio

Our gearing ratio was 111.0%, 127.9%, 104.2% and 60.4% as at 31 December 2016, 2017, 2018 and 2019, respectively. The fluctuations is in line with that of the net debt-to-equity ratio.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions and professional fees in relation to the Listing and the Global Offering. The total listing expenses for the Listing of our H Shares (assuming an Offer Price of HK$4.21 per H Share, being the mid-point of the proposed Offer Price range, and the Over-allotment Option is not exercised) are estimated to be HK$99.5 million (equivalent to RMB90.7 million), among which HK$82.7 million (equivalent to RMB75.4 million) is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the Listing, and HK$16.8 million (equivalent to RMB15.3 million) was/will be charged to our consolidated statement of comprehensive income. During the Track Record Period, we settled listing expenses of HK$35.9 million (equivalent to RMB32.4 million), of which HK$24.8 million (equivalent to RMB22.4 million) was included in prepayments and will be subsequently charged to equity upon completion of the Listing and HK$11.1 million (equivalent to RMB10.0 million) was charged to consolidated statement of comprehensive income.

The listing expenses above are the latest practicable estimates and are provided for reference only, and the actual amounts may differ. The Directors do not expect listing expenses to be incurred after the Track Record Period to have a material and adverse impact on our financial results for the year ending 31 December 2020.

MARKET AND OTHER FINANCIAL RISKS

We are exposed to various types of market and financial risks including currency risk, interest rate risk, credit risk and liquidity risk. See Note 38 to the Accountants' Report in Appendix I. The following is a description of the principal market and financial risks that we face.

Market Risk

Currency Risk

We sell our products to domestic customers in the PRC as well as overseas customers. During the Track Record Period, we export our products to customers in Japan, Malaysia, the European Union and certain other countries. Accordingly, we are exposed to transactional currency risk with respect to sales that were denominated in currencies other than the functional currency of the Group, namely RMB. 3.0%, 3.0%, 3.0% and 3.0% of the Group's sales for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively, were denominated in currencies other than the functional currencies of the Group. We did not hedge against any fluctuation in foreign currency during the Track Record Period. At present, we do not intend to hedge against foreign currency fluctuations. However, management may consider entering into currency hedging transactions to manage our exposure to fluctuations in exchange rates in the future should such need arises.

We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency exchange rates. As at 31 December 2016, 2017, 2018 and 2019, if US dollars had weakened/strengthened by 5% against RMB with all other variables remain constant, our profit before tax (due to changes in the fair value of monetary assets and liabilities) for the four years ended 31 December 2016, 2017, 2018 and 2019 would have decreased/increased by RMB1.7 million, RMB3.0 million, RMB2.8 million and RMB3.4 million, respectively. As at 31 December 2016, 2017, 2018 and 2019, if euro had weakened/strengthened by 5% against RMB with all other variables remain constant, our profit before tax (due to changes in the fair value of monetary assets and liabilities) for the four years ended 31 December 2016, 2017, 2018 and 2019 would have decreased/increased by nil, nil, RMB141,000 and RMB39,000, respectively.

Interest Rate Risk

Our exposure to the risk of changes in interest rate rates relates primarily to our interest-bearing bank and other borrowings that have a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk. If interest rates had been 25 basis points higher or lower, all other variables being held constant, our profit after income tax and equity would have increased or decreased by RMB0.6 million, RMB1.1 million, RMB1.0 million and RMB0.6 million in 2016, 2017, 2018 and 2019, respectively.

Price Risk

Our major raw materials are commodities and thus we are exposed to commodity price risk. During the Track Record Period, we entered into future contracts as hedging instruments in order to manage our exposure to the variability in the expected future cash flows attributable to commodity price risk associated with the forecasted purchase of soybean meals, corn and soybean oil. We intend to continue to enter into commodity price hedging transactions to manage our exposure to commodity price risk in the future.

As at 31 December 2016, 2017, 2018 and 2019, the Group did not have any material unsettled future contract.

Credit Risk

Our credit risk mainly arises from granting of credits to our customers in the ordinary course of business and advances to other counterparties. The Group continuously monitors default of customers and other counterparties, identified either individually or by group, and incorporate this information into credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Directors consider that all of our financial assets that are not impaired for each of the reporting periods are of good credit quality, including those that are past due.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018 and 2019:

		Gross carrying amount	
		As at 31 December	
	Expected loss rate	2018	2019
	%	RMB'000	RMB'000
Current	0.5%	156,843	193,370
0-90 days past due	1%	30,540	7,066
over 90 days past due	5%-50%	3,915	9,380
		191,298	209,816

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group measures loss allowances for deposits paid and other receivables, cash and cash equivalents, pledged deposits and trade nature amounts due from related parties and ultimate holding company at an amount equal to 12 months ECLs. Applying the ECL model results in impairment of RMB2.0 million on the gross carrying amount of other receivables of the Group of RMB17.1 million as at 1 January 2018. As at 31 December 2018, the gross carrying amount of deposits paid and other receivables of the Group is RMB6.8 million and the loss allowances increased by RMB0.9 million for other receivables of the Group during the year ended 31 December 2018. As at 31 December 2019, the gross carrying amount of deposits paid and other receivables of the Group is RMB6.9 million and the loss allowances decreased by RMB0.3 million for other receivables of the Group during the year ended 31 December 2019. The credit risk on other financial assets is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 5(g)(B)(ii)) of Appendix I. At 31 December 2016 and 2017, impairment provision of RMB1.6 million and reversal of impairment provision of RMB1.6 million were made on trade receivables respectively according to the Group's assessment.

During the Track Record Period, we had certain concentration of credit risk. As at 31 December 2016, 2017, 2018 and 2019, 64.0%, 56.0%, 63.0% and 58.0% of our trade receivables were due from our three largest debtors.

Liquidity Risk

Liquidity risk relates to the risk of us not being able to meet our obligations associated with our financial liabilities. We are exposed to liquidity risk in respect of our trade and other payables and financial obligations, as well as our cash flow management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool, which considers the maturity of both its financial instruments and financial assets (e.g. trade and bills receivables) and projected cash flows from operations. The Group also maintains a balance between continuity of funding and flexibility through the use of bank and other loans as well as banking facilities in place for contingency purpose.

As at 31 December 2016, 2017, 2018 and 2019, our net current liabilities amounted to RMB645.3 million, RMB1,008.6 million, RMB866.4 million and RMB118.2 million, respectively. Our net current liabilities position as at 31 December 2019 was mainly attributable to short-term bank and other borrowings of RMB1,266.4 million. See "—Basis of Presentation" for the basis of the preparation of the Historical Financial Information under the going concern assumption.

The following table sets forth the maturity profile of our financial liabilities (including trade and bills payables, accruals and other payables, bank and other borrowings, trade nature amounts due to related parties and ultimate holding company) based on the contractual undiscounted payments as at the dates indicated:

	As at 31 December			
	2016	2017	2018	2019
	(RMB'000)			
Carrying amount	1,883,302	2,161,431	2,271,936	1,927,500
Total contractual undiscounted cash flow	1,889,695	2,171,837	2,323,054	1,969,008
Within one year or on demand	1,848,509	2,171,837	2,254,832	1,862,982
More than one year but less than two years	41,186	—	33,050	75,337
More than two years but less than five years	—	—	35,172	30,689

DIVIDEND POLICY

During the Track Record Period and up to the Latest Practicable Date, we did not declare or distribute any dividend. After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means that we consider appropriate. The Company has implemented a three-year dividend plan, pursuant to which, in the absence of certain special circumstances, if the Company records profit for the year and its accumulated undistributed profit is positive, and is capable of meeting the actual demand for distribution, the Company shall distribute dividends in cash, and the aggregate profits distributed in cash for such three years shall not be less than 30% of the total distributable profits realised for the latest three years as set out in the Company's consolidated financial statements and the dividends to be distributed in each particular year shall be decided by the Board. Any proposed distribution of dividends shall be formulated by the Board and will be subject to approval at the Shareholders' meeting. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that the Board may consider important.

According to the applicable PRC laws and the Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required;
- allocations, if any, to a discretionary common reserve fund that are approved by our shareholders in a Shareholders' meeting; and
- allocation of employee welfare funds to be borne by the Company.

The Articles of Association stipulate that the Company may distribute dividends by means of cash, stock or a combination of cash and stock.

After the completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. The major difference between PRC GAAP and IFRS is the biological assets fair value adjustments in determining the amount of the Company's distributable profits under PRC GAAP, which may affect the Group's future decision to declare or pay any dividends.

There is no assurance that we will be able to declare dividends of such any amount each year or in any year.

DIFFERENCE IN BIOLOGICAL ASSETS FAIR VALUE ADJUSTMENTS UNDER IFRS AND PRC GAAP

For the preparation of the historical financial information of the Company under IFRS, the Company determines the fair value of its biological assets under IFRS during the Track Record Period with the assistance of JLL, our independent valuer of our biological assets. In line with the accounting policies adopted by other Chinese enterprises in the same industry and in accordance with the requirements under PRC GAAP, the Company adopted the cost model to measure and value its biological assets under PRC GAAP. As a result, GAAP differences arises between IFRS and PRC GAAP on the fair value measurement of our biological assets. The GAAP difference on our profit after tax was RMB13.4 million, RMB12.2 million, RMB24.0 million and RMB18.5 million for the four years ended 31 December 2016, 2017, 2018 and 2019, respectively. For the four years ended 31 December 2016, 2017, 2018 and 2019, the GAAP difference on profit after tax included (i) biological assets fair value adjustment recognised under IFRS of RMB5.3 million, RMB8.7 million, RMB18.1 million and RMB3.4 million, respectively; and (ii) reversal of the depreciation of biological asset recognised under PRC GAAP of RMB8.1 million, RMB3.5 million, RMB5.9 million and RMB15.1 million, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had RMB1,172 million in retained profits, as determined under IFRS, available for distribution to the Shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for further details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the H Shares on the Stock Exchange.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent property valuation firm, has valued the properties held by us as at 31 March 2020. The text of its letter, summary of values and valuation certificates are set out in the property valuation report as set forth in Appendix III to this prospectus.

The following table presents the reconciliation of the net book value of the relevant property interests as at 31 December 2019 to their market value as at 31 March 2020 attributed by JLL as stated in the valuation certificate in the property valuation report as set forth in Appendix III to this prospectus:

	RMB'000
Net book value of the following properties as at 31 December 2019:	
Buildings included in property, plant and equipment	1,097,558
Right-to-use assets (prepaid land lease)	92,685
Less: Depreciation for the three month ended 31 March 2020	(14,947)
Subtotal: Net book value as at 31 March 2020	1,175,296
Less: Net book value of buildings erected on land leased by the Group where JLL attributed no commercial value as at 31 March 2020(1)	(554,014)
Less: Net book value of the buildings with no title certificates which JLL attributed no commercial value as at 31 March 2020(2)	(546)
Subtotal	620,736
Valuation Surplus	153,622
Valuation attributed by JLL as at 31 March 2020	774,358

Notes:

(1) JLL attributed no commercial value to chicken farms leased by the Group in the PRC as at 31 March 2020. See "Summary of Values — Group IV — Property interests leased by the Group in the PRC" in Appendix III to this prospectus. However, the net carrying amount of buildings located on such property interests with no commercial value amounted to RMB630.4 million as at 31 March 2020. The net carrying amount of the buildings located on such property interests is excluded to enable a reconciliation of the net book value of the property interests of the Group as at 31 December 2019 to their market value as at 31 March 2020 attributed by JLL.

(2) As at the Latest Practicable Date, we had not obtained building ownership certificates for four buildings in the PRC with a total gross floor area of 1,144.72 sq.m.. For details, see "Risk Factors — Risks relating to our business — We are subject to potential adverse consequences due to our lack of building ownership certificates in respect of certain owned properties in the PRC" in this prospectus. JLL attributed no commercial value to these buildings without title certificates. The net carrying amount of these buildings is excluded to enable a reconciliation of the net book value of the property interests of the Group as at 31 December 2019 to their market value as at 31 March 2020 attributed by JLL.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We continued to expand and diversify our product portfolio with a focus on processed chicken meat products and launched 41 new products (including new flavours, new packaging and product upgrades) subsequent to the Track Record Period and up to the Latest Practicable Date.

In April 2020, the Company entered into a cooperation agreement with the People's Government of Xingwen County (興文縣人民政府), pursuant to which the People's Government of Xingwen County would, among other things, offer financial assistance up to RMB20 million to Xingwen Tianyang in relation to the breeding of Sichuan Mountain Black Bone Chicken over a term of six years.

The Company conditionally adopted the Share Award Scheme on 4 June 2020. On 26 June 2020, a total of 2,050,000 Awarded Shares were granted to 18 selected participants under the

Share Award Scheme. For further details, see "Appendix VII — Statutory and General Information — F. Share Award Scheme — (q) Details of the Awards granted under the Share Award Scheme".

Based on the unaudited management accounts of the Group for the four months ended 30 April 2020, our revenue increased as compared to that of the corresponding period in 2019. Such increase was primarily due to an increase in sales volume of our white-feathered chicken products, in particular, the raw and processed chicken meat products by approximately 33.8% and 14.3%, respectively, as compared to that of the corresponding period in 2019. During the month ended 31 May 2020, our Group continue to record an increase in sales for both our raw and processed chicken meat products as compared to the corresponding month in 2019. The average selling price of our raw chicken meat products and processed chicken meat products remained relatively stable for the four months ended 30 April 2020, which was approximately RMB11.7 per kg and RMB22.0 per kg, respectively, for the four months ended 30 April 2020, respectively. The average selling price of chicken breeds was approximately RMB3.6 per bird for the four months ended 30 April 2020, representing a decrease of approximately 51.2% as compared to the corresponding period in 2019. The average selling price of chicken breeds per bird for the month ended 31 May 2020 decreased as compared to the average selling price for the month ended 30 April 2020. As such, the Company reduced the sales volume of chicken breeds during the period and increased the number of chicken breeds bred due to its lower profitability.

Subsequent to the Track Record Period, the average purchase prices of corn and soybean meal, being our major raw materials, were relatively stable, which was RMB2.0 per kg and RMB3.1 per kg, respectively, for the four months ended 30 April 2020. The average purchase price of Parent Stock Day-old Chicks was approximately RMB54.4 per set for the four months ended 30 April 2020, which remained relatively stable, as compared to the corresponding period in 2019. The average purchase price of chicken meat products was approximately RMB13.8 per kg for the four months ended 30 April 2020, which remained relatively stable, as compared to the corresponding period in 2019.

Due to the uncertainties brought about by the coronavirus disease outbreak as set out below and its potential further impact on the global economy as a whole, we cannot guarantee that our business operations and results of operations including revenue and profitability during the four months ended 30 April 2020 could be maintained throughout the year ending 31 December 2020, and it might turn out to be lower than the Company's results of operations for the year ended 31 December 2019. Our profitability may also be potentially impacted by, among other things, (i) the lower average selling price of chicken breeds during the year as compared to the year ended 31 December 2019 that may lead to a decrease in gross profit margin; and (ii) the execution of our expansion plan, including allocating more resources to its sales and marketing activities. See also "Our results of operations are substantially affected by the selling prices of our poultry products, which affect our revenue, and by fluctuations in the purchase prices of raw materials or interruption in the supply of raw materials, which affect our cost" and "The implementation of our expansion plan may lead to an increase in operating expenses and higher depreciation expenses, which may adversely affect our profit margin and results of operations" under "Risk Factors — Risks Relating to Our Business". Nevertheless, the Directors are of the view that we will have sufficient working capital for our present requirements covering at least 12 months from the date of this prospectus.

For details on impact of the ongoing epidemic of the coronavirus disease (COVID-19) on the business operations of the Group, see "Summary — Recent Developments and No Material Adverse Change — Impact of Coronavirus Disease".

In February 2020, China reported an outbreak of avian influenza caused by H5N1 virus in Hunan and H5N6 virus in Sichuan, respectively, and around 20,000 poultry in the affected farms in Hunan and Sichuan has been culled at local poultry farms. Being named an "area with broilers lacking highly pathogenic avian influenza" (肉雞無高致病性禽流感小區) by the Ministry of Agriculture and Rural Affairs of the PRC in May 2019, the Directors confirmed that no infected case of the said H5N1 virus in Hunan and H5N6 virus in Sichuan was found in the group's breeder and broiler farms and that the recent outbreak of avian influenza caused by H5N1 and H5N6 virus did not have any material adverse impact on the Group's results of operations and financial conditions as at the Latest Practicable Date.

After due and careful consideration, the Directors confirm that there had not been any material adverse change in our financial, operational or trading position since 31 December 2019 and up to the date of this prospectus, and there is no event since 31 December 2019 that would materially affect the information as set out in the Accountants' Report.

FUTURE PLANS

See ''Business — Business Strategies'' for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$4.21 per H Share (being the mid-point of the stated range of the Offer Price of between HK$3.33 and HK$5.10 per H Share), we estimate that we will receive net proceeds of approximately HK$1,395.1 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering payable by the Company. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 45.0%, or HK$627.8 million, will be invested in the expansion of our breeding and production capacities of white-feathered broilers through the procurement of facilities necessary for the broiler farms with battery cage systems, slaughtering and processing plant, breeder farms, hatchery, feedmill and organic fertiliser plant. Upon completion of the above expansion of production capacities, we expect that the designed annual production capacity of our production facilities will realise an increase of approximately 63.6% as compared with our production capacity as at 31 December 2019;
- approximately 42.5%, or HK$592.9 million, will be used to repay existing borrowings. The Group will apply this part of the net proceeds to form part of the settlement to repay, (a) first, loans that will fall due shortly after the Listing Date in the approximate amount of HK$533.1 million (or RMB486.0 million), and (b) second, settle a finance lease that has a higher interest rate of 6.65% per annum in the approximate amount of HK$116.7 million (or RMB106.4 million);

Outstanding amount of the abovementioned loans as at 30 April 2020	Interest rate	Maturity period	Use of loan facilities
Bank loans guaranteed by connected persons			
RMB286.0 million	4.35% to 5.10%	July 2020 to January 2021	To finance the Group's daily operations
Other bank loans			
RMB200.0 million	4.96%	September 2020 to November 2020	To finance the Group's daily operations, including raw materials procurement
Finance lease on production equipment, which is guaranteed by connected persons			
RMB106.4 million	6.65%	November 2021 to December 2022	To purchase production equipment

- approximately 10.0%, or HK$139.5 million, will be invested in the brand development and penetration of our existing B2C processed chicken meat products sales channels (both online and offline) through targeted sales and marketing campaigns, in particular:
  - approximately HK$85.1 million, representing approximately 6.1% of the net proceeds from the Global Offering, will be used to engage sport athletes to

participate in the Group's promotion activities through the Training Department of the General Administration of Sport of China (國家體育總局訓練局) and to engage celebrities and promoting our products and increase our brand awareness through sponsoring different activities, advertising on the TV, shopping malls, building exterior and/or cooperating with our brands for marketing activities.;

- ○ approximately HK$26.5 million, representing approximately 1.9% of the net proceeds from the Global Offering, will be used to cooperate with the operators of our sales channels to organise marketing activities such as free tasting and collaborating with key opinion leaders to promote our sales channels; and
- ○ approximately HK$27.9 million, representing approximately 2.0% of the net proceeds from the Global Offering, will be used to place advertisement on social media platforms and third party websites to increase our brand awareness.

See "Business — Business Strategies — Continue to expand our sales and distribution network and tap into new markets" and "Business — Sales and Marketing" for further details; and

- approximately 2.5%, or HK$34.9 million, will be invested in strengthening our research and development capabilities to (i) diversify our product portfolio of processed chicken meat products and ready-to-eat chicken meat products to capture more business opportunities both domestically and overseas; and (ii) to improve our expertise and technical knowhow in relation to our product quality, production techniques and efficiency to strengthen our competitiveness in the market. See "Business — Research and Development" and "Business — Business Strategies — Strengthen our research and development capacities to diversify our product portfolio and to improve our expertise and technical knowhow".

In the event that the Offer Price is set at HK$3.33 per H Share (being the bottom end of the indicative Offer Price range), the estimated net proceeds we will receive will be reduced by approximately HK$304.6 million, assuming the Over-allotment Option is not exercised. In the event that the Offer Price is set at HK$5.10 per H Share (being the top end of the indicative Offer Price range), the estimated net proceeds we will receive will be increased by approximately HK$308.0 million, assuming the Over-allotment Option is not exercised. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis and we will consider internal resources or external financing for the relevant purposes in the case net proceeds allocated are not sufficient for the specific purpose.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive higher total net proceeds ranging from approximately HK$1,263.4 million (assuming an Offer Price of HK$3.33, being the bottom end of the proposed Offer Price range) to HK$1,967.9 million (assuming an Offer Price of HK$5.10, being the top end of the proposed Offer Price range), after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same initial public Offer Price as stated above. We intend to apply the additional net proceeds to the above uses on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments with licenced banks or financial institutions in Hong Kong or in the PRC (including GMK Finance). We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

REASONS FOR THE LISTING

The Directors believe that the Listing is beneficial to the Company and its Shareholders as a whole for the following reasons:

- The Listing would provide a fund-raising platform for the Company, enabling us to raise the capital required to finance our future growth and expansion without reliance on financial support from the Controlling Shareholders to do so. Such platform would allow the Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansions, which could be instrumental to the expansion and improving our operating and financial performance for maximum Shareholder return.
- The Directors are of the view that the Listing will further enhance our business profile and thus ability to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for the Group's business.
- The Directors believe that the Listing would enhance market reputation and brand awareness of the Group. The Directors believe that having a listing status is complimentary advertising for the Group to potential investors and customers and can enhance its corporate profile and credibility with the public and potential business partners.
- For the four years ended 31 December 2016, 2017, 2018 and 2019, the Group had (i) an interest coverage ratio of approximately 2.7 times, 1.5 times, 2.4 times and 10.4 times, respectively; (ii) a net debt to equity ratio of approximately 89.9%, 117.0%, 87.0% and 35.7%, respectively; and (iii) a gearing ratio of approximately 111.0%, 127.9%, 104.2% and 60.4%, respectively, which the Directors believe limits the ability of the Group to obtain additional debt financing to fund its future expansion plans. In addition, as at 31 December 2019, the Company had a net current liabilities position of approximately RMB118.2 million.
- The Directors believe that Listing would provide the Company with access to equity funding by means of issuance of new H Shares. Despite the cost of equity funding by way of the Global Offering after taking into account the listing expenses might not be lower than debt financing, the Directors consider that the net proceeds from Listing would immediately improve our liquidity position, which allows us to (i) reduce our interest expenses by repaying some of our loans, which as at the Latest Practicable Date had interest rates ranging from 2.70% to 6.65%; (ii) immediately improve our net debt to equity ratio, which may allow us to obtain bank loans on more favourable terms that are currently available to the Group; (iii) increase our production capacity without incurring additional loans and interest expenses, thus improving the profitability of the Group quicker to expand in the competitive market that the Group operates in; and (iv) maintain a lower level of gearing ratio as compared to the gearing ratio of approximately 60.4% as at 31 December 2019.
- The Listing would diversify the risk of ownership among a larger group of shareholders which is important as the Group continues to expand our business. The Controlling Shareholders are not selling any Shares as part of the Global Offering and intend to enjoy the growth of the Group alongside our investors in the long run.

HONG KONG UNDERWRITERS

ABCI Securities Company Limited

Bradbury Securities Limited

CCB International Capital Limited

China Galaxy International Securities (Hong Kong) Co., Limited

China Securities (International) Corporate Finance Company Limited

China Tonghai Securities Limited

CMB International Capital Limited

Crosby Securities Limited

Dongxing Securities (Hong Kong) Company Limited

Eddid Securities and Futures Limited

Futu Securities International (Hong Kong) Limited

GF Securities (Hong Kong) Brokerage Limited

Haitong International Securities Company Limited

HeungKong Securities Limited

Huatai Financial Holdings (Hong Kong) Limited

ICBC International Securities Limited

Luk Fook Securities (HK) Limited

Southwest Securities (HK) Brokerage Limited

UOB Kay Hian (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public

Offering on the terms and conditions of this prospectus and the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and the Sole Sponsor, in their sole and absolute discretion, shall be entitled by notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters:

(i) that any statement contained in any of this prospectus, the Application Forms, the formal notice, the application proof prospectus, the post-hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or authorised by the Company to be issued or used on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms, the formal notice, the application proof prospectus, the post-hearing information pack and/or any notices, announcements, advertisements, communications issued or used by or authorised by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any material non-compliance of the above-mentioned documents (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(iii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the above-mentioned documents; or

(iv) any breach on the part of any of the obligations imposed upon any party to the Underwriting Agreements (other than upon any of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters or their respective affiliates); or

(v) that the Company withdraws this prospectus or the Application Forms (and/or any other documents used in connection with the Global Offering) or the Global Offering; or

(vi) that any expert has withdrawn or sought to withdraw its consent to being named in or to the issue of this prospectus; or

(vii) any event, act or omission which gives or is likely to give rise to any liability of any of the Company and the Controlling Shareholders arising out of or in connection with the Hong Kong Underwriting Agreement; or

(viii) any breach, or any event or circumstance rendering any of the warranties of the Hong Kong Underwriting Agreement untrue or incorrect or misleading in any respect; or

(ix) a material portion of the orders placed or confirmed in the book building process have been withdrawn terminated or cancelled after price determination, which results in under-subscription of the International Offering, and the Joint Global Coordinators, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering;

(b) there shall develop, occur, exist or come into force:

(i) any new law or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Brazil, Japan, Korea, Malaysia, Mongolia, Singapore or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change in, or any event or series of events resulting in any change or development, involving a prospective change in any local, national, regional or international financial, political, military, industrial, fiscal, economic, regulatory, market or currency matters or conditions or exchange control or any monetary or trading settlement system (including but not limited to conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the US dollar or the Renminbi is linked to any foreign currencies) in or affecting any of the Relevant Jurisdictions; or

(iii) the imposition of any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the American Stock Exchange or in the NASDAQ Global Market; or

(iv) any general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in any of the Relevant Jurisdictions adversely affecting an investment in the Offer Shares; or

(vi) any local, national, regional, international event, circumstances, or series of events or circumstance in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, calamity, crisis, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or pandemic, outbreak or escalation of infectious disease, economic sanctions, earthquake, terrorism; or

(vii) any adverse change or development or event involving a prospective adverse change or development in the assets, liabilities, shareholders' equity, profits, losses, results of operations, performance, condition (financial or otherwise), trading position of any member of the Group; or

(viii) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government, political, regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

(ix) the chairman or chief executive officer of the Company or any of the Director vacating his or her office; or

(x) a governmental authority or a political or regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or Supervisor; or

(xi) any litigation or claim or proceedings being threatened or instigated against any member of the Group; or

(xii) any contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or other applicable laws; or

(xiii) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling the Offer Shares (including the Offer Shares allotted or sold under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xv) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member the Group, and which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and the Sole Sponsor:

(A) has or will have or is likely to have a material adverse effect to the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profit, losses, results of operations, financial or trading position, or performance of the Group as a whole; or

(B) has or will have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering or the International Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares; or

(C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares to be performed or implemented or proceed as envisaged or to market the Global Offering; or

(D) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting, the Hong Kong Public Offering and/or the Global Offering) incapable of performance in accordance with its terms or which prevents or delays the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company undertakes to the Stock Exchange that, no further shares or other securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Company and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and save as permitted under the Listing Rules, he/she/it will not, and will procure that the relevant registered holder will not, without the prior written consent of the Stock Exchange:

(i) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (the "**Relevant Securities**"); and

(ii) in the period of six months commencing on the date on which the First Six-month Period (the "**Second Six-month Period**") expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholder(s) would cease to be a controlling shareholder or a group of controlling shareholders (as defined in the Listing Rules) of the Company.

Furthermore, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Company and the Stock Exchange that, within the period from the commencement date of the First Six-month Period and ending on the date on which the Second Six-month Period expires, he/she/it will:

(i) if he/she/it pledges or charges any direct or indirect interest in the Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of the Relevant Securities so pledged or charged; and

(ii) if he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Relevant Securities will be disposed of, immediately inform the Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager and the Hong Kong Underwriters and the Controlling Shareholders have undertaken that except pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the expiry of First Six-month Period, the Company will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities or securities convertible into equity security of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities or securities convertible into equity securities of the Company, as applicable) or deposit any share capital or other equity securities or securities convertible into equity security of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any shares or other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares or other securities of the Company, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or other securities, in cash or otherwise or publicly disclose that the Company will or may enter into any transaction described above.

Undertakings By the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager and the Hong Kong Underwriters (and is expected to undertake to the International Underwriters) that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) he/it will not and will procure that none of his/her affiliate will during the First Six-month Period:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any share capital or other equity securities of the Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities or securities convertible into equity securities of the Company, as applicable), or deposit any share capital or other equity securities or securities convertible into equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities or securities convertible into equity securities of the Company, as applicable);

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (ii) above; or

(iv) offer to or agree to or announce, or publicly disclose any intention to effect any transaction specified in paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of our Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) he/it will not and will procure that none of his/its associate or company controlled by it or any nominee or trustee holding in trust for it will during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, the Controlling Shareholders will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company;

(c) he/it will and will procure his/its affiliate to until the expiry of the Second Six-month Period, in the event that he/it enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of the Company; and

(d) he/it will and will procure his/its affiliate to at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date:

(i) upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in the Shares or securities of the Company beneficially owned by him/it for a bona fide commercial loan, immediately inform the Company, the Joint Global Coordinators and the Sole Sponsor in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and

(ii) upon any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of the Company will be disposed of, immediately inform the Company, the Joint Global Coordinators and the Sole Sponsor in writing of such indications.

Hong Kong Underwriters' Interest in the Company

Except for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested legally or beneficially in the shares of any of the members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of the Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that the Company and the Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the International Underwriters on or about the Price Determination Date.

Under the International Underwriting Agreement, subject to the terms and conditions set forth in such agreement, the International Underwriters are expected to severally (not jointly or jointly and severally) agree to purchase or procure purchasers to purchase, the International Offering Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Offering Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, the Company and the Controlling Shareholders (as defined above) will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in "— Undertakings pursuant to the Hong Kong Underwriting Agreement" above.

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option exercisable by the Joint Global Coordinators on behalf of the International Underwriters, at any time from the Listing Date up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to sell up to an aggregate of 53,250,000 additional H Shares, representing in aggregate not more than 15% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the Global Offering, solely to cover over-allocation, if any, in the International Offering.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For the International Offering, we propose to pay an underwriting commission of 2.5% plus a discretionary bonus commission of not more than 0.5% to the International Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The aggregate commissions and fees, together with listing fees, legal and other professional fees and printing and other expenses relating to the Global Offering and the SFC transaction levy and Stock Exchange trading fee are estimated to be HK$99.5 million in aggregate (based on the Offer Price of HK$4.21, being the mid-point of the indicative Offer Price range between HK$3.33 and HK$5.10 and assuming the Over-allotment Option is not exercised at all).

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as required under Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "Structure of the Global Offering — Stabilisation". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the share price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 35,500,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "Hong Kong Public Offering"; and
- the International Offering of 319,500,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below), outside the United States in offshore transactions in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, on behalf of the International Underwriters, have an option to require the Company to issue and allot up to an aggregate of 53,250,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover, among other things, over-allocation in the International Offering, if any.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong and other investors anticipated to have a sizeable demand for the International Offer Shares within Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors in other jurisdictions outside the United States in reliance on Regulation S.

The number of Hong Kong Offer Shares and the International Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to reallocation as described in "— Pricing and Allocation" below.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Hong Kong Public Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares under the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 7 July 2020 and in any event no later than Friday, 10 July 2020 by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$5.10 per Offer Share and is expected to be not less than HK$3.33 per Offer Share, unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate and with the consent of the Company, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.fengxiang.com notices of the reduction. Upon issue of such notices, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in "Summary", and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Hong Kong Offer Shares to be offered under the Hong Kong Public Offering and the International Offer Shares to be offered under the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$1,395.1 million (or RMB1,271.7 million), assuming an Offer Price of HK$4.21 per Offer Share, being the approximate mid-point of the proposed Offer Price range of HK$3.33 to HK$5.10.

The Offer Price under the Global Offering is expected to be announced on Wednesday, 15 July 2020. The indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, 15 July 2020 on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.fengxiang.com).

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares under the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued under the exercise of the Over-allotment Option), and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

(b) the Offer Price having been determined on or around the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed by 5:00 pm on Friday, 10 July 2020 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived before the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.fengxiang.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of H Share Certificates and Refund Monies". In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Wednesday, 15 July 2020 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (a) the Global Offering has become unconditional in all respects; and (b) the right of termination as described in "Underwriting — Underwriting Arrangements, Commissions and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 35,500,000 H Shares at the Offer Price, representing 10% of the 355,000,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 2.5% of our enlarged registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Hong Kong Public Offering" above.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications to be received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 17,750,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering) and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million or less (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). The Hong Kong Offer Shares in pool B will consist of 17,750,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering) and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "subscription price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 17,750,000 Hong Kong Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool, are liable to be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practise Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In the event of over applications, a clawback mechanism following the closing of the Application Lists shall be applied on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 106,500,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 142,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 177,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators and the Sole Sponsor deems appropriate.

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may in certain circumstances be reallocated as between these offerings at the discretion of the Joint Global Coordinators. In accordance with Guidance Letter HKEXGL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of shares that may be allocated to the Hong Kong Public Offering shall be not more than 71,000,000 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offering and the final Offer Price shall be fixed at HK$3.33 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators and the Sole Sponsor have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Sole Sponsor may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators and the Sole Sponsor so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he, or any person(s) for whose benefit he is making the application, has not applied for, taken up or indicated an interest in, and will not apply for, take up or indicate an interest in, any Offer Shares under the International Offering. Such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been, or will be, placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$5.10 per Offer Share plus the brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" above, is lower than HK$5.10, being the maximum Offer Price, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares".

INTERNATIONAL OFFERING

Number of H Shares Initially Offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 319,500,000 International Offer Shares representing 90% of the Offer Shares under the Global Offering and approximately 22.8% of the Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" above and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell the Offer Shares, after the listing of our Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require investors who have been offered Offer Shares under the International Offering and who have made applications under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such applications are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be sold and issued pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation and Clawback" above, any exercise of the Over-allotment Option and/or any reallocation of unsold Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that the Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 53,250,000 additional H Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the same price per Offer Share under the International Offering, to cover, among other things, over-allocations in the International Offering (if any). If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.66% of the Company's enlarged registered share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made by the Company on the Company's website at www.fengxiang.com and the website of the Stock Exchange at www.hkexnews.hk.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other transactions with a view to stabilising or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period up to the 30th day after the last day for lodging applications under the Hong Kong Public Offering. Any market purchases of the H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it, and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be sold upon exercise of the Over-allotment Option, namely 53,250,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising actions permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), as amended, include: (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the H Shares; (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the H Shares; (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above; (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimising any reduction in the market price of the H Shares; (e) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of the abovementioned purchases; and (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the H Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation and selling of any such long position in the open market by the Stabilising Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the H Shares;
- no stabilising action can be taken to support the price of the H Shares for longer than the stabilisation period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilisation period by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

In order to effect stabilisation actions, the Stabilising Manager will arrange cover up to an aggregate of 53,250,000 Offer Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether sufficient number of H Shares will be made available under deferred delivery arrangements of Offer Shares. There will be no stabilisation actions and no exercise of the Over-allotment Option should no investors be willing to enter into such deferred delivery arrangements. In any event, all the subscription monies will be fully paid on or before the Listing.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), as amended, will be made within seven days of the expiration of the stabilisation period.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and us on or before the Price Determination Date.

We expect that we will enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

The terms of the underwriting arrangements and the Underwriting Agreements are summarised in "Underwriting".

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares being offered under the Global Offering (including the additional Offer Shares which may be made available under the exercise of the Over-allotment Option).

No part of the H Share is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

ADMISSION OF THE H SHARES INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 16 July 2020, it is expected that dealings in H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 July 2020.

The H Shares will be traded in board lots of 1,000 H Shares each and the stock code of the H Shares will be 9977.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive officer or supervisor of the Company and/or any of its subsidiaries;

- are a close associate (as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 June 2020, until 12:00 noon on Tuesday, 7 July 2020 from:

(i) any of the following addresses of the Hong Kong Underwriters:

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Central, Hong Kong

Bradbury Securities Limited
5106-07, 51/F, The Center
99 Queen's Road Central
Central, Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

China Tonghai Securities Limited
18/F-19/F, China Building
29 Queen's Road Central
Central, Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

Crosby Securities Limited
5/F, Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Eddid Securities and Futures Limited
23/F, YF Life Tower
33 Lockhart Road
Wan Chai, Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2, 13/F, United Centre
95 Queensway
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

HeungKong Securities Limited
Suite 622, Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon, Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Luk Fook Securities (HK) Limited
Units 2201-2207 & 2213-2214
22/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Southwest Securities (HK) Brokerage Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

UOB Kay Hian (Hong Kong) Limited
6/F, Harcourt House
39 Gloucester Road
Hong Kong

(ii) any of the designated branches of the following receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong
	South Horizons Branch	Shop G13 & G15, G/F, Marina Square, West Commercial Block, South Horizons, Ap Lei Chau, Hong Kong
Kowloon...................	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
New Territories	Kwai Cheong Road Branch	40 Kwai Cheong Road, Kwai Chung, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 June 2020 until 12:00 noon on Tuesday, 7 July 2020 from the Depository Counter of HKSCC at 1st Floor, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — SHANDONG FENGXIANG PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, 30 June 2020 — 9:00 a.m. to 5:00 p.m.

Thursday, 2 July 2020 — 9:00 a.m. to 5:00 p.m.

Friday, 3 July 2020 — 9:00 a.m. to 5:00 p.m.

Saturday, 4 July 2020 — 9:00 a.m. to 1:00 p.m.

Monday, 6 July 2020 — 9:00 a.m. to 5:00 p.m.

Tuesday, 7 July 2020 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 7 July 2020, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Applications Lists" below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) **undertake** to execute all relevant documents and **instruct** and **authorise** the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) **agree** that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunner, the Joint Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) **agree** to disclose to the Company, the H Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunner, the Joint Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and (iii) you are not, and none of the other person(s) for whose benefit you are applying is, a US person (as defined in Regulation S);

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorise** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "— 2. Who can apply" above, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 30 June 2020 until 11:30 a.m. on Tuesday, 7 July 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 7 July 2020 or such later time under "— 10. Effect of Bad Weather on the Opening of the Applications Lists" below.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the designated **White Form eIPO** Service Provider will contribute HK$2 for each ''SHANDONG FENGXIANG CO., LTD.'' **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;

- **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- **confirm** that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to the Company, the H Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- **agree** with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;
- **agree** with the Company, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholders and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- **agree** with the Company, for itself and for the benefit of each Shareholder, that the H Shares are freely transferable by the holders thereof; and
- **authorise** the Company to enter into a contract on its behalf with each Director, Supervisor, manager and officer whereby each such person undertakes to observe and comply with his or her obligations to the Shareholders as stipulated in the Articles of Association.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 30 June 2020 — 9:00 a.m. to 8:30 p.m.

Thursday, 2 July 2020 — 8:00 a.m. to 8:30 p.m.

Friday, 3 July 2020 — 8:00 a.m. to 8:30 p.m.

Monday, 6 July 2020 — 8:00 a.m. to 8:30 p.m.

Tuesday, 7 July 2020 — 8:00 a.m. to 12:00 noon

Note:

(1) These times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 30 June 2020 until 12:00 noon on Tuesday, 7 July 2020 (24 hours daily, except on Tuesday, 7 July 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 7 July 2020, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunner, the Joint Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/ CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 7 July 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if:

- there is a tropical cyclone warning signal number 8 or above;
- "extreme conditions" caused by a super typhoon is announced by the Hong Kong Government according to the revise "Code of Practice in Times of Typhoon and Rainstorms" or
- there is a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon. on Tuesday, 7 July 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 7 July 2020 or if there is a "black" rainstorm warning signal, extreme conditions caused by a super typhoon is announced by the Hong Kong government according to the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or there is a tropical cyclone warning number 8 or above in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 15 July 2020 on the Company's website at www.fengxiang.com and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.fengxiang.com and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, 15 July 2020;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English https://www.eipo.com.hk/en/Allotment; Chinese https://www.eipo.com.hk/zh-hk/Allotment) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 15 July 2020 to 12:00 mid-night on Tuesday, 21 July 2020;
- by telephone enquiry line by calling 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, 15 July 2020 to Friday, 17 July 2020 and Monday, 20 July 2020; and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 July 2020 to Friday, 17 July 2020 at all the designated receiving bank branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Hong Kong Public Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$5.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 15 July 2020.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card

number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Wednesday, 15 July 2020. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, 16 July 2020 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade the H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 July 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 15 July 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 15 July 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 15 July 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)***

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- ***If you are applying as a CCASS Investor Participant***

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 July 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 July 2020, or such other date as notified by the Company in the newspapers as the date of despatch/ collection of H Share certificates / e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 15 July 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 15 July 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Wednesday, 15 July 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 July 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also cheque the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also cheque the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 15 July 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 15 July 2020.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANDONG FENGXIANG CO., LTD. AND SOUTHWEST SECURITIES (HK) CAPITAL LIMITED

Introduction

We report on the historical financial information of Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司, the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-89, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2016, 2017, 2018 and 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (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-89 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2020 in connection with the initial listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 2 and 3 to the Historical Financial Information respectively, and for such internal control as the Directors 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 2 and 3 to the Historical Financial Information respectively 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 purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2016, 2017, 2018 and 2019 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of presentation and preparation set out in notes 2 and 3 to the Historical Financial Information respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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-3 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

BDO Limited

Certified Public Accountants

Wong Kwok Wai
Practising Certificate no.: P06047
Hong Kong
30 June 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in the Company's functional currency, Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December											
		2016			2017			2018			2019		
		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
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	7	2,354,104	—	2,354,104	2,434,392	—	2,434,392	3,197,099	—	3,197,099	3,926,217	—	3,926,217
Cost of sales		(1,961,977)	(323,881)	(2,285,858)	(2,141,166)	(256,127)	(2,397,293)	(2,735,152)	(283,943)	(3,019,095)	(2,704,757)	(793,045)	(3,497,802)
Gross profit		392,127	(323,881)	68,246	293,226	(256,127)	37,099	461,947	(283,943)	178,004	1,221,460	(793,045)	428,415
Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		—	225,480	225,480	—	250,473	250,473	—	169,173	169,173	—	402,785	402,785
Gain arising from changes in fair value less costs to sell of biological assets		—	103,663	103,663	—	14,352	14,352	—	132,912	132,912	—	393,706	393,706
Other income and gains	8	14,373	—	14,373	12,272	—	12,272	12,972	—	12,972	27,942	—	27,942
Selling and distribution costs		(112,207)	—	(112,207)	(89,182)	—	(89,182)	(120,413)	—	(120,413)	(159,290)	—	(159,290)
Administrative expenses		(104,851)	—	(104,851)	(109,528)	—	(109,528)	(134,700)	—	(134,700)	(160,631)	—	(160,631)
Provision for impairment loss/loss allowance		(1,628)	—	(1,628)	—	—	—	(2,639)	—	(2,639)	(745)	—	(745)
Other expenses		—	—	—	(5,001)	—	(5,001)	(900)	—	(900)	(4,141)	—	(4,141)
Finance costs	9	(72,286)	—	(72,286)	(73,669)	—	(73,669)	(96,995)	—	(96,995)	(89,322)	—	(89,322)
Profit before income tax	10	115,528	5,262	120,790	28,118	8,698	36,816	119,272	18,142	137,414	835,273	3,446	838,719
Income tax (expense)/credit	13	(942)	—	(942)	303	—	303	(803)	—	(803)	(1,338)	—	(1,338)
Profit for the year		114,586	5,262	119,848	28,421	8,698	37,119	118,469	18,142	136,611	833,935	3,446	837,381

		Year ended 31 December											
		2016			2017			2018			2019		
	Notes	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
Other comprehensive income													
Other comprehensive income that may be reclassified subsequently to profit or loss:													
Cash flow hedges:													
Effective portion of changes in fair value of hedging instruments arising during the year				7,189			—			—			—
Amounts transferred to the initial carrying amount of hedged items				(7,685)			—			—			—
Exchange difference on translation of financial statements of foreign operation				—			—			199			64
Other comprehensive income for the year				(496)			—			199			64
Total comprehensive income for the year				119,352			37,119			136,810			837,445
Profit/(loss) attributable to:													
Owners of the Company				120,055			37,500			140,383			837,522
Non-controlling interest				(207)			(381)			(3,772)			(141)
				119,848			37,119			136,611			837,381
Total comprehensive income attributable to:													
Owners of the Company				119,559			37,500			140,582			837,586
Non-controlling interest				(207)			(381)			(3,772)			(141)
				119,352			37,119			136,810			837,445
Earnings per share attributable to owners of the Company													
Basic and diluted (in RMB cents)	15			11.49			3.59			13.43			80.15

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	16	1,670,975	2,090,276	2,116,804	2,171,889
Right-of-use assets	17	269,578	279,763	283,600	287,977
Intangible assets	18	6,174	11,056	11,032	9,528
Biological assets	19	113,187	110,866	126,956	157,877
Prepayments and deposits	24	45,933	22,289	16,419	60,213
Deferred tax assets	21	2,885	3,727	3,650	3,509
Total non-current assets		2,108,732	2,517,977	2,558,461	2,690,993
Current assets					
Inventories	22	497,154	508,809	347,515	485,025
Biological assets	19	112,494	120,669	138,422	141,873
Trade receivables	23	80,691	106,659	188,648	206,625
Prepayments, deposits and other receivables	24	134,879	208,150	164,061	158,531
Due from a related party	25	3,214	—	—	46
Due from ultimate holding company	25	43	—	—	—
Pledged deposits	26	131,145	65,600	273,667	184,590
Cash and cash equivalents	26	267,011	161,314	248,724	563,365
Total current assets		1,226,631	1,171,201	1,361,037	1,740,055
Current liabilities					
Trade and bills payables	27	304,839	204,450	511,378	308,120
Accruals and other payables	28	199,746	266,136	277,393	252,470
Contract liabilities	7	13,727	8,847	11,765	21,160
Lease liabilities	17	7,346	1,438	1,977	3,476
Due to related parties	25	4,123	4,948	3,757	5,283
Due to ultimate holding company	25	237	—	—	—
Due to immediate holding company	25	—	14,000	—	—
Borrowings	29	1,338,013	1,675,944	1,419,432	1,266,398
Deferred government grants	30	480	1,711	522	847
Income tax payable		3,436	2,359	1,204	545
Total current liabilities		1,871,947	2,179,833	2,227,428	1,858,299
Net current liabilities		(645,316)	(1,008,632)	(866,391)	(118,244)
Total assets less current liabilities		1,463,416	1,509,345	1,692,070	2,572,749
Non-current liabilities					
Lease liabilities	17	171,369	182,508	183,635	193,443
Borrowings	29	40,000	—	66,026	100,635
Deferred government grants	30	11,060	16,478	16,214	15,031
Total non-current liabilities		222,429	198,986	265,875	309,109
Net assets		1,240,987	1,310,359	1,426,195	2,263,640
Equity					
Equity attributable to owners of the Company					
Share capital	31	1,045,000	1,045,000	1,045,000	1,045,000
Reserves	32	195,594	251,694	381,786	1,219,372
		1,240,594	1,296,694	1,426,786	2,264,372
Non-controlling interest		393	13,665	(591)	(732)
Total equity		1,240,987	1,310,359	1,426,195	2,263,640

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	16	1,124,676	1,153,658	1,102,827	1,168,758
Right-of-use assets	17	187,581	191,655	191,539	187,010
Intangible assets	18	2,211	7,868	7,303	6,738
Biological assets	19	112,151	108,996	124,395	155,062
Investments in subsidiaries	20	701,740	781,740	1,047,704	1,047,704
Prepayments and deposits	24	24,972	9,607	5,411	27,741
Total non-current assets		2,153,331	2,253,524	2,479,179	2,593,013
Current assets					
Inventories	22	113,471	101,145	100,719	99,071
Biological assets	19	112,494	117,078	136,971	136,289
Trade and bills receivables	23	331,637	438,180	412,590	237,790
Prepayments, deposits and other receivables	24	24,606	41,630	36,168	36,085
Due from a related party	25	2,539	—	—	—
Due from subsidiaries	25	159,289	191,410	52,975	105,314
Pledged deposits	26	35,000	35,076	188,078	40,000
Cash and cash equivalents	26	47,460	72,853	142,760	455,325
Total current assets		826,496	997,372	1,070,261	1,109,874
Current liabilities					
Trade and bills payables	27	151,039	88,040	454,528	223,667
Accruals and other payables	28	86,834	83,276	90,444	89,604
Contract liabilities	7	352	260	372	1,476
Lease liabilities	17	5,455	1,583	1,462	1,540
Due to related parties	25	242	1,353	1,445	1,793
Due to subsidiaries	25	111	15,315	13,050	12,990
Borrowings	29	1,290,163	1,483,594	1,254,835	924,491
Deferred government grants	30	—	1,200	11	—
Income tax payable		3,436	1,492	985	545
Total current liabilities		1,537,632	1,676,113	1,817,132	1,256,106
Net current liabilities		(711,136)	(678,741)	(746,871)	(146,232)
Total assets less current liabilities		1,442,195	1,574,783	1,732,308	2,446,781
Non-current liabilities					
Lease liabilities	17	165,679	177,119	175,818	174,438
Borrowings	29	40,000	—	—	—
Total non-current liabilities		205,679	177,119	175,818	174,438
Net assets		1,236,516	1,397,664	1,556,490	2,272,343
Equity					
Share capital	31	1,045,000	1,045,000	1,045,000	1,045,000
Reserves	32	191,516	352,664	511,490	1,227,343
Total equity		1,236,516	1,397,664	1,556,490	2,272,343

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company									
	Share capital (note 31)	Statutory reserve (note 32)	Other reserve (note 32)	Merge reserve (note 32)	Hedging reserve (note 32)	Translation reserve	Retained profits	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,045,000	10,372	(6,000)	—	496	—	35,767	1,085,635	—	1,085,635
Profit/(loss) for the year	—	—	—	—	—	—	120,055	120,055	(207)	119,848
Other comprehensive income:										
Cash flow hedges	—	—	—	—	(496)	—	—	(496)	—	(496)
Total comprehensive income for the year	—	—	—	—	(496)	—	120,055	119,559	(207)	119,352
Capital contribution from ultimate controlling shareholder	—	—	—	29,400	—	—	—	29,400	—	29,400
Carve out of a subsidiary	—	—	6,000	—	—	—	—	6,000	—	6,000
Capital contribution from a non-controlling equity holder of a subsidiary	—	—	—	—	—	—	—	—	600	600
Transfer to statutory reserve	—	24,784	—	—	—	—	(24,784)	—	—	—
At 31 December 2016 and 1 January 2017	1,045,000	35,156	—	29,400	—	—	131,038	1,240,594	393	1,240,987
Profit/(loss) for the year	—	—	—	—	—	—	37,500	37,500	(381)	37,119
Total comprehensive income for the year	—	—	—	—	—	—	37,500	37,500	(381)	37,119
Capital contribution from ultimate controlling shareholder	—	—	—	18,600	—	—	—	18,600	—	18,600
Capital contribution from a non-controlling equity holder of a subsidiary	—	—	—	—	—	—	—	—	13,653	13,653
Transfer to statutory reserve	—	15,515	—	—	—	—	(15,515)	—	—	—
At 31 December 2017 and 1 January 2018	1,045,000	50,671	—	48,000	—	—	153,023	1,296,694	13,665	1,310,359
Initial application of IFRS 9	—	—	—	—	—	—	(2,932)	(2,932)	—	(2,932)
Adjusted balance at 1 January 2018	1,045,000	50,671	—	48,000	—	—	150,091	1,293,762	13,665	1,307,427
Profit/(loss) for the year	—	—	—	—	—	—	140,383	140,383	(3,772)	136,611
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operation	—	—	—	—	—	199	—	199	—	199
Total comprehensive income for the year	—	—	—	—	—	199	140,383	140,582	(3,772)	136,810
Deemed distribution	—	—	—	(5,743)	—	—	—	(5,743)	—	(5,743)
Capital contribution by a non-controlling equity holder of a subsidiary	—	—	—	—	—	—	1,217	1,217	(815)	402
Acquisition of non-controlling interests	—	—	—	—	—	—	(3,032)	(3,032)	(9,669)	(12,701)
Transfer to statutory reserve	—	15,262	—	—	—	—	(15,262)	—	—	—
At 31 December 2018	1,045,000	65,933	—	42,257	—	199	273,397	1,426,786	(591)	1,426,195

	Equity attributable to owners of the Company									
	Share capital (note 31)	Statutory reserve (note 32)	Other reserve (note 32)	Merge reserve (note 32)	Hedging reserve (note 32)	Translation reserve	Retained profits	Total	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,045,000	65,933	—	42,257	—	199	273,397	1,426,786	(591)	1,426,195
Profit/(loss) for the year	—	—	—	—	—	—	837,522	837,522	(141)	837,381
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	—	—	—	—	—	64	—	64	—	64
Total comprehensive income for the year	—	—	—	—	—	64	837,522	837,586	(141)	837,445
Transfer to statutory reserve	—	70,224	—	—	—	—	(70,224)	—	—	—
At 31 December 2019	1,045,000	136,157	—	42,257	—	263	1,040,695	2,264,372	(732)	2,263,640

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2016	2017	2018	2019
		Year ended 31 December			
		RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities					
Profit before income tax		120,790	36,816	137,414	838,719
Adjustments for:					
Depreciation of property, plant and equipment	10	116,283	122,105	146,419	163,105
Loss on disposals of property, plant and equipment	10	3,008	3,320	6,630	12,686
Depreciation of right-of-use assets	10	6,956	8,947	7,881	10,250
Amortisation of intangible assets	10	1,058	1,270	1,475	1,510
Write-off of inventories	10	566	1,387	1,040	1,130
Impairment/(reversal of impairment) of trade receivables	10	1,628	(1,628)	—	—
Loss allowance of trade receivables	10	—	—	1,767	541
Loss allowance of other receivables	10	—	—	872	204
Income from government grants		(480)	(554)	(1,464)	(2,358)
Exchange (gain)/loss	10	(5,473)	3,797	948	(6,993)
Biological assets fair value adjustments		(5,262)	(8,698)	(18,142)	(3,446)
Finance costs	9	72,286	73,669	96,995	89,322
Interest income	8	(3,118)	(3,533)	(3,531)	(7,392)
Operating profit before working capital changes		308,242	236,898	378,304	1,097,278
(Increase)/decrease in biological assets		(43,085)	2,844	(15,701)	(30,926)
(Increase)/decrease in inventories		(72,988)	(13,042)	160,254	(138,640)
Increase in trade receivables		(4,565)	(28,137)	(85,587)	(11,525)
Decrease/(increase) in prepayments, deposits and other receivables		8,620	(73,271)	41,168	5,326
(Decrease)/increase in trade and bills payables		(29,093)	(104,785)	293,353	(182,096)
Increase/(decrease) in accruals and other payables		17,804	66,390	11,257	(24,923)
Increase/(decrease) in contract liabilities		1,329	(4,880)	2,918	9,395
Decrease/(increase) in balances with related parties		32,181	4,039	(1,191)	1,480
Cash generated from operations		218,445	86,056	784,775	725,369
Income taxes paid		(1,562)	(1,616)	(1,881)	(1,856)
Net cash flows generated from operating activities		216,883	84,440	782,894	723,513
Cash flows from investing activities					
Purchases of property, plant and equipment		(135,561)	(578,747)	(183,038)	(258,622)
Decrease/(increase) in prepayments and deposit paid for purchase of property, plant and equipment		81,140	23,644	5,870	(43,794)
Purchases of intangible assets		(125)	(6,152)	(1,451)	(6)
Land lease prepayments		(22,577)	(5,891)	(7,649)	(191)
Proceeds from disposals of property, plant and equipment		4,072	34,021	3,461	27,746
Proceeds from disposal of right-of-use assets		—	—	—	630
Interest received		3,118	3,533	3,531	7,392
(Increase)/decrease in pledged deposits		(57,384)	65,545	(208,067)	89,077
Net cash flows used in investing activities		(127,317)	(464,047)	(387,343)	(177,768)

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities				
Drawdown of borrowings	2,142,550	2,401,850	2,135,766	1,630,028
Repayments of borrowings	(2,021,330)	(2,103,919)	(2,326,252)	(1,748,453)
Government grants received	300	7,203	11	1,500
Interest paid	(69,358)	(69,273)	(83,221)	(110,420)
Repayment of principal portion of lease liabilities	(7,001)	(8,010)	(2,403)	(3,759)
Acquisition of non-controlling interests	—	—	(12,701)	—
Carve out of a subsidiary	6,000	—	—	—
Capital contribution from/(distribution to) shareholders	29,400	18,600	(5,743)	—
Capital contribution from non-controlling interests	600	13,653	402	—
(Repayment of advance from) / advance from immediate holding companies	(72,943)	14,000	(14,000)	—
Repayment of advance from ultimate holding company	(1,731)	(194)	—	—
Net cash flows generated from/(used in) financing activities	6,487	273,910	(308,141)	(231,104)
Net increase/(decrease) in cash and cash equivalents	96,053	(105,697)	87,410	314,641
Cash and cash equivalents at beginning of year	170,958	267,011	161,314	248,724
Cash and cash equivalents at end of year	267,011	161,314	248,724	563,365

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office and the principal place of business of the Company is located at Liumiao Village, Anle Town, Yanggu County, Liaocheng City, Shandong Province, the PRC.

The Company and its subsidiaries set out below are principally engaged in investment holding, chicken breeding, livestock slaughtering, and manufacture and sale of chicken meat products (the "Listing Business").

In the opinion of the Directors, the ultimate holding company of the Company is GMK Holdings Group Co., Ltd., a company established in the PRC. The ultimate controlling shareholders are Mr. Liu Xuejing, Ms. Zhang Xiuying, Mr. Liu Zhiguang and Mr. Liu Zhiming.

As at the date of this report, the particulars of the Company and its interests in its subsidiaries, all of which are private limited liability companies, are set out below:

Name	Date and place of establishment/ registration and place of operations	Registered and paid up capital	Percentage of equity attributable to the Company	Principal activities
山東鳳祥股份有限公司(1), (6)	17 December 2010 PRC/Mainland China	RMB1,045,000,000	N/A	Investment holding and chicken breeding
山東鳳祥實業有限公司(1), (6)	20 December 2011 PRC/Mainland China	RMB606,900,000	100	Livestock slaughtering, and manufacture and sale of chicken meat products
山東鳳祥食品發展有限公司(1), (6)	22 April 1997 PRC/Mainland China	RMB412,238,900	100	Manufacture and sale of chicken meat products
陽穀祥雨有機肥有限公司 (formerly known as 山東鈺豐有機肥有限公司)(1), (6)	9 October 2014 PRC/Mainland China	RMB65,000,000	100	Distribution and sale of organic fertiliser
興文天養極食食品發展有限公司(formerly known as 興文鳳祥山地烏骨雞發展有限公司)(2), (6)	26 May 2016 PRC/Mainland China	RMB10,000,000	90	Chicken breeding, livestock slaughtering, manufacture and sale of chicken meat products
禹城鳳鳴食品有限公司(3), (6)	18 August 2017 PRC/Mainland China	RMB33,000,000	100	Production and sale of poultry products
鳳祥食品有限公司(4), (6) ("Fengxiang Food")	18 November 2015 PRC/Mainland China	RMB60,000,000	100	Production and sale of processed poultry products

Name	Date and place of establishment/ registration and place of operations	Registered and paid up capital	Percentage of equity attributable to the Company	Principal activities
鳳祥食品株式會社(5)	28 December 2017 Japan	Japanese Yen 50,000,000 (equivalent to approximately RMB3,003,100)	100	Food research and development

Notes:

1. The statutory financial statements of these entities for the years ended 31 December 2016, 2017, 2018 and 2019 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
2. The statutory financial statements of this entity for the period from 26 May 2016 (date of incorporation) to 31 December 2016 and the years ended 31 December 2017, 2018 and 2019 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
3. The statutory financial statements of this entity for the period from 18 August 2017 (date of incorporation) to 31 December 2017, the years ended 31 December 2018 and 2019 prepared under PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
4. The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared under PRC GAAP were audited by 北京東審鼎立國際會計師事務所有限責任公司. The statutory financial statements of this entity for the years ended 31 December 2018 and 2019 prepared under PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
5. The audited financial statements for this entity was yet to be issued as of the date of this report.
6. Each of these companies are registered as a limited liability company under the PRC Law.

2. BASIS OF PRESENTATION

The Historical Financial Information comprises the financial information of the Listing Business. For the purpose of this report, the related financial information of 山東鳳祥超市有限公司 ("Fengxiang Supermarket"), a former subsidiary of the Group, which was principally engaged in the operation of supermarket (the "Non-Listing Business") and was disposed of by the Company on 29 December 2016, has been excluded from the Historical Financial Information throughout the Relevant Periods as the Non-Listing Business was considered by the Directors to be separately managed and dissimilar in the nature of business as the Listing Business, and the related financial information was identifiable.

During the Relevant Periods, the Company has completed an acquisition of Fengxiang Food which was under common control of the controlling shareholders of the Company. This acquisition is regarded as "business combination under common control". Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting as if the current structure had been in existence throughout the Relevant Periods.

3. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 5 which conform with International Financial Reporting Standards ("IFRSs"), which collective term include all International Financial Reporting Standards and International Accounting Standards ("IASs") issued by the International Accounting Standards Board and Interpretations issued by IFRS Interpretations Committee. The Historical Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has consistently applied the accounting policies which conform with the IFRSs, and are effective for the Group's accounting periods beginning on 1 January 2019, including IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, throughout the Relevant Periods except that the Group adopted IFRS 9 Financial Instruments on 1 January 2018 and International

Accounting Standard ("IAS") 39 Financial Instruments: Recognition and Measurement prior to 1 January 2018. The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

The Historical Financial Information has been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 6.

The Group had net current liabilities of approximately RMB118,244,000 as at 31 December 2019. The Group assesses its liquidity by its ability to generate cash from operating activities to fund its operations and borrow funds on favourable economic terms.

Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from banks and other financial institutions to fund its operations and business development.

In light of the financial resources of the Group, including the anticipated operating cash inflows of the Group and financing from banks and other financial institutions, the Directors are of the opinion that the Group will have sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due during next 12 months. Therefore, the Historical Financial Information has been prepared on a going concern basis.

Should the Group and the Company be unable to continue in business as a going concern, adjustments would have to be made to reduce the values of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. These adjustments have not been reflected in the Historical Financial Information.

4A. CHANGES IN ACCOUNTING

The Group has adopted IFRS 9, effective for the period beginning on or after 1 January 2018. The Group has not restated financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of IFRS 9. The financial information from 1 January 2016 to 31 December 2017 is reported under IAS 39 and is not comparable to the information presented for 2018 and onwards. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 for reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the Historical Financial Information.

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of retained profits of the Group as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained profits of the Group	
Retained profits as at 31 December 2017	153,023
Increase in expected credit losses ("ECLs") in trade receivables, and deposits and other receivables (note 5(g)A(ii) below)	(2,932)
Restated retained profits as at 1 January 2018	150,091

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS39	New classification under IFRS 9	Carrying amount under IAS 39 as at 1 January 2018 RMB'000	Carrying amount under IFRS 9 as at 1 January 2018 RMB'000
Trade receivables................	Loans and receivables	Amortised cost	106,659	105,776
Deposits and other receivables.....................	Loans and receivables	Amortised cost	17,055	15,006
Pledged deposits	Loans and receivables	Amortised cost	65,600	65,600
Cash and cash equivalents	Loans and receivables	Amortised cost	161,314	161,314

(b) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses model". IFRS 9 requires the Group to recognised ECL for trade receivables and financial assets at amortised costs earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the reporting period from 1 January 2018.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) 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 (2) the financial asset is more than 365 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECL

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs

(i) Impairment of trade receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

1 January 2018	**Current**	**0-90 days past due**	**Over 90 days past due**	**Total**
Expected credit loss rate (%)	0.5%	1%	5%-50%	
Gross carrying amount (RMB'000)	92,589	8,200	5,870	106,659
Loss allowance (RMB'000)	463	82	338	883

The increase in loss allowance for trade receivables upon the transition to IFRS 9 as of 1 January 2018 was approximately RMB883,000.

(ii) Impairment of financial assets at amortised cost (other than trade receivables)

Other financial assets at amortised cost of the Group include deposits and other receivables. Applying the ECL model result in the recognition of ECL of approximately RMB2,049,000 on 1 January 2018.

As a result of the above changes, the impact of the new IFRS 9 impairment model results in additional impairment allowance as follow:

	RMB'000
Loss allowance as at 1 January 2018 under IAS 39	—
Additional impairment recognised for trade receivables	883
Additional impairment recognised for deposits and other receivables	2,049
Loss allowance as a 1 January 2018 under IFRS 9	2,932

The impact of pledged deposits and cash and cash equivalents is insignificant. Applying the ECL model resulted in immaterial impairment on 1 January 2018 and for the years ended 31 December 2018 and 2019.

(iii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2016 and 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

4B. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to IFRS 3	Definition of a Business[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[4]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[4]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[4]
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
IFRS 17	Insurance Contracts[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Annual Improvements to IFRSs 2018-2020	Minor amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41[4]
Amendments to IFRS 16	COVID-19-Related Rent Concessions[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after 1 January 2022
5 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

In May 2020, the IASB issued amendments to IFRS 3 to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with a reference to the

Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. In addition, the amendments add an exemption to the recognition principle for liabilities within the scope of IAS 37 or IFRIC 21. The amendments also clarify existing guidance for contingent assets. The Group expects to adopt the amendments prospectively from 1 January 2022 and does not expect any financial impact upon initial adoption of the amendments.

Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amount received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sale proceeds and related cost in profit or loss. The amendments are required to applied retrospectively with the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings of that earliest period presented. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 41 removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS16 permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Coronavirus Disease 2019 ("COVID-19") pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The Group is currently assessing the impact of amendments to IFRS 16 upon adoption and is considering whether it will choose to take advantage of the optional exemption available.

The management of the Group does not anticipate that the adoption of other revised IFRSs will have a significant financial impact on the Group's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of consolidation and business combination involving entity under common control

The Historical Financial Information comprises the financial statements of the Company and its subsidiaries for the Relevant Periods. Business combinations under common control are accounted for using merger method. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under common control of the controlling entity. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognised directly in equity as part of reserve. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial year in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20-40 years
Plant and machinery	4-15 years
Office equipment	5-8 years
Motor vehicles	5-8 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis so owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leases

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

(e) Intangible assets

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer softwares is stated at cost less accumulated amortisation and impairment losses, if any. These costs are amortised on the straight-line basis over their estimated useful lives of 10 years.

(f) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets), 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 or cash generating unit.

(g) Financial instruments

(A) Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when: (1) 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 (2) the financial asset is more than 365 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, accruals and other payables, borrowings, and amounts due to related parties and ultimate holding company are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the the accounting policy set out in note 5(g)(A)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the reporting period.

(B) Financial Instruments (accounting policies applied until 31 December 2017)

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Financial assets may be designated upon initial recognition as at fair value through profit or loss only if the criteria in IAS 39 are satisfied.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, accruals and other payables, amounts due to related parties, ultimate holding company and immediate holding company, and borrowings are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. All of the Group's hedging instruments are designated as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 36. Movements on the hedging reserve in equity are shown in the consolidated statements of changes in equity. The full fair value of a hedging derivative is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative unrecognised gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on standard costing basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Revenue recognition

(i) Sale of goods — 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 in exchange for those goods or services, 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

(ii) Interest income — Interest income is recognised as it accrues using the effective interest method.

(j) Income tax

Income tax comprises current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill, if any, and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(m) Other employee benefits

(i) Pension scheme

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(ii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(o) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 (i);

(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); and

(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 parent of the Group.

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(q) Biological assets

Biological assets represent breeders, broilers, chicken breeds and broiler eggs. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce harvested from the biological assets are measured at their 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.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the reporting date. The carrying amount of the Group's inventories is disclosed in note 22 to the Historical Financial Information.

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. They are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or corresponding cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Useful lives and residual values of non-current assets

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

(iv) Fair value measurement of biological assets

The Group's management determine the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The determination involved the use of significant judgement. If actual results differ with the original estimates made by management, such differences from the original estimates will impact the fair value changes recognised in profit or loss in the period in which the estimates change and in future periods. The carrying amount and details of the fair value measurement of the Group's biological assets is disclosed in note 19 to the Historical Financial Information.

(v) Income taxes and value-added tax ("VAT")

The Group is subject to various taxes in the PRC. At the same time, the Group also enjoys various preferential tax treatments in the PRC, e.g. the Group is exempted from Enterprise Income

Tax ("EIT") for its businesses relating to primary processing for agricultural products and animal-husbandry and poultry feeding and is exempted from VAT for its income derived from sale of self-produced agricultural products. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises the relevant taxes based on best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss in the period in which such determination is made. In addition, the realisation of income tax assets and VAT assets is dependent on the Group's ability to generate sufficient sales and taxable income in future. Derivations of future profitability from estimates or in the income tax rate would result in adjustments to the value of tax assets and liabilities.

7. REVENUE AND SEGMENT INFORMATION

The Group's revenue from contracts with customers is recognised upon goods transferred at a point in time. For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

a) Production and sale of raw chicken meat products

b) Production and sale of processed chicken meat products

c) Production and sale of chicken breeds

d) Others comprising sale of livestock feeds, by-products, packing materials and miscellaneous products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit before biological assets fair value adjustments.

Segment assets and liabilities are not disclosed in the Historical Financial Information as they are not regularly provided to the management for the purposes of resource allocation and performance assessment.

Year ended 31 December 2016	Raw chicken meat products	Processed chicken meat products	Chicken breeds	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	1,469,917	627,971	149,367	106,849	2,354,104
Timing of revenue recognition:					
At a point in time	1,469,917	627,971	149,367	106,849	2,354,104
Segment results	195,448	109,971	74,578	12,130	392,127
Reconciliation:					
Biological assets fair value adjustments					5,262
Other income and gains					14,373
Corporate and unallocated expenses					(218,686)
Finance costs					(72,286)
Profit before income tax					120,790
Other segment information:					
Write-off of inventories	48	191	—	327	566
Depreciation of property, plant and equipment	69,471	31,358	5,721	3,027	109,577
Depreciation of right-of-use assets	3,846	1,197	—	1,733	6,776
Short-term lease expenses	721	181	68	1,514	2,484

Year ended 31 December 2017	Raw chicken meat products	Processed chicken meat products	Chicken breeds	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	1,330,977	910,018	69,875	123,522	2,434,392
Timing of revenue recognition:					
At a point in time	1,330,977	910,018	69,875	123,522	2,434,392
Segment results	134,798	157,194	(10,801)	12,035	293,226
Reconciliation:					
Biological assets fair value adjustments					8,698
Other income and gains					12,272
Corporate and unallocated expenses					(203,711)
Finance costs					(73,669)
Profit before income tax					36,816
Other segment information:					
Write-off of inventories	234	497	—	656	1,387
Depreciation of property, plant and equipment	65,155	40,896	5,374	2,921	114,346
Depreciation of right-of-use assets	4,098	2,442	—	2,227	8,767
Short-term lease expenses	759	225	68	2,861	3,913

Year ended 31 December 2018	Raw chicken meat products	Processed chicken meat products	Chicken breeds	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	1,719,278	1,183,568	172,110	122,143	3,197,099
Timing of revenue recognition:					
At a point in time	1,719,278	1,183,568	172,110	122,143	3,197,099
Segment results	195,370	163,016	90,780	12,781	461,947
Reconciliation:					
Biological assets fair value adjustments					18,142
Other income and gains					12,972
Corporate and unallocated expenses					(258,652)
Finance costs					(96,995)
Profit before income tax					137,414
Other segment information:					
Write-off of inventories	46	935	—	59	1,040
Depreciation of property, plant and equipment	67,016	59,910	5,550	3,747	136,223
Depreciation of right-of-use assets	3,831	2,025	—	1,845	7,701
Short-term lease expenses	303	—	37	1,419	1,759

Year ended 31 December 2019	Raw chicken meat products	Processed chicken meat products	Chicken breeds	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	1,887,398	1,433,227	426,448	179,144	3,926,217
Timing of revenue recognition:					
At a point in time	1,887,398	1,433,227	426,448	179,144	3,926,217
Segment results	557,356	325,572	314,318	24,214	1,221,460
Reconciliation:					
Biological assets fair value adjustments					3,446
Other income and gains					27,942
Corporate and unallocated expenses					(324,807)
Finance costs					(89,322)
Profit before income tax					838,719
Other segment information:					
Write-off of inventories	229	657	—	244	1,130
Depreciation of property, plant and equipment	66,061	60,900	10,021	4,202	141,184
Depreciation of right-of-use assets	4,145	2,555	—	3,370	10,070
Short-term lease expenses	416	—	102	2,246	2,764

Geographic information

(a) Revenue from external customers

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,803,800	1,773,053	2,236,454	2,959,778
Japan	338,928	420,203	491,071	461,599
Malaysia	160,553	151,028	302,284	220,715
Europe	17,964	30,440	66,645	186,602
Others	32,859	59,668	100,645	97,523
	2,354,104	2,434,392	3,197,099	3,926,217

The revenue information above is based on the location of the customers.

(b) Non-current assets

All the Group's non-current assets, excluding deferred tax assets, are located in Mainland China based on the geographical location of the assets.

Information about major customers

Revenue from external customers contributing over 10% of the total revenue of the Group at the end of each of the Relevant Periods is as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Customer A	448,510	502,125	537,002	530,234

The following table provides information about contract liabilities from contracts with customers.

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	13,727	8,847	11,765	21,160

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	352	260	372	1,476

Contract liabilities mainly relate to the deposits received from customers for sales of meat products.

As at 31 December 2016, 2017, 2018 and 2019, contract liabilities from the remaining performance obligations under the Group's existing contracts represents revenue expected to be recognised in the future from acceptance of meat products by customers. The Group will recognise the expected revenue in future, which is expected to occur in the next 1 to 12 months

The Group has applied the practical expedient and decided not to disclose the amount of the remaining performance obligations for contracts as performance obligations under the contracts had an original expected duration of one year or less.

Movements in contract liabilities

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year	12,398	13,727	8,847	11,765
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(12,398)	(13,727)	(8,847)	(11,765)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	13,727	8,847	11,765	21,160
Balance at end of year	13,727	8,847	11,765	21,160

8. OTHER INCOME AND GAINS

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank interest income	3,118	3,533	3,531	7,392
Exchange gain	5,473	—	—	6,993
Government grants (note)	3,957	4,906	6,576	10,155
Others	1,825	3,833	2,865	3,402
	14,373	12,272	12,972	27,942

Note:

Government grants include various subsidies received by the Group from relevant government bodies in connection with certain financial subsidies to support the Group's businesses. There are no unfulfilled conditions or contingencies relating to these grants.

9. FINANCE COSTS

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on borrowings	58,823	58,334	72,441	64,105
Interest on bills payable	2,928	4,396	13,774	13,696
Interest on lease liabilities	10,535	10,939	10,780	11,521
	72,286	73,669	96,995	89,322

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories sold, including:				
Write-off of inventories	566	1,387	1,040	1,130
Amortisation of intangible assets	1,058	1,270	1,475	1,510
Auditor's remuneration	653	801	1,167	791
Depreciation of property, plant and equipment	116,283	122,105	146,419	163,105
Depreciation of right-of-use assets	6,956	8,947	7,881	10,250
Loss on disposals of property, plant and equipment	3,008	3,320	6,630	12,686
Impairment/(reversal of impairment) of trade receivables	1,628	(1,628)	—	—
Loss allowance on trade receivables	—	—	1,767	541
Loss allowance on other receivables	—	—	872	204
Short-term lease expenses	6,942	7,631	4,626	9,092
Listing expenses	—	5,001	900	4,141
Exchange (gain)/loss	(5,473)	3,797	948	(6,993)
Employee benefit expense (including Directors' and supervisors' remuneration (note 11)):				
Wage, salaries and allowances, social securities and other benefits	450,588	523,298	598,658	564,731
Pension scheme contributions	23,797	29,884	36,262	40,619
	474,385	553,182	634,920	605,350

11. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' emoluments are disclosed as follows:

Year ended 31 December 2016	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Liu Zhiguang	—	—	—	—
Xiao Dongsheng (appointed on 1 November 2018)	—	—	—	—
Ow Weng Cheong (appointed on 1 November 2018)	—	—	—	—
Wang Jinsheng	600	41	—	641
	600	41	—	641
Non-executive Directors:				
Liu Xuejing[(i)]	—	—	—	—
Zhang Chuanli	—	—	—	—
	—	—	—	—
Independent Non-executive Directors:				
Chung Wai Man (appointed on 8 August 2019)	—	—	—	—
Zhang Ye (appointed on 8 August 2019)	—	—	—	—
Guo Tianyong (appointed on 8 August 2019)	—	—	—	—
	—	—	—	—
Supervisors:				
Kong Xiangwei	—	278	—	278
Chen Dehe	—	—	—	—
Lian Xianmin	—	—	—	—
	—	278	—	278
	600	319	—	919

Year ended 31 December 2017	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Liu Zhiguang	—	—	—	—
Xiao Dongsheng	—	—	—	—
Ow Weng Cheong	—	—	—	—
Wang Jinsheng	900	41	—	941
	900	41	—	941
Non-executive Directors:				
Liu Xuejing(i)	—	—	—	—
Zhang Chuanli	—	—	—	—
	—	—	—	—
Independent Non-executive Directors:				
Chung Wai Man	—	—	—	—
Zhang Ye	—	—	—	—
Guo Tianyong	—	—	—	—
	—	—	—	—
Supervisors:				
Kong Xiangwei	—	158	—	158
Chen Dehe	—	—	—	—
Lian Xianmin	—	—	—	—
	—	158	—	158
	900	199	—	1,099

Year ended 31 December 2018	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Liu Zhiguang	—	—	—	—
Xiao Dongsheng	334	1,704	—	2,038
Ow Weng Cheong	334	1,670	—	2,004
Wang Jinsheng	2,000	41	—	2,041
	2,668	3,415	—	6,083
Non-executive Directors:				
Liu Xuejing[(i)]	—	—	—	—
Zhang Chuanli	—	—	—	—
	—	—	—	—
Independent Non-executive Directors:				
Chung Wai Man	—	—	—	—
Zhang Ye	—	—	—	—
Guo Tianyong	—	—	—	—
	—	—	—	—
Supervisors:				
Kong Xiangwei	—	—	—	—
Chen Dehe	—	126	—	126
Lian Xianmin	—	227	—	227
	—	353	—	353
	2,668	3,768	—	6,436

Year ended 31 December 2019	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Liu Zhiguang	—	—	—	—
Xiao Dongsheng	2,398	75	—	2,473
Ow Weng Cheong	2,024	4	—	2,028
Wang Jinsheng	2,404	41	—	2,445
	6,826	120	—	6,946
Non-executive Directors:				
Liu Xuejing[(i)]	—	—	—	—
Zhang Chuanli	—	—	—	—
	—	—	—	—
Independent Non-executive directors:				
Chung Wai Man	—	—	—	—
Zhang Ye	—	—	—	—
Guo Tianyong	—	—	—	—
	—	—	—	—
Supervisors:				
Kong Xiangwei	—	—	—	—
Chen Dehe	—	91	—	91
Lian Xianmin	—	358	—	358
	—	449	—	449
	6,826	569	—	7,395

Note:

(i) Mr. Liu Xuejing was also the chairman of the Board of the Company during the Relevant Periods.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the director's fees of Mr. Tan Chengzhe, an executive director appointed on 6 August 2015 and resigned on 1 November 2018, were RMB640,000, RMB600,000, RMB600,000 and nil, respectively.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the supervisor's emoluments of Ms. Sun Xizhen, a supervisor appointed on 1 January 2016 and resigned on 31 October 2018 were RMB 398,029, RMB 339,373 and nil, respectively.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the supervisor's emoluments of Mr. Li Shujian, a supervisor appointed on 21 December 2016 and resigned on 31 October 2018 were nil, nil, nil and nil, respectively.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the supervisor's emoluments of Mr. Liu Xueqiang, a supervisor appointed on 9 January, 2016 and resigned on 20 December 2016 were nil, nil, nil and nil, respectively.

During each of the years ended 31 December 2016, 2017, 2018 and 2019, the supervisor's emoluments of Mr. Li Yong, a supervisor appointed on 1 January 2016 and resigned on 8 January 2016 were nil, nil, nil, and nil, respectively.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Relevant Periods.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016, 2017, 2018 and 2019 included nil, 1, 3 and 3 directors, respectively, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining 5, 4, 2 and 2 highest paid employees who are neither a director nor chairman of the Board of the Company during the Relevant Periods are as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	5,953	3,894	2,735	3,574
Pension scheme contributions	—	—	—	—
	5,953	3,894	2,735	3,574

The number of non-director and non-chairman of the Board highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees			
	For the year ended 31 December			
	2016	2017	2018	2019
Nil to Hong Kong dollar ("HK$") 1,000,000	1	3	—	—
HK$1,000,001 to HK$2,000,000	3	1	2	2
HK$2,000,001 to HK$4,500,000	1	—	—	—
	5	4	2	2

13. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax — Mainland China				
Charge for the year	1,873	539	726	1,197
Over provision in prior years	(976)	—	—	—
	897	539	726	1,197
Deferred tax (note 21)	45	(842)	77	141
	942	(303)	803	1,338

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Relevant Periods except for the followings:

(i) According to the Implementation Regulation of the EIT Law and the exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui 2008 No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from certain subsidiary in Mainland China engaging in primary processing for agriculture products is exempted from EIT during the Relevant Periods.

(ii) Pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from the Company engaging in projects of animal-husbandry and poultry feeding, is entitled to exemption from EIT during the Relevant Periods.

The income tax expense/(credit) can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	120,790	36,816	137,414	838,719
Tax calculated at the PRC statutory rate of 25%	30,198	9,204	34,354	209,680
Effect of tax exemptions granted to certain operations of the Group	(56,024)	(38,304)	(38,525)	(209,717)
Effect of non-taxable income and non-deductible expenses, net	2,427	1,215	1,690	(3,277)
Effect of temporary differences not recognised	50	275	—	—
Utilisation of tax losses previously not recognised	—	(484)	(6,811)	(8,178)
Tax effect of tax losses not recognised	25,267	27,791	10,095	12,830
Over provision in prior years	(976)	—	—	—
Income tax expense/(credit)	942	(303)	803	1,338

For the years ended 31 December 2016, 2017, 2018 and 2019, the effect of non-taxable income and non-deductible expenses mainly arose from the fair value adjustment of biological assets.

14. DIVIDENDS

No dividend was paid or proposed to owners of the parent during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

The basic earnings per share for each of the years ended 31 December 2016, 2017, 2018 and 2019 are calculated based on the profit of RMB120,055,000, RMB37,500,000, RMB140,383,000 and RMB837,522,000, respectively, attributable to owners of the Company and the weighted average of 1,045,000,000 ordinary shares during the Relevant Periods.

The Company did not have any potential dilutive shares throughout the Relevant Periods. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016						
Cost	1,026,110	921,281	28,825	39,679	25,672	2,041,567
Accumulated depreciation	(143,667)	(212,027)	(13,170)	(13,926)	—	(382,790)
Net carrying amount	882,443	709,254	15,655	25,753	25,672	1,658,777
Year ended 31 December 2016						
Opening net carrying amount	882,443	709,254	15,655	25,753	25,672	1,658,777
Additions	5,584	28,624	4,223	1,552	95,578	135,561
Transfer	26,114	44,350	31	5,583	(76,078)	—
Disposals	(3,521)	(2,429)	(410)	(720)	—	(7,080)
Depreciation	(41,143)	(63,948)	(4,973)	(6,219)	—	(116,283)
Closing net carrying amount	869,477	715,851	14,526	25,949	45,172	1,670,975
At 31 December 2016						
Cost	1,053,791	989,837	32,385	46,351	45,172	2,167,536
Accumulated depreciation	(184,314)	(273,986)	(17,859)	(20,402)	—	(496,561)
Net carrying amount	869,477	715,851	14,526	25,949	45,172	1,670,975

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017						
Opening net carrying amount	869,477	715,851	14,526	25,949	45,172	1,670,975
Additions	65,937	56,090	8,963	1,617	446,140	578,747
Transfer	32,887	38,490	1,067	—	(72,444)	—
Disposals	(18,050)	(17,234)	(612)	(46)	(1,399)	(37,341)
Depreciation	(42,937)	(67,271)	(5,706)	(6,191)	—	(122,105)
Closing net carrying amount	907,314	725,926	18,238	21,329	417,469	2,090,276
At 31 December 2017						
Cost	1,134,137	1,058,879	40,837	47,243	417,469	2,698,565
Accumulated depreciation	(226,823)	(332,953)	(22,599)	(25,914)	—	(608,289)
Net carrying amount	907,314	725,926	18,238	21,329	417,469	2,090,276
Year ended 31 December 2018						
Opening net carrying amount	907,314	725,926	18,238	21,329	417,469	2,090,276
Additions	10,438	15,828	8,889	2,837	145,046	183,038
Transfer	222,901	232,050	12,930	1,345	(469,226)	—
Disposals	(2,387)	(6,847)	(633)	(125)	(99)	(10,091)
Depreciation	(50,496)	(82,301)	(7,122)	(6,500)	—	(146,419)
Closing net carrying amount	1,087,770	884,656	32,302	18,886	93,190	2,116,804
At 31 December 2018						
Cost	1,363,367	1,290,200	61,354	51,056	93,190	2,859,167
Accumulated depreciation	(275,597)	(405,544)	(29,052)	(32,170)	—	(742,363)
Net carrying amount	1,087,770	884,656	32,302	18,886	93,190	2,116,804
Year ended 31 December 2019						
Opening net carrying amount	1,087,770	884,656	32,302	18,886	93,190	2,116,804
Additions	5,437	19,881	9,757	1,894	221,653	258,622
Transfer	80,719	126,122	15,183	915	(222,939)	—
Disposals	(21,271)	(17,044)	(911)	(1,206)	—	(40,432)
Depreciation	(55,097)	(92,183)	(9,362)	(6,463)	—	(163,105)
Closing net carrying amount	1,097,558	921,432	46,969	14,026	91,904	2,171,889
At 31 December 2019						
Cost	1,397,933	1,388,607	84,095	50,433	91,904	3,012,972
Accumulated depreciation	(300,375)	(467,175)	(37,126)	(36,407)	—	(841,083)
Net carrying amount	1,097,558	921,432	46,969	14,026	91,904	2,171,889

Company

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016						
Cost	706,412	577,399	18,529	35,024	13,439	1,350,803
Accumulated depreciation	(90,979)	(99,347)	(7,936)	(12,266)	—	(210,528)
Net carrying amount	615,433	478,052	10,593	22,758	13,439	1,140,275
Year ended 31 December 2016						
Opening net carrying amount	615,433	478,052	10,593	22,758	13,439	1,140,275
Additions	1,316	5,561	773	529	61,382	69,561
Transfer	19,567	20,904	32	5,583	(46,086)	—
Disposals	(3,468)	(1,027)	(84)	(720)	—	(5,299)
Depreciation	(32,739)	(38,545)	(3,012)	(5,565)	—	(79,861)
Closing net carrying amount	600,109	464,945	8,302	22,585	28,735	1,124,676
At 31 December 2016						
Cost	723,428	601,537	19,249	40,673	28,735	1,413,622
Accumulated depreciation	(123,319)	(136,592)	(10,947)	(18,088)	—	(288,946)
Net carrying amount	600,109	464,945	8,302	22,585	28,735	1,124,676
Year ended 31 December 2017						
Opening net carrying amount	600,109	464,945	8,302	22,585	28,735	1,124,676
Additions	58,574	30,491	6,473	1,526	44,551	141,615
Transfer	11,104	29,828	—	—	(40,932)	—
Disposals	(11,855)	(15,555)	(507)	(16)	(1,399)	(29,332)
Depreciation	(33,883)	(40,378)	(3,523)	(5,517)	—	(83,301)
Closing net carrying amount	624,049	469,331	10,745	18,578	30,955	1,153,658

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017						
Cost	781,244	640,054	24,656	42,169	30,955	1,519,078
Accumulated depreciation	(157,195)	(170,723)	(13,911)	(23,591)	—	(365,420)
Net carrying amount	624,049	469,331	10,745	18,578	30,955	1,153,658
Year ended 31 December 2018						
Opening net carrying amount	624,049	469,331	10,745	18,578	30,955	1,153,658
Additions	7,489	6,590	1,394	1,249	26,208	42,930
Transfer	7,898	13,769	1,769	173	(23,609)	—
Disposals	(151)	(4,533)	(118)	(104)	—	(4,906)
Depreciation	(36,817)	(43,057)	(3,353)	(5,628)	—	(88,855)
Closing net carrying amount	602,468	442,100	10,437	14,268	33,554	1,102,827
At 31 December 2018						
Cost	796,446	652,979	27,325	43,296	33,554	1,553,600
Accumulated depreciation	(193,978)	(210,879)	(16,888)	(29,028)	—	(450,773)
Net carrying amount	602,468	442,100	10,437	14,268	33,554	1,102,827
Year ended 31 December 2019						
Opening net carrying amount	602,468	442,100	10,437	14,268	33,554	1,102,827
Additions	2,763	5,754	396	1,653	152,511	163,077
Transfer	20,443	94,349	9,375	915	(125,082)	—
Disposals	(314)	(2,052)	(77)	(82)	—	(2,525)
Depreciation	(37,859)	(47,082)	(3,936)	(5,744)	—	(94,621)
Closing net carrying amount	587,501	493,069	16,195	11,010	60,983	1,168,758
At 31 December 2019						
Cost	819,272	749,295	36,468	45,174	60,983	1,711,192
Accumulated depreciation	(231,771)	(256,226)	(20,273)	(34,164)	—	(542,434)
Net carrying amount	587,501	493,069	16,195	11,010	60,983	1,168,758

As at 31 December 2016, 2017, 2018 and 2019, certain of the Group's buildings with an aggregate net carrying amount of RMB62,148,000, nil, RMB60,187,000 and nil, respectively, were pledged to secure banking facilities granted to Yanggu Xiangguang Copper Co., Ltd. ("Xiangguang Copper"), a fellow subsidiary of the Group (note 33).

As at 31 December 2018 and 31 December 2019, certain of the Group's machinery with an aggregate net carrying amount of RMB89,630,000 and RMB157,940,000, respectively, were pledged to secure a loan from financial institution (note 29).

As at 31 December 2016, 2017, 2018 and 2019, certain of the Group's property, plant and equipment with an aggregate net carrying amount of nil, RMB22,732,000, RMB22,855,000 and RMB249,484,000, respectively, were pledged to secure the bank loans (note 29).

As at the date of this report, the Group are in the process of applying for the title certificates of certain of their buildings with an aggregate net carrying amount of nil, RMB10,603,000, RMB173,804,000 and RMB17,234,000, respectively, as at 31 December 2016, 2017, 2018 and 2019. The Directors are of the opinion that the aforesaid matters will not have any significant impact on the Group and the Company's financial position.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group

	Land use rights		Plant and office		Total	
	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	239,314	171,073	10,206	10,206	249,520	181,279
Addition	23,513	936	3,501	3,501	27,014	4,437
Depreciation expense	(5,579)	—	(1,377)	—	(6,956)	—
Interest expense	—	9,886	—	649	—	10,535
Payment	—	(15,122)	—	(2,414)	—	(17,536)
At 31 December 2016 and 1 January 2017	257,248	166,773	12,330	11,942	269,578	178,715
Addition	18,823	12,932	309	309	19,132	13,241
Depreciation expense	(6,325)	—	(2,622)	—	(8,947)	—
Interest expense	—	10,332	—	607	—	10,939
Payment	—	(15,752)	—	(3,197)	—	(18,949)
At 31 December 2017 and 1 January 2018	269,746	174,285	10,017	9,661	279,763	183,946
Addition	7,649	—	4,069	4,069	11,718	4,069
Depreciation expense	(7,085)	—	(796)	—	(7,881)	—
Interest expense	—	10,119	—	661	—	10,780
Payment	—	(11,801)	—	(1,382)	—	(13,183)
At 31 December 2018 and 1 January 2019	270,310	172,603	13,290	13,009	283,600	185,612
Addition	191	—	15,066	15,066	15,257	15,066
Disposal	(630)	—	—	—	(630)	—
Depreciation expense	(7,127)	—	(3,123)	—	(10,250)	—
Interest expense	—	9,988	—	1,533	—	11,521
Payment	—	(11,335)	—	(3,945)	—	(15,280)
At 31 December 2019	262,744	171,256	25,233	25,663	287,977	196,919

Company

	Land use rights		Plant and office		Total	
	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	182,782	167,453	8,825	8,825	191,607	176,278
Depreciation expense	(3,846)	—	(180)	—	(4,026)	—
Interest expense	—	9,682	—	511	—	10,193
Payment	—	(14,569)	—	(768)	—	(15,337)
At 31 December 2016 and 1 January 2017	178,936	162,566	8,645	8,568	187,581	171,134
Addition	8,352	12,931	—	—	8,352	12,931
Depreciation expense	(4,098)	—	(180)	—	(4,278)	—
Interest expense	—	10,148	—	495	—	10,643
Payment	—	(15,238)	—	(768)	—	(16,006)
At 31 December 2017 and 1 January 2018	183,190	170,407	8,465	8,295	191,655	178,702
Addition	4,176	—	—	—	4,176	—
Depreciation expense	(4,112)	—	(180)	—	(4,292)	—
Interest expense	—	9,954	—	484	—	10,438
Payment	—	(11,300)	—	(560)	—	(11,860)
At 31 December 2018 and 1 January 2019	183,254	169,061	8,285	8,219	191,539	177,280
Disposal	(205)	—	—	—	(205)	—
Depreciation expense	(4,144)	—	(180)	—	(4,324)	—
Interest expense	—	9,873	—	480	—	10,353
Payment	—	(11,112)	—	(543)	—	(11,655)
At 31 December 2019	178,905	167,822	8,105	8,156	187,010	175,978

The lease liabilities as at 31 December 2016, 2017, 2018 and 2019 of the Group and the Company can be analysed as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	171,369	182,508	183,635	193,443
Current portion	7,346	1,438	1,977	3,476
	178,715	183,946	185,612	196,919

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	165,679	177,119	175,818	174,438
Current portion	5,455	1,583	1,462	1,540
	171,134	178,702	177,280	175,978

The following tables show the remaining contractual maturities of the lease liabilities of the Group and the Company at the end of the reporting periods.

Group

	Present value of the minimum lease payments	Total minimum lease payments	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016	178,715	479,964	16,706	12,527	34,181	416,550
At 31 December 2017	183,946	490,914	12,908	12,121	35,873	430,012
At 31 December 2018	185,612	482,021	13,241	13,149	37,568	418,063
At 31 December 2019	196,919	485,052	15,294	15,398	43,319	411,041

Company

	Present value of the minimum lease payments	Total minimum lease payments	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016	171,134	459,167	15,337	11,194	32,480	400,156
At 31 December 2017	178,702	480,224	12,021	11,654	34,953	421,596
At 31 December 2018	177,280	468,203	11,654	11,654	34,947	409,948
At 31 December 2019	175,978	456,549	11,654	11,652	34,944	398,299

The leasehold lands are situated in the PRC and are held on leases of 25 to 50 years.

As at 31 December 2016, 2017, 2018 and 2019, certain of the Group's right-of-use assets with aggregate net carrying amounts of RMB13,276,000, RMB3,446,000, RMB3,323,000 and RMB26,740,000, respectively, were pledged to secure banking facilities granted to the Group (note 29).

As at 31 December 2016, 2017, 2018 and 2019 certain of the Group's right-of-use assets with an aggregate net carrying amount of approximately RMB34,933,000, nil, RMB17,936,000 and nil were pledged to secure banking facilities granted to Xiangguang Copper, a fellow subsidiary of the Group (note 33).

The Group has applied the exemption of not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets.

18. INTANGIBLE ASSETS

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year				
Cost	10,854	10,979	17,131	18,582
Accumulated amortisation	(3,747)	(4,805)	(6,075)	(7,550)
Net carrying amount	7,107	6,174	11,056	11,032
For the year				
Opening net carrying amount	7,107	6,174	11,056	11,032
Additions	125	6,152	1,451	6
Amortisation	(1,058)	(1,270)	(1,475)	(1,510)
Closing net carrying amount	6,174	11,056	11,032	9,528
At end of year				
Cost	10,979	17,131	18,582	18,588
Accumulated amortisation	(4,805)	(6,075)	(7,550)	(9,060)
Net carrying amount	6,174	11,056	11,032	9,528

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year				
Cost	2,792	2,917	9,037	9,037
Accumulated amortisation	(453)	(706)	(1,169)	(1,734)
Net carrying amount	2,339	2,211	7,868	7,303
For the year				
Opening net carrying amount	2,339	2,211	7,868	7,303
Additions	125	6,120	—	—
Amortisation	(253)	(463)	(565)	(565)
Closing net carrying amount	2,211	7,868	7,303	6,738
At end of year				
Cost	2,917	9,037	9,037	9,037
Accumulated amortisation	(706)	(1,169)	(1,734)	(2,299)
Net carrying amount	2,211	7,868	7,303	6,738

The intangible assets of the Group and the Company mainly represents its purchased computer software, namely systems applications and products in data processing ("**SAP system**"), a well-developed system which consists of a number of fully integrated modules and covers virtually every aspect of business management. The Company expects SAP system would be available for use for 10 years, which forms the basis of its useful life after taking into account, among other things, that the production processes of the Group did not have material changes in the past few years and are not expected to be changed materially in the near future.

19. BIOLOGICAL ASSETS

(a) Nature of agricultural activities

The biological assets of the Group and the Company represent breeders, broilers and broiler eggs. The broilers and broiler eggs are raised for sale and consumption in production, which are classified as current assets. Breeders are held to produce further broiler eggs and broilers, which are classified as non-current assets.

The quantity of biological assets owned by the Group and the Company as at 31 December 2016, 2017, 2018 and 2019 are as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
Breeders	1,679,292	1,404,017	1,629,288	1,615,581
Broilers	11,470,623	10,652,949	9,923,145	10,641,754
Broiler eggs	16,584,554	13,575,167	14,401,520	13,597,187
	29,734,469	25,632,133	25,953,953	25,854,522

Company

	As at 31 December			
	2016	2017	2018	2019
Breeders	1,677,152	1,397,024	1,603,805	1,608,041
Broilers	11,470,623	10,574,454	9,904,774	10,506,034
Broiler eggs	16,569,323	13,550,618	14,394,256	13,597,187
	29,717,098	25,522,096	25,902,835	25,711,262

Financial risk management strategies

The Group and the Company are exposed to financial risks arising from changes in chicken prices. The Group and the Company do not anticipate that chicken prices will decline significantly in the foreseeable future and, therefore, have not entered into derivative or other contracts to manage the risk of a decline in chicken prices. The Group and the Company review its outlook for chicken prices regularly in considering the need for active financial risk management.

Risks related to agricultural activities

The Group is subject to laws and regulations in the location in which it operates breeding of chickens. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating these risks, including regular inspections, disease controls, surveys and insurance.

(b) Reconciliation of the carrying amount of biological assets

Group

	Breeders	Broilers and broiler eggs	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	85,277	92,057	177,334
Increase due to purchases/raising	116,520	1,702,506	1,819,026
Gain arising from changes in fair value less estimated costs to sell	2,310	2,952	5,262
Transfer to inventories at the point of harvest	—	(1,399,807)	(1,399,807)
Decrease due to culling	(83,216)	—	(83,216)
Decrease due to sales	(7,704)	(285,214)	(292,918)
At 31 December 2016 and 1 January 2017	113,187	112,494	225,681
Increase due to purchases/raising	101,707	1,693,898	1,795,605
Gain arising from changes in fair value less estimated costs to sell	5,364	3,334	8,698
Transfer to inventories at the point of harvest	—	(1,411,023)	(1,411,023)
Decrease due to culling	(86,570)	—	(86,570)
Decrease due to sales	(22,822)	(278,034)	(300,856)
At 31 December 2017 and 1 January 2018	110,866	120,669	231,535
Increase due to purchases/raising	122,056	1,642,521	1,764,577
(Loss)/gain arising from changes in fair value less estimated costs to sell	(10,706)	28,848	18,142
Transfer to inventories at the point of harvest	—	(1,377,062)	(1,377,062)
Decrease due to culling	(82,342)	—	(82,342)
Decrease due to sales	(12,918)	(276,554)	(289,472)
At 31 December 2018 and 1 January 2019	126,956	138,422	265,378
Increase due to purchases/raising	131,774	3,014,342	3,146,116
Gain/(loss) arising from changes in fair value less estimated costs to sell	14,249	(10,803)	3,446
Transfer to inventories at the point of harvest	—	(2,696,716)	(2,696,716)
Decrease due to culling	(101,275)	—	(101,275)
Decrease due to sales	(13,827)	(303,372)	(317,199)
At 31 December 2019	157,877	141,873	299,750

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Change in unrealised gain for the year included in profit or loss for the following assets held at year end				
— Breeders	4,628	9,993	9,494	13,536
— Broilers and broiler eggs	15,901	19,235	46,551	37,280
	20,529	29,228	56,045	50,816

Company

	Breeders	Broilers and broiler eggs	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	85,277	92,057	177,334
Increase due to purchases/raising	115,828	1,702,506	1,818,334
Gain arising from changes in fair value less estimated costs to sell	1,966	2,952	4,918
Transfer to inventories at the point of harvest	—	(1,399,807)	(1,399,807)
Decrease due to culling	(83,216)	—	(83,216)
Decrease due to sales	(7,704)	(285,214)	(292,918)
At 31 December 2016 and 1 January 2017	112,151	112,494	224,645
Increase due to purchases/raising	102,095	1,687,884	1,789,979
Gain arising from changes in fair value less estimated costs to sell	4,142	5,757	9,899
Transfer to inventories at the point of harvest	—	(1,411,023)	(1,411,023)
Decrease due to culling	(86,570)	—	(86,570)
Decrease due to sales	(22,822)	(278,034)	(300,856)
At 31 December 2017 and 1 January 2018	108,996	117,078	226,074
Increase due to purchases/raising	115,631	1,648,078	1,763,709
Gain/(loss) arising from changes in fair value less estimated costs to sell	(4,972)	25,431	20,459
Transfer to inventories at the point of harvest	—	(1,377,062)	(1,377,062)
Decrease due to culling	(82,342)	—	(82,342)
Decrease due to sales	(12,918)	(276,554)	(289,472)
At 31 December 2018 and 1 January 2019	124,395	136,971	261,366
Increase due to purchases/raising	131,332	3,012,092	3,143,424
Gain/(loss) arising from changes in fair value less estimated costs to sell	14,437	(14,186)	251
Transfer to inventories at the point of harvest	—	(2,695,216)	(2,695,216)
Decrease due to culling	(101,275)	—	(101,275)
Decrease due to sales	(13,827)	(303,372)	(317,199)
At 31 December 2019	155,062	136,289	291,351

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Change in unrealised gain for the year included in profit or loss for the following assets held at year end				
— Breeders	4,193	8,335	13,571	17,780
— Broilers and broiler eggs	15,991	21,747	46,229	32,992
	20,184	30,082	59,800	50,772

Biological assets as at 31 December 2016, 2017, 2018 and 2019 are stated at fair values less estimated costs to sell and are analysed as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	113,187	110,866	126,956	157,877
Current portion	112,494	120,669	138,422	141,873
	225,681	231,535	265,378	299,750

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	112,151	108,996	124,395	155,062
Current portion	112,494	117,078	136,971	136,289
	224,645	226,074	261,366	291,351

(c) Measurement of fair value

The Group's chicken were independently valued by the independent and qualified valuers, Jones Lang LaSalle Sallmanns Limited.

The fair value of biological assets is a level 3 recurring fair value measurement. The reconciliations from the beginning balances to the ending balances for fair value measurements of the biological assets are disclosed in note 19(b) above. There were no transfers into or out of level 3 during the Relevant Period.

Key assumptions and inputs

The fair value of the biological assets is determined by using the market approach and replacement cost approach and is with reference to the market-determined prices of items with similar size, species, age and weight. These adjustments are based on unobservable inputs.

Set forth below are the valuation techniques, key assumptions and inputs adopted in the valuation process to determine the fair values of the biological assets of the Group and the Company as at 31 December 2016, 2017, 2018 and 2019.

	Year ended 31 December			
	2016	2017	2018	2019
Breeders (Note (a))				
Per head market price of breeder chick and culled breeder chicken (RMB)	25.00-41.76	26.4-46.82	23.50-39.33	26.05-59.30
Per head cost required to raise a mature breeder (RMB)	0-90.62	0-90.50	0-100.43	0-64.17
Rate of reduction/consumption	0%-70%	0%-66%	0%-63%	0%-44%
Broilers (Note (b))				
Per head market price (RMB)	16.55	18.06	17.23	20.57
Broiler eggs (Note (b))				
Per piece market price (RMB)	0.92	1.26	3.62	2.50

Notes:

(a) Since there are no market prices for breeders at different stages, the replacement cost approach is adopted in this practise. The valuation was based on the market prices of the breeder chick and culled breeder chicken and the estimated cost for rearing breeder, with adjustment for the reduction/consumption of the useful lives of the breeder.

(b) Market-based prices for broiler chick, mature broiler and broiler egg can be obtained from traded market. Given the relatively short finishing cycle of broilers, the fair values of the broilers and broiler eggs are developed through the application of market approach with reasonable adjustments to reflect the age differences during the rearing period.

A significant increase/decrease in market price and cost required to raise a mature breeder in isolation would result in a significant increase/decrease in the fair value of the biological assets.

A significant increase/decrease in rate of reduction/consumption in isolation would result in a significant decrease/increase in the fair value of the biological assets.

20. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	795,363	875,363	1,141,327	1,141,327
Provision for impairment	(93,623)	(93,623)	(93,623)	(93,623)
	701,740	781,740	1,047,704	1,047,704

Particulars of all subsidiaries of the Company are as disclosed in note 1 to the Historical Financial Information.

21. DEFERRED TAX ASSETS

Movement in deferred income tax assets during the Relevant Periods is as follows:

Group

	Government grants received not yet recognised as income
	RMB'000
At 1 January 2016	2,930
Charged to profit or loss	(45)
At 31 December 2016 and 1 January 2017	2,885
Credited to profit or loss	842
At 31 December 2017 and 1 January 2018	3,727
Charged to profit or loss	(77)
At 31 December 2018 and 1 January 2019	3,650
Charged to profit or loss	(141)
At 31 December 2019	3,509

The Group has tax losses arising in Mainland China of RMB202,371,000, RMB311,597,000, RMB324,732,000 and RMB343,340,000, respectively, as at 31 December 2016, 2017, 2018 and 2019 that will expire in one to five years for offsetting against taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. INVENTORIES

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	160,809	126,411	135,515	146,010
Work-in-progress	341	631	269	358
Finished goods	336,004	381,767	211,731	338,657
	497,154	508,809	347,515	485,025

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	107,701	97,726	98,110	98,305
Finished goods	5,770	3,419	2,609	766
	113,471	101,145	100,719	99,071

23. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	82,319	106,659	191,298	209,816
Less: impairment provision/loss allowance	(1,628)	—	(2,650)	(3,191)
	80,691	106,659	188,648	206,625

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	3,265	3,180	3,180	3,180
Less: impairment provision/loss allowance	(1,628)	—	(1,590)	(1,590)
	1,637	3,180	1,590	1,590
Bills receivable	330,000	435,000	411,000	236,200
	331,637	438,180	412,590	237,790

The Group's trading terms with its customers are mainly on cash and credit. The credit period is generally 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by analysis by customer. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the balance of trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provision, is as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	66,823	72,773	155,934	136,053
1 to 3 months	11,040	26,614	30,481	62,779
3 months to 1 year	1,200	3,961	592	1,403
Over 1 year	1,628	3,311	1,641	6,390
	80,691	106,659	188,648	206,625

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
3 months to 1 year	9	—	—	—
Over 1 year	1,628	3,180	1,590	1,590
	1,637	3,180	1,590	1,590

The movement in provision for impairment/loss allowance of trade receivables is as below:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year under IAS 39/IFRS 9	—	1,628	—	2,650
Effect of adoption of IFRS 9	—	—	883	—
At beginning of year	—	1,628	883	2,650
Impairment loss/(reversal of impairment loss) recognised (note 10)	1,628	(1,628)	—	—
Loss allowance recognised (note 10)	—	—	1,767	541
At end of year	1,628	—	2,650	3,191

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year under IAS 39/IFRS 9	—	1,628	—	1,590
Effect of adoption of IFRS 9	—	—	159	—
At beginning of year	—	1,628	159	1,590
Impairment loss/(reversal of impairment loss) recognised	1,628	(1,628)	—	—
Loss allowance recognised	—	—	1,431	—
At end of year	1,628	—	1,590	1,590

The Group and the Company recognised impairment loss based on the accounting policy stated in notes 5(g)(A)(ii) and note 5(g)(B)(ii).

The individually impaired trade receivables relate to a customer that no longer has transactions with the Group and only a portion of the receivable is expected to be recovered.

An aged analysis of trade receivables as at 31 December 2016 and 2017, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As at 31 December	
	2016	2017
	RMB'000	RMB'000
Neither past due nor impaired	68,117	92,589
Within 3 months past due	10,074	8,200
3 months to 1 year past due	872	2,582
Over 1 year past due	1,628	3,288
	80,691	106,659

Company

	As at 31 December	
	2016	2017
	RMB'000	RMB'000
3 months to 1 year past due	9	—
Over 1 year past due	1,628	3,180
	1,637	3,180

Trade receivables from third parties that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Further details on the group's credit policy and credit risk arising from trade receivables are set out in note 38.

The Company's bills receivable are all aged within six months and are neither past due nor impaired. The Company's bills receivable are bills issued by certain subsidiaries of the Company for intra-group transactions, of which amounts of RMB330,000,000, RMB120,000,000, RMB311,000,000 and RMB30,000,000 were discounted with recourse to GMK Finance Co., Ltd. ("GMK Finance"), a fellow subsidiary of the Company and a financial institution in Mainland China, for short-term financing of which the associated borrowings amounted to RMB327,413,000, RMB116,847,000, RMB307,758,000 and RMB29,949,000 as at 31 December 2016, 2017, 2018 and 2019, respectively. Other than above, bills receivable were discounted which recourse to certain banks for short-term financing of which the associated borrowings amounted to RMB307,747,000, RMB98,077,000 and RMB198,542,000 as at 31 December 2017, 2018 and 2019 respectively. As the Company has not transferred to GMK Finance and the banks the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured borrowings (note 29). The Company's bills receivable and the corresponding bills payable have been eliminated in the consolidated financial statements.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments for property, plant and equipment (note a)	45,860	19,189	14,319	43,375
Deposits paid	73	3,100	2,100	16,838
	45,933	22,289	16,419	60,213
Current				
Prepayments	29,228	36,244	58,717	69,652
Deposits paid and other receivables (note b)	10,688	17,055	3,909	3,787
VAT and other recoverable	94,963	154,851	101,435	85,092
	134,879	208,150	164,061	158,531
	180,812	230,439	180,480	218,744

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Prepayments for property, plant and equipment (note a)	24,972	9,607	5,411	27,741
Current				
Prepayments	16,312	25,994	33,440	33,536
Deposits paid and other receivables (note c)	8,294	15,628	2,728	2,549
VAT and other recoverable	—	8	—	—
	24,606	41,630	36,168	36,085
	49,578	51,237	41,579	63,826

Notes:

(a) Included in prepayments for property, plant and equipment of the Group and the Company are balances of prepayments made to 山東鳳祥(集團)有限責任公司 ("Fengxiang Group"), immediate holding company of the Company, of RMB23,708,557, RMB8,489,000, nil and nil as at 31 December 2016, 2017, 2018, and 2019, respectively.

(b) The loss allowance for other receivables of the Group under IFRS 9 as at 31 December 2018 and 2019 were approximately RMB2,921,000 and RMB3,125,000 respectively. The movement in provision for impairment/loss allowance of other receivables of the Group is as below:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year under IAS 39/IFRS 9	—	—	—	2,921
Effect of adoption of IFRS 9	—	—	2,049	—
At beginning of year	—	—	2,049	2,921
Loss allowance recognised (note 10)	—	—	872	204
At end of year	—	—	2,921	3,125

(c) The loss allowance for other receivables of the Company under IFRS 9 as at 31 December 2018 and 2019 were approximately RMB2,760,000 and RMB2,504,000 respectively. The movement in provision for impairment of other receivables of the Company is as below:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year under IAS 39/IFRS 9	—	—	—	2,760
Effect of adoption of IFRS 9	—	—	1,894	—
At beginning of year	—	—	1,894	2,760
Loss allowance/(reversal of loss allowance) recognised	—	—	866	(256)
At end of year	—	—	2,760	2,504

25. BALANCES WITH SUBSIDIARIES, ULTIMATE HOLDING COMPANY, IMMEDIATE HOLDING COMPANIES AND RELATED PARTIES

The balances with these related parties, subsidiaries, immediate holding companies and ultimate holding company are trade in nature, unsecured, non-interest-bearing and repayable on demand.

The tables below provide further analysis of balances with related parties.

Group

		As at 31 December			
		2016	2017	2018	2019
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Due from a related party					
Due from a related company					
聊城奧德能源有限公司 ("Aode Energy")	(i)	3,214	—	—	46
Due to related parties					
Due to a fellow subsidiary					
Fengxiang Supermarket		2	—	—	—
		2	—	—	—
Due to related companies					
Aode Energy	(i)	674	1,353	1,680	2,213
陽穀縣藍海置業有限公司 ("Yanggu Lanhai")	(ii)	—	—	—	255
青島祥光物流有限公司 ("Xiangguang Logistics")	(ii)	3,206	2,922	1,201	1,824
山東祥瑞銅材有限公司 ("Xiangrui Copper")	(i)	241	—	—	—
山東祥泰永安工程技術有限公司 ("Shandong Xiangtai Engineering")	(ii)	—	673	876	991
		4,121	4,948	3,757	5,283
		4,123	4,948	3,757	5,283

Company

		As at 31 December			
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Due from a related party					
Due from a related company					
Aode Energy	(i)	2,539	—	—	—
Due to related parties					
Due to a fellow subsidiary					
Fengxiang Supermarket		1	—	—	—
		1	—	—	—
Due to related companies					
Xiangrui Copper	(i)	241	—	—	—
Aode Energy	(i)	—	1,353	1,445	1,793
		241	1,353	1,445	1,793
		242	1,353	1,445	1,793

Notes:

(i) The ultimate parent of the Company has significant influence over these entities.

(ii) The ultimate shareholders of the Company, Mr. Liu Xuejing, Mr. Liu Zhiguang and Mr. Liu Zhiming, have a combined 100% beneficial interest in these entities.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	302,729	170,998	435,903	373,686
Cash held by financial institution	87,055	55,914	86,487	374,269
Cash held by commodity brokers	8,372	2	1	—
Less: Pledged short-term deposits (note 29)	(131,145)	(65,600)	(273,667)	(184,590)
Cash and cash equivalents	267,011	161,314	248,724	563,365

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	70,432	95,224	322,415	146,788
Cash held by financial institution	3,656	12,704	8,422	348,537
Cash held by commodity brokers	8,372	1	1	—
Less: Pledged short-term deposits (note 29)	(35,000)	(35,076)	(188,078)	(40,000)
Cash and cash equivalents	47,460	72,853	142,760	455,325

As at 31 December 2016, 2017, 2018 and 2019, the cash and cash equivalents and pledged deposits of the Group denominated in RMB were RMB398,154,000, RMB226,914,000, RMB520,315,000 and RMB738,193,000 and of the Company were RMB82,460,000, RMB107,929,000, RMB330,838,000 and RMB495,325,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Banks balances earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Cash held by financial institution, i.e. GMK Finance, are unrestricted deposits that can be withdrawn at any time. Cash held by financial institution earns interest at floating rates based on daily bank deposit rates.

Pledged deposits represent deposits pledged to banks for securing banking facilities including letter of credits and bank loans granted to the Group. These pledged deposits will be released upon the release of the relevant facilities or the settlement of relevant borrowings.

Cash held by commodity brokers are non-interest bearing and unrestricted deposits that can be withdrawn at any time placed with commodity brokers for trading futures contracts in Mainland China.

27. TRADE AND BILLS PAYABLES

Trade payables are non-interest-bearing. The credit periods granted by each individual supplier are on a case-by-case basis and set out in the supplier contracts.

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	224,839	149,450	151,378	168,120
Bills payable	80,000	55,000	360,000	140,000
	304,839	204,450	511,378	308,120

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	151,039	88,040	93,528	83,667
Bills payable	—	—	361,000	140,000
	151,039	88,040	454,528	223,667

The Group's bills payable are all aged within six months.

As at 31 December 2018, the Company's bills payable of RMB1,000,000 represents the bills issued to a subsidiary of the Group.

Other than above, as at 31 December 2018 and 31 December 2019, the Group's bills payable are represents the bills issued to 山東陽穀大豐食品有限公司 ("Yanggu Da Feng"), a fellow subsidiary of the Company.

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	165,500	102,980	101,772	123,076
1 to 3 months	36,353	30,167	29,225	33,364
3 months to 1 year	20,459	9,796	11,846	7,469
Over 1 year	2,527	6,507	8,535	4,211
	224,839	149,450	151,378	168,120

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	112,082	62,178	58,830	59,989
1 to 3 months	20,502	14,175	16,613	16,422
3 months to 1 year	16,878	8,355	10,647	5,117
Over 1 year	1,577	3,332	7,438	2,139
	151,039	88,040	93,528	83,667

Note:
As at 31 December 2016, 2017, 2018 and 2019, trade payables included an amount of approximately RMB6,571,000, RMB7,324,000, RMB21,098,000 and nil respectively, which was payable to Yanggu Da Feng. These balances were unsecured, interest-free and repayable on demand.

28. ACCRUALS AND OTHER PAYABLES

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	95,363	91,621	125,370	130,511
Other payables	100,727	170,468	145,973	116,553
VAT and other taxes payables	3,656	4,047	6,050	5,406
	199,746	266,136	277,393	252,470

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	39,825	36,895	36,534	44,897
Other payables	45,490	44,663	51,373	42,040
VAT and other taxes payables	1,519	1,718	2,537	2,667
	86,834	83,276	90,444	89,604

29. BORROWINGS

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, secured (note a)	1,050,600	1,361,097	991,427	894,542
Other loans from financial institution, unsecured (note b)	—	198,000	28,000	28,000
Other loans from financial institution, secured (note c)	327,413	116,847	466,031	444,491
	1,378,013	1,675,944	1,485,458	1,367,033
Less: Non-current portion	(40,000)	—	(66,026)	(100,635)
Portion classified as current liabilities	1,338,013	1,675,944	1,419,432	1,266,398
Analysed into:				
Bank loans, secured repayable:				
Within one year	1,010,600	1,361,097	991,427	894,542
In the second year	40,000	—	—	—
	1,050,600	1,361,097	991,427	894,542
Other loans from financial institution, unsecured:				
Within one year	—	198,000	28,000	28,000
Other loans from financial institution, secured				
Within one year	327,413	116,847	400,005	343,856
In the second year	—	—	31,986	71,060
In the third to fifth years, inclusive	—	—	34,040	29,575
	327,413	116,847	466,031	444,491
	1,378,013	1,675,944	1,485,458	1,367,033
Effective interest rate per annum				
Bank loans, secured	1.47% to 7.25%	0.40% to 6.55%	1.47% to 6.00%	2.85% to 5.10%
Other loans from financial institution unsecured	—	3.92% to 6.19%	6.19%	6.19%
Other loans from financial institution, secured	3.05%	3.05%	3.05% to 6.65%	2.70% to 6.65%

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, secured (note a)	1,002,750	1,316,747	947,077	894,542
Other loans from financial institution, unsecured (note b)	—	50,000	—	—
Other loans from financial institution, secured (note d)	327,413	116,847	307,758	29,949
	1,330,163	1,483,594	1,254,835	924,491
Less: Non-current portion	(40,000)	—	—	—
Portion classified as current liabilities	1,290,163	1,483,594	1,254,835	924,491
Analysed into:				
Bank loans, secured repayable:				
Within one year	962,750	1,316,747	947,077	894,542
In the second year	40,000	—	—	—
	1,002,750	1,316,747	947,077	894,542
Other loans from financial institution, unsecured repayable:				
Within one year	—	50,000	—	—
Other loans from financial institution, secured repayable:				
Within one year	327,413	116,847	307,758	29,949
	1,330,163	1,483,594	1,254,835	924,491
Effective interest rate per annum				
Bank loans, secured	1.47% to 7.25%	0.40% to 6.55%	1.47% to 6.00%	4.35% to 5.10%
Other loans from financial institution, unsecured	—	3.92%	—	—
Other loans from financial institution, secured	3.05%	3.05%	3.05%	3.05%

Notes:

(a) The Group's and the Company's bank borrowings were secured/guaranteed by:

(i) mortgages of the Group's leasehold lands situated in Mainland China, which had aggregate net carrying values of RMB13,276,000, RMB3,446,000, RMB3,323,000 and RMB26,740,000 as at 31 December 2016, 2017, 2018 and 2019, respectively (note 17);

(ii) pledge of the Group's bank deposits of RMB131,145,000, RMB65,600,000, RMB273,667,000 and RMB184,590,000 and the pledge of Company's bank deposits of RMB35,000,000, RMB35,076,000, RMB188,078,000 and RMB40,000,000 as at 31 December 2016, 2017, 2018 and 2019, respectively (note 26).

(iii) pledge of certain of the Group's property, plant and equipment with aggregate net carrying amount of nil, RMB22,732,000, RMB22,855,000 and RMB249,484,000 as at 31 December 2016, 2017, 2018 and 2019, respectively (note 16);

(iv) mortgage over 13.19% equity interests in Xiangguang Copper held by Fengxiang Group as at 31 December 2016, 2017, 2018 and 2019;

(v) pledge of certain of the Xiangguang Copper's inventories with aggregate net carrying amount of RMB527,125,000, RMB527,125,000, RMB527,125,000 and RMB539,413,000 as at 31 December 2016, 2017, 2018 and 2019 respectively;

(vi) joint guarantee from Fengxiang Group, 山東祥光集團有限公司("Shandong Xiangguang Group") and Mr. Liu Xuejing for certain of the Group's bank loans of up to RMB 100,000,000 as at 31 December 2017;

(vii) joint guarantee from Fengxiang Group and Mr. Liu Xuejing, the ultimate controlling shareholder of the Group for certain of the Group's bank loans of up to RMB242,850,000, RMB239,350,000, RMB219,350,000 and nil as at 31 December 2016, 2017, 2018 and 2019, respectively;

(viii) joint guarantee from Fengxiang Group and Shandong Xiangguang Group for certain of the Group's and the Company's bank loans of up to RMB125,000,000, RMB40,000,000, nil and nil as at 31 December 2016, 2017, 2018 and 2019, respectively;

(ix) joint guarantee from Shandong Xiangguang Group and Mr. Liu Xuejing for certain of the Group's bank loans of up to RMB355,000,000, RMB370,000,000, RMB355,000,000 and nil as at 31 December 2016, 2017, 2018 and 2019, respectively;

(x) guarantee from Xiangrui Copper, a related company, for certain of the Group's and the Company's loans of up to RMB49,000,000, nil, nil and nil as at 31 December 2016, 2017, 2018 and 2019, respectively; and

(xi) secured by the Company's bills receivable of RMB315,000,000, RMB100,000,000 and RMB206,200,000 for certain of the Company's bank loans of RMB307,747,000, RMB98,077,000 and RMB198,542,000 at 31 December 2017, 2018 and 2019 respectively.

(b) The Group's and the Company's unsecured other loans from financial institution represent loans from GMK Finance.

(c) The Group's secured other loans from financial institution of approximately RMB327,413,000, RMB116,847,000, RMB370,031,000 and RMB276,195,540 as at 31 December 2016, 2017, 2018 and 2019, respectively, represent loans from GMK Finance, which were secured by the Company and its subsidiaries' bills receivable of RMB330,000,000, RMB120,000,000, RMB374,000,000 and RMB281,000,000 as at 31 December 2016, 2017, 2018 and 2019, respectively.

Other than above, the Group's secured other loans from financial institution were jointly guaranteed by GMK Finance, Shandong Xiangguang Group and Mr. Liu Xuejing and secured by pledge of certain machinery with aggregate net carrying amount of RMB89,630,000 and RMB157,940,000 as at 31 December 2018 and 2019 (note 16).

(d) The Company's secured other loans from financial institution represent loans from GMK Finance, which were secured by the Company's bills receivable of RMB330,000,000, RMB120,000,000, RMB311,000,000 and RMB30,000,000 as at 31 December 2016, 2017, 2018 and 2019, respectively.

30. DEFERRED GOVERNMENT GRANTS

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	11,720	11,540	18,189	16,736
Additions	300	7,203	11	1,500
Released to profit or loss	(480)	(554)	(1,464)	(2,358)
At end of year	11,540	18,189	16,736	15,878
Analysed into:				
Current	480	1,711	522	847
Non-current	11,060	16,478	16,214	15,031
	11,540	18,189	16,736	15,878

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	—	—	1,200	11
Additions	—	1,200	11	—
Released to profit or loss	—	—	(1,200)	(11)
At end of year	—	1,200	11	—
Analysed into:				
Current	—	1,200	11	—

Government grants received by the Group as financial subsidies were recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they were intended to compensate. There are no unfulfilled conditions or contingencies relating to the grants.

31. SHARE CAPITAL

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid:				
1,045,000,000 shares of RMB1.00 each	1,045,000	1,045,000	1,045,000	1,045,000

32. RESERVES

Group

Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Company and its subsidiaries established in the PRC, the Company and its subsidiaries established in the PRC are required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of their respective registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company and its subsidiaries established in the PRC, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Company and its subsidiaries established in the PRC. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

Other reserve

Other reserve represents consideration paid to the immediate parent of the Company, Fengxiang Group, in respect of acquisition of the entire equity interests of Fengxiang Supermarket during the year ended 31 December 2014, which is not included in the Listing Business and is accordingly regarded as deemed distribution to Fengxiang Group, and consideration received from Fengxiang Group in respect of the Company's disposal of the entire equity interests of Fengxiang Supermarket during the year ended 31 December 2016, which is regarded as deemed contribution from Fengxiang Group.

Merger reserve

Merger reserve represents the difference between the total carrying amounts of investment in subsidiary of the Company and the nominal value of the aggregate share capital of the subsidiaries of the Company arising from certain restructuring exercises undertaken by the Group during the Relevant Periods.

Hedging reserve

The hedging reserve represented the effective portion of the accumulative change in the fair value of hedging instruments, net of tax, pending subsequent recognition in profit or loss.

Company

	Statutory reserve	Other reserve	Hedging reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	—	(6,000)	496	(35,085)	(40,589)
Profit for the year	—	—	—	226,601	226,601
Other comprehensive income:					
Cash flow hedges	—	—	(496)	—	(496)
Total comprehensive income for the year	—	—	(496)	226,601	226,105
Carve out of a subsidiary	—	6,000	—	—	6,000
Transfer to statutory reserve	24,784	—	—	(24,784)	—
At 31 December 2016 and 1 January 2017	24,784	—	—	166,732	191,516
Profit and total comprehensive income for the year	—	—	—	161,148	161,148
Transfer to statutory reserve	15,452	—	—	(15,452)	—
At 31 December 2017 and 1 January 2018	40,236	—	—	312,428	352,664
Initial application of IFRS 9	—	—	—	(2,053)	(2,053)
Adjusted balance at 1 January 2018	40,236	—	—	310,375	350,611
Profit and total comprehensive income for the year	—	—	—	160,879	160,879
Transfer to statutory reserve	15,156	—	—	(15,156)	—
At 31 December 2018 and 1 January 2019	55,392	—	—	456,098	511,490
Profit and total comprehensive income for the year	—	—	—	715,853	715,853
Transfer to statutory reserve	70,224	—	—	(70,224)	—
At 31 December 2019	125,616	—	—	1,101,727	1,227,343

33. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods, contingent liabilities not provided for in the Historical Financial Information were as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to a fellow subsidiary of the Group	124,260	95,000	64,061	—

Certain banking facilities granted to Xiangguang Copper, a fellow subsidiary, are secured by:

(i) mortgages over certain of the Group's buildings with an aggregate net carrying amount of approximately RMB62,148,000, nil, RMB60,187,000 and nil at 31 December 2016, 2017, 2018 and 2019, respectively (note 16); and

(ii) mortgages over certain of the Group's land use rights with an aggregate net carrying amount of approximately RMB34,933,000, nil, RMB17,936,000 and nil at 31 December 2016, 2017, 2018 and 2019, respectively (note 17).

The fair values of the guarantees are not significant and the Directors consider that the risk of default in payment is remote, and therefore no provision for the guarantees has been made in this Historical Financial Information.

34. COMMITMENTS

Capital commitments not provided for in the Historical Financial Information were as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment:				
- contracted for but not yet incurred	19,021	67,087	145,037	171,815

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods				
Fellow subsidiaries:				
Xiangguang Copper	246	291	254	294
Fengxiang Supermarket	3,868	3,835	3,370	3,338
中科鳳祥生物工程股份有限公司	3,533	3,624	4,077	3,344
Related companies:				
魯西南醫院有限公司 ("Luxinan Hospital")	—	—	89	89
Yanggu Lanhai	—	—	—	55
Purchases of goods				
A fellow subsidiary:				
Yanggu Da Feng	319,925	335,922	360,419	149,728
Transportation cost				
A related company:				
Xiangguang Logistics	9,246	14,865	12,770	14,795
Staff benefit				
A related company:				
Luxinan Hospital	—	—	1,005	691
Utilities expenses				
Fellow subsidiaries:				
新鳳祥能源發展有限公司	—	—	838	775
Aode Energy	10,933	30,166	32,501	33,905
Rental expense				
Ultimate holding company	1,920	1,051	1,228	4,964
Interest income				
A fellow subsidiary:				
GMK Finance	1,469	1,317	1,344	2,461
Finance costs				
Fellow subsidiaries:				
GMK Finance	10,963	11,967	18,299	19,236
Yanggu Da Feng	2,928	4,396	13,774	13,696
Consumables expenses				
A fellow subsidiary				
Fengxiang Supermarket	2,181	582	68	87
A related company:				
陽穀祥泰物業有限公司 ("Yanggu Xiangtai Property") (note (i))	—	—	—	19,227
陽穀祥泰酒店餐飲管理有限公司 (note (ii))	—	15	1,915	1,650

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Purchases and construction of property, plant and equipment				
Immediate holding company	—	14,303	7,927	—
Fellow subsidiaries:				
山東鳳祥—愛迪西股份有限公司	—	69,141	—	—
Shandong Xiangtai Engineering	—	1,980	884	117
Acquisition of right-of-use asset				
Immediate holding company	—	1,011	—	—
Disposal of property, plant and equipment				
A related company:				
山東祥泰置業開發有限公司 (note (ii))	—	19,111	—	—

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

Notes:

(i) Mr. Liu Xuejing is a director and an equity holder of the holding company of Yanggu Xiangtai Property.

(ii) Mr. Liu Xuejing was the controlling shareholders of these entities for the period from 1 January 2016 to 15 December 2018.

(b) Compensation of key management personnel of the Group

	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	4,950	5,669	17,654	14,868
Pension scheme contributions	—	—	—	—
	4,950	5,699	17,654	14,868

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transaction:

Proceeds of RMB30,000,000 from disposal of property, plant and equipment transacted in 2015 were received during the year ended 31 December 2016. Such consideration was included in "Due from a related party" as at 1 January 2016.

Changes in liabilities arising from financing activities

	Borrowings	Due to ultimate holding company	Due to immediate holding company	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,256,793	1,925	72,943	181,279
Changes from cash flows:				
Drawdown of borrowings	2,142,550	—	—	—
Repayments of borrowings	(2,021,330)	—	—	—
Interest paid	(58,823)	—	—	(10,535)
Repayment of principal portion of lease liabilities	—	—	—	(7,001)
Repayment of advance from with immediate holding companies	—	—	(72,943)	—
Repayment of advance from with an ultimate holding company	—	(1,731)	—	—
Total changes from financing cash flows	62,397	(1,731)	(72,943)	(17,536)
Other changes:				
Finance costs	58,823	—	—	10,535
Acquisition of right-of-use assets	—	—	—	4,437
Others	—	43	—	—
At 31 December 2016 and 1 January 2017	1,378,013	237	—	178,715
Changes from cash flows:				
Drawdown of borrowings	2,401,850	—	—	—
Repayments of borrowings	(2,103,919)	—	—	—
Interest paid	(58,334)	—	—	(10,939)
Repayment of principal portion of lease liabilities	—	—	—	(8,010)
Advance from immediate holding companies	—	—	14,000	—
Repayment of advance from an ultimate holding company	—	(194)	—	—
Total changes from financing cash flows	239,597	(194)	14,000	(18,949)
Other changes:				
Finance costs	58,334	—	—	10,939
Acquisition of right-of-use assets	—	—	—	13,241
Others	—	(43)	—	—
At 31 December 2017 and 1 January 2018	1,675,944	—	14,000	183,946
Changes from cash flows:				
Drawdown of borrowings	2,135,766	—	—	—
Repayments of borrowings	(2,326,252)	—	—	—
Interest paid	(72,441)	—	—	(10,780)
Repayment of principal portion of lease liabilities	—	—	—	(2,403)
Repayment of advance from immediate holding companies	—	—	(14,000)	—
Total changes from financing cash flows	(262,927)	—	(14,000)	(13,183)
Other changes:				
Finance costs	72,441	—	—	10,780
Acquisition of right-of-use assets	—	—	—	4,069
At 31 December 2018 and 1 January 2019	1,485,458	—	—	185,612
Changes from cash flows:				
Drawdown of borrowings	1,630,028	—	—	—
Repayments of borrowings	(1,748,453)	—	—	—
Interest paid	(64,105)	—	—	(11,521)
Repayment of principal portion of lease liabilities	—	—	—	(3,759)
Total changes from financing cash flows	(182,530)	—	—	(15,280)
Other changes:				
Finance costs	64,105	—	—	11,521
Acquisition of right-of-use assets	—	—	—	15,066
At 31 December 2019	1,367,033	—	—	196,919

During the year ended 31 December 2019, total outstanding interest on bills payable of RMB34,794,000 was fully repaid.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
Trade and bills receivables	—	—	188,648	206,625
Deposits and other receivables	—	—	3,909	3,787
Due from a related party	—	—	—	46
Pledged deposits	—	—	273,667	184,590
Cash and cash equivalents	—	—	248,724	563,365
	—	—	714,948	958,413
Loans and receivables				
Trade and bills receivables	80,691	106,659	—	—
Deposits and other receivables	10,688	17,055	—	—
Due from a related party	3,214	—	—	—
Due from ultimate holding company	43	—	—	—
Pledged deposits	131,145	65,600	—	—
Cash and cash equivalents	267,011	161,314	—	—
	492,792	350,628	—	—
	492,792	350,628	714,948	958,413
Financial liabilities				
Financial liabilities at amortised cost				
Trade and bills payables	304,839	204,450	511,378	308,120
Accruals and other payables	196,090	262,089	271,343	247,064
Lease liabilities	178,715	183,946	185,612	196,919
Borrowings	1,378,013	1,675,944	1,485,458	1,367,033
Due to related parties	4,123	4,948	3,757	5,283
Due to ultimate holding company	237	—	—	—
Due to immediate holding company	—	14,000	—	—
	2,062,017	2,345,377	2,457,548	2,124,419

Company

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
Trade and bills receivables	—	—	412,590	237,790
Deposits and other receivables	—	—	2,728	2,549
Due from subsidiaries	—	—	52,975	105,314
Pledged deposits	—	—	188,078	40,000
Cash and cash equivalents	—	—	142,760	455,325
	—	—	799,131	840,978
Loans and receivables				
Trade and bills receivables	331,637	438,180	—	—
Deposits and other receivables	8,294	15,628	—	—
Due from a related party	2,539	—	—	—
Due from subsidiaries	159,289	191,410	—	—
Pledged deposits	35,000	35,076	—	—
Cash and cash equivalents	47,460	72,853	—	—
	584,219	753,147	—	—
	584,219	753,147	799,131	840,978
Financial liabilities				
Financial liabilities at amortised cost				
Trade payables	151,039	88,040	454,528	223,667
Accruals and other payables	85,315	81,558	87,907	86,937
Lease liabilities	171,134	178,702	177,280	175,978
Borrowings	1,330,163	1,483,594	1,254,835	924,491
Due to related parties	242	1,353	1,445	1,793
Due to subsidiaries	111	15,315	13,050	12,990
	1,738,004	1,848,562	1,989,045	1,425,856

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's exposure to financial risks, and the financial risk management policies and practises used by the Group to manage these risks are described below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank and other loans. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

Group

	(Decrease)/increase on profit after tax and equity			
	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Increase by 25 basis points	(626)	(1,106)	(994)	(563)
Decrease by 25 basis points	626	1,106	994	563

Company

	(Decrease)/increase on profit after tax and equity			
	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Increase by 25 basis points	(626)	(1,106)	(994)	(563)
Decrease by 25 basis points	626	1,106	994	563

Foreign currency risk

Majority of the revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currencies.

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

Exposure to foreign currencies (expressed in thousands of RMB)

	As at 31 December							
	2016		2017		2018		2019	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
Trade receivables (RMB'000)	33,388	—	59,405	—	55,324	—	67,371	—
Trade payables (RMB'000)	(54)	—	(14)	—	(159)	—	—	—
Other payables (RMB'000)	—	—	—	—	—	(2,822)	—	(780)
Cash at banks (RMB'000)	5	—	—	—	60	—	1,261	—
Net exposure arising from recognised assets and liabilities	**33,339**	**—**	**59,391**	**—**	**55,225**	**(2,822)**	**68,632**	**(780)**

Such exposures arise from sales by group entities in currencies other than their functional currencies. Approximately 3%, 3%, 3 % and 3% of the Group's sales for the years ended 31 December 2016, 2017, 2018 and 2019, respectively, were denominated in currencies other than the functional currencies of the group entities (i.e. RMB). At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar ("USD") and European Union dollar ("EUR") exchange rates, with all other variables held constant, of the Group's profit after income tax (due to changes in the fair values of monetary assets and liabilities).

Group

	Increase/(decrease) on profit after tax and equity			
	Year ended 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
RMB/USD				
If USD strengthens against RMB by 5%	1,667	2,969	2,761	3,431
If USD weakens against RMB by 5%	(1,667)	(2,969)	(2,761)	(3,431)
RMB/EUR				
If EUR strengthens against RMB by 5%	—	—	(141)	(39)
If EUR weakens against RMB by 5%	—	—	141	39

Credit risk

The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of business and advances to other counterparties.

The Group continuously monitors default of customers and other counterparties, identified either individually or by group, and incorporate this information into credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's and the Company's exposure to credit risk and ECLs for trade receivables as at 31 December 2018 and 2019:

Group

	Expected loss rate	Gross carrying amount As at 31 December 2018	Gross carrying amount As at 31 December 2019
	%	RMB'000	RMB'000
Current	0.5%	156,843	193,370
0-90 days past due	1%	30,540	7,066
Over 90 days past due	5%-50%	3,915	9,380
		191,298	209,816

Company

	Expected loss rate	Gross carrying amount As at 31 December 2018	Gross carrying amount As at 31 December 2019
	%		
Over 90 days past due	5%-50%	3,180	3,180
		3,180	3,180

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group and the Company measures loss allowances for deposits paid and other receivables, cash and cash equivalents, pledged deposits and amounts due from a related party, subsidiaries and ultimate holding company at an amount equal to 12 months ECLs. Applying the ECL model, results in impairment of approximately RMB2,049,000 on the gross carrying amount of other receivables of the Group of RMB17,055,000 as at 1 January 2018. As at 31 December 2018 and 2019, the gross carrying amount of deposits paid and other receivables of the Group are approximately RMB6,830,000 and RMB6,912,000 respectively, and the loss allowances of the Group increased by RMB872,000 and RMB204,000 for other receivables of the Group during the years ended 31 December 2018 and 2019 respectively. As at 31 December 2018 and 2019, the gross carrying amount of deposits paid and other receivables of the Company are approximately RMB5,488,000 and RMB5,053,000 respectively, and the loss allowances increased by RMB866,000 and decreased by RMB256,000 for other receivables of the Company during the year ended 31 December 2018 and 2019 respectively. The credit risk on other financial assets of the Group and the Company is limited because the counterparties have no historical default record and the Directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date and consider that the ECL is immaterial as at reporting date.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 5(g)(B)(ii)). During the years ended 31 December 2016 and 2017, impairment provision of RMB1,628,000 and reversal of impairment provision of RMB1,628,000 were made on trade receivables respectively according to the Group's assessment.

At the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 64%, 56%, 63 % and 58% of the Group's trade receivables as at 31 December 2016, 2017, 2018 and 2019 were due from the Group's three largest debtors. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the Historical Financial Information.

Majority of the deposits are placed with banks, financial institutions and commodity brokers with sound credit ratings to mitigate the risk.

Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool, which considers the maturity of both its financial instruments and financial assets (e.g. trade and bills receivables) and projected cash flows from operations. The Group also maintains a balance between continuity of funding and flexibility through the use of bank and other loans as well as banking facilities in place for contingency purpose.

The basis of preparing the Historical Financial Information under the going concern assumption have been discussed in note 3.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years	More than two years but less than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016					
Trade and bills payables	304,839	304,839	304,839	—	—
Accruals and other payables	196,090	196,090	196,090	—	—
Borrowings	1,378,013	1,384,406	1,343,220	41,186	—
Due to related parties	4,123	4,123	4,123	—	—
Due to ultimate holding company	237	237	237	—	—
	1,883,302	1,889,695	1,848,509	41,186	—
At 31 December 2017					
Trade and bills payables	204,450	204,450	204,450	—	—
Accruals and other payables	262,089	262,089	262,089	—	—
Borrowings	1,675,944	1,686,350	1,686,350	—	—
Due to related parties	4,948	4,948	4,948	—	—
Due to immediate holding company	14,000	14,000	14,000	—	—
	2,161,431	2,171,837	2,171,837	—	—
At 31 December 2018					
Trade and bills payables	511,378	511,378	511,378	—	—
Accruals and other payables	271,343	271,343	271,343	—	—
Borrowings	1,485,458	1,536,576	1,468,354	33,050	35,172
Due to related parties	3,757	3,757	3,757	—	—
	2,271,936	2,323,054	2,254,832	33,050	35,172
At 31 December 2019					
Trade and bills payables	308,120	308,120	308,120	—	—
Accruals and other payables	247,064	247,064	247,064	—	—
Borrowings	1,367,033	1,408,541	1,302,515	75,337	30,689
Due to related parties	5,283	5,283	5,283	—	—
	1,927,500	1,969,008	1,862,982	75,337	30,689

Company

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016				
Trade payables	151,039	151,039	151,039	—
Accruals and other payables	85,315	85,315	85,315	—
Borrowings	1,330,163	1,333,936	1,292,750	41,186
Due to related parties	242	242	242	—
Due to subsidiaries	111	111	111	—
	1,566,870	1,570,643	1,529,457	41,186
At 31 December 2017				
Trade payables	88,040	88,040	88,040	—
Accruals and other payables	81,558	81,558	81,558	—
Borrowings	1,483,594	1,494,000	1,494,000	—
Due to related parties	1,353	1,353	1,353	—
Due to subsidiaries	15,315	15,315	15,315	—
	1,669,860	1,680,266	1,680,266	—
At 31 December 2018				
Trade payables	454,528	454,528	454,528	—
Accruals and other payables	87,907	87,907	87,907	—
Borrowings	1,254,835	1,260,000	1,260,000	—
Due to related parties	1,445	1,445	1,445	—
Due to subsidiaries	13,050	13,050	13,050	—
	1,811,765	1,816,930	1,816,930	—
At 31 December 2019				
Trade payables	223,667	223,667	223,667	—
Accruals and other payables	86,937	86,937	86,937	—
Borrowings	924,491	945,713	945,713	—
Due to related parties	1,793	1,793	1,793	—
Due to subsidiaries	12,990	12,990	12,990	—
	1,249,878	1,271,100	1,271,100	—

Price risk

The Group is exposed to commodity price risk. To manage its price risk arising from future commercial transactions on one of the major raw materials — soybean meal corn and soybean oil, the Group purchased futures contracts in Dalian Commodity Exchange.

As at the end of each of the Relevant Periods, the Group did not have any material unsettled future contract.

Fair value measurements

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair values of trade and bills receivables, deposits and other receivables, balances with related parties, subsidiaries, immediate holding company and ultimate holding company, pledged deposits, cash and cash equivalents, trade and bills payables, accruals and other payables and current portion of borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of borrowings have been calculated by discounting the expected future cash flows using the rates currently available for instruments on similar terms, credit risk and remaining maturities.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios as at the end of each of the reporting periods were as follows:

	As at 31 December			
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	1,378,013	1,675,944	1,485,458	1,367,033
Total equity	1,240,987	1,310,359	1,426,195	2,263,640
Gearing ratio	111%	128%	104%	60%

40. EVENTS AFTER THE REPORTING PERIOD

After the outbreak of COVID-19 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Directors are of the view that the domestic demand of the Group's chicken meat products may be impacted by the COVID-19 outbreak in the short-term. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent to which could not be estimated as at the date of this report.

Except as disclosed elsewhere in this Historical Financial Information, there are no material subsequent events undertaken by the Company or the Group after 31 December 2019.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2019.

The information set forth in this appendix does not form part of the Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Global Offering might have affected the consolidated net tangible assets of the Group after the completion of the Global Offering as if the Global Offering had taken place on 31 December 2019. Because of its hypothetical nature, this unaudited pro forma financial information may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed on 31 December 2019 or at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB	HK$ (Notes 3, 4 & 5)
Based on the Offer Price of HK$3.33 per Share	2,254,844	1,004,143	3,258,987	2.33	2.55
Based on the Offer Price of HK$5.10 per Share	2,254,844	1,562,581	3,817,425	2.73	2.99

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at 31 December 2019 are based on the consolidated net assets attributable to owners of the Group in the amount of RMB2,264,372,000, as extracted from the consolidated financial statements in the Accountants' Report included in Appendix I to this prospectus, less intangible assets in the amount of RMB9,528,000.
2. The estimated net proceeds from the Global Offering are based on 355,000,000 new shares to be issued and the indicative Offer Prices of HK$3.33 and HK$5.10 per Offer Share, respectively, after deduction of underwriting commissions and fees and other related expenses (excluding listing expenses of approximately RMB10,042,000 which have been accounted for in the Group's consolidated statements of comprehensive income prior to 31 December 2019) payable by the Group and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
3. No adjustment has been made to the consolidated net tangible assets attributable to owners of the Group as at 31 December 2019 to reflect any of the Group's trading results or other transactions entered into subsequent to 31 December 2019.
4. The pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note 2 above and on the basis that 1,400,000,000 Shares were in issue assuming that the Global Offering had been completed and the Over-allotment Option was not exercised.
5. The pro forma adjusted consolidated net tangible assets per Share is converted into HK$ at an exchange rate of HK$1 to RMB0.9116. No representation is made that the HK$/RMB amounts have been, could have been or may be converted to RMB and HK$ or vice versa, at that rate or at all.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountant of the Group, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司, the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2019 and related notes as set out on page II-1 of Appendix II of the Company's prospectus dated 30 June 2020 (the "Prospectus") in connection with the proposed global offering of the shares of the Company (the "Global Offering"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page II-1 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Global Offering on the Group's consolidated financial position as at 31 December 2019 as if the Global Offering had taken place at 31 December 2019. As part of this process, information about the Group's consolidated financial position as at 31 December 2019 has been extracted by the directors of the Company from the Group's financial information for the year ended 31 December 2019, on which an accountants' report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Global Offering at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement , having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

30 June 2020

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2020 of the property interests held by the Group.

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Company Licence No.: C-030171

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公司牌照號碼: C-030171

30 June 2020

The Board of Directors
Shandong Fengxiang Co., Ltd.
Liumiao Village, Anle Town
Yanggu County, Liaocheng City
Shandong Province
The PRC

Dear Sirs,

In accordance with your instructions to value the property interests held by Shandong Fengxiang Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 March 2020 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the properties in Group I which are held and occupied by the Group in the PRC and the particular location in which they are situated, there are unlikely to be relevant market comparables sales readily available, the property interests in Group I have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interest in Group II which is under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date. We have relied on the accrued construction cost and professional fees information provided by the Group according to the stage of construction of the property as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

We have valued the property interests in Group III which are held for future development by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We have attributed no commercial value to the property interests in Group IV, which are leased by the Group, due either to the nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisers — JunHe LLP, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in June 2017 and July 2019 by Mr. Michael Ding, Mr. Larry Li, Mr. Elvin Zhang and Ms. Jenna Wu who have more than 4 years' experience of property valuation in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of COVID-19 has caused much disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the rental/income projections/assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the report date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result it causes volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at the valuation date RMB
1.	A parcel of land, 2 industrial buildings and various structures located at No. 0910 Zhangyanzhai Village Yanlou Town Yanggu County Liaocheng City Shandong Province The PRC (有機肥)	59,134,000
2.	2 parcels of land, various buildings and structures located at Shifeng Street Yucheng City Dezhou City Shandong Province The PRC (禹城鳳鳴)	17,454,000
3.	A parcel of land, an industrial building and various structures located at No. 598-1 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (食品一廠)	22,586,000
4.	A parcel of land, an industrial building and various structures located at No. 172 Dongying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (食品二廠)	63,457,000
5.	A parcel of land, an industrial building and various structures located at the western side of Shouguo Road Yanggu County Liaocheng City Shandong Province The PRC (食品三廠)	21,614,000

No.	Property	Market value in existing state as at the valuation date RMB
6.	A parcel of land, a building and various structures located at the northern side of Fengxiang Road Dongying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (研發中心)	10,465,000
7.	3 parcels of land, various buildings and structures located at the southern side of Fengxiang Road and the eastern side of Xiangguang Avenue Yanggu County Liaocheng City Shandong Province The PRC (新熟食廠)	203,608,000
8.	A parcel of land, various buildings and structures located at No. 580 Fengxiang Group Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (一、二冷)	40,677,000
9.	A parcel of land, various buildings and structures located at No. 582-02 Aidixi Company Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (三冷)	34,351,000
10.	A parcel of land, 9 buildings, various structures and an industrial building under construction located at Dongying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (四冷)	186,237,000

No.	Property	Market value in existing state as at the valuation date RMB
11.	A parcel of land, various buildings and structures located at Nos. 174-01 and 174-02 Dongying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (金鳳包裝)	22,750,000
12.	A parcel of land, an industrial building and various structures located at No. 590 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (孵化一廠)	4,710,000
13.	A parcel of land, 2 buildings and various structures located at No. 584 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (孵化三廠)	4,308,000
14.	A parcel of land, an industrial building and various structures located at No. 576 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (第一飼料廠)	3,329,000
15.	2 parcels of land, 4 buildings and various structures located at No. 586 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (飼料三廠)	20,266,000

No.	Property	Market value in existing state as at the valuation date RMB
16.	A parcel of land, 3 buildings and structures located at No. 578 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (第二車隊)	1,820,000
17.	A parcel of land and an office building located at No. 596 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (運輸部)	822,000
18.	A parcel of land and a building located at No. 594 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (生活區)	1,289,000
19.	A parcel of land and an office building located at No. 582-01 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (股份辦公樓)	25,193,000
	Sub-total:	**744,070,000**

Group II — Property interest under development by the Group in the PRC

No.	Property	Market value in existing state as at the valuation date RMB
20.	An industrial building under construction located at the western side of Shouguo Road Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC	16,045,000
	Sub-total:	**16,045,000**

Group III — Property interests held for future development by the Group in the PRC

No.	Property	Market value in existing state as at the valuation date RMB
21.	A parcel of land located at the eastern side of Xiangguang Avenue Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC	12,890,000
22.	A parcel of land located at No. 588 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (變電站)	312,000
23.	A parcel of land located at the northern side of Fengxiang Road Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC	2,906,000
	Sub-total:	**16,108,000**

Group IV — Property interests leased by the Group in the PRC

No.	Property	Market value in existing state as at the valuation date RMB
24.	A chicken farm located at Tongyao Village Yuping Town Xingwen County Yibin City Sichuan Province The PRC (同堯雞場)	No commercial value
25.	A chicken farm located at Mao Village Gongle Town Xingwen County Yibin City Sichuan Province The PRC (毛村商品雞示範場)	No commercial value
26.	A chicken farm located at Qingyangli Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (青楊李雞場)	No commercial value
27.	A chicken farm located at the eastern side of Wanggaoru Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (王皋如東現代化養殖場)	No commercial value
28.	A chicken farm located at the southern side of Wanggaoru Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (王皋如南雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
29.	A chicken farm located at Wangzhenyang Village Yanlou Town Yanggu County Liaocheng City Shandong Province The PRC (王振陽雞場)	No commercial value
30.	A chicken farm located at Zhangliu Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (張劉現代化養殖場)	No commercial value
31.	A chicken farm located at Zihai Village Dabu Town Yanggu County Liaocheng City Shandong Province The PRC (訾海雞場)	No commercial value
32.	A chicken farm located at Dongcui Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (東崔雞場)	No commercial value
33.	A chicken farm located at Xinzhuang Village Shouzhang Town Yanggu County Liaocheng City Shandong Province The PRC (辛莊雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
34.	A chicken farm located at Dongzhuang Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (董莊雞場)	No commercial value
35.	A chicken farm located at Zhaotang Village Qiaorun Sub-District Office Yanggu County Liaocheng City Shandong Province The PRC (趙堂雞場)	No commercial value
36.	A chicken farm located at Caozhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (阿城曹莊雞場)	No commercial value
37.	A chicken farm located at Liuziying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (劉子英現代化養殖場)	No commercial value
38.	A chicken farm located at Luohai Village Yanlou Town Yanggu County Liaocheng City Shandong Province The PRC (羅海雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
39.	A chicken farm located at Yanzhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (閆莊現代化養殖場)	No commercial value
40.	A chicken farm located at Houtun Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (後屯雞場)	No commercial value
41.	A chicken farm located at Fengxiang East Road Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (劉廟雞場)	No commercial value
42.	A chicken farm located at Nanjie Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (南街現代化養殖場)	No commercial value
43.	A chicken farm located at Yuanlou Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (袁樓現代化養殖場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
44.	A chicken farm located at Luzhuang Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (魯莊現代化養殖場)	No commercial value
45.	A chicken farm located at Wangzhuang Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (王莊現代化養殖場)	No commercial value
46.	A chicken farm located at Shihu Village Yanlou Town Yanggu County Liaocheng City Shandong Province The PRC (石虎雞場)	No commercial value
47.	A chicken farm located at Fengxu Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (豐徐雞場)	No commercial value
48.	A chicken farm located at Dongjin Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (東金雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
49.	A chicken farm located at Wangtun Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (王屯現代化養殖場)	No commercial value
50.	A chicken farm located at Hezhuang Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (賀莊現代化養殖場)	No commercial value
51.	A chicken farm located at Houwang Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (後王現代化養殖場)	No commercial value
52.	A chicken farm located at Lizhuang Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (李莊雞場)	No commercial value
53.	A chicken farm located at Leilou Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (雷樓雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
54.	A chicken farm located at Mengwa Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (孟窪雞場)	No commercial value
55.	A chicken farm located at Sihe Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (四合雞場)	No commercial value
56.	A chicken farm located at Xinzhuang Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (第一養殖場)	No commercial value
57.	A chicken farm located at Yuanyangao Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (苑閆高雞場)	No commercial value
58.	A chicken farm located at Nange Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (南葛雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
59.	A chicken farm located at Xuzhuang Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (徐莊雞場)	No commercial value
60.	A chicken farm located at Yangwangli Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (坡里雞場)	No commercial value
61.	A chicken farm located at Caozhuang Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (曹莊現代化養殖場)	No commercial value
62.	A chicken farm located at Haopu Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (蒿鋪雞場)	No commercial value
63.	A chicken farm located at Zhuzhuang Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (朱莊雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
64.	A chicken farm located at Songzhuang Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (宋莊雞場)	No commercial value
65.	A chicken farm located at Wuyang Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (楊集雞場)	No commercial value
66.	A chicken farm located at Caolou Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (曹樓雞場)	No commercial value
67.	A chicken farm located at Wangtianxu Village Shiwuliyuan Town Yanggu County Liaocheng City Shandong Province The PRC (王天緒種雞場)	No commercial value
68.	A chicken farm located at Wanzhuang Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (萬莊種雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date
		RMB
69.	A chicken farm located at Xingtun Village Tongcheng Sub-district Donge County Liaocheng City Shandong Province The PRC (興屯種雞場)	No commercial value
70.	A chicken farm located at Guozhuang Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (郭莊種雞場)	No commercial value
71.	A chicken farm located at Lilu Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (李爐雞場)	No commercial value
72.	A chicken farm located at Taozhuang Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (陶莊種雞場)	No commercial value
73.	A chicken farm located at Weipu Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (葦鋪種雞養殖場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
74.	A chicken farm located at Xitaiping Village Yuji Town Dongchangfu District Liaocheng City Shandong Province The PRC (西太平種雞養殖場)	No commercial value
75.	A chicken farm located at Xishanshan Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (華岩種雞養殖場)	No commercial value
76.	A chicken farm located at Chailou Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (柴樓雞場)	No commercial value
77.	A chicken farm located at Shengchan Road Taozhuang Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (陶莊種雞二場)	No commercial value
78.	A chicken farm located at Xicui Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (西崔種雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
79.	A chicken farm located at Xiaodian Village Yushan Town Donge County Liaocheng City Shandong Province The PRC (魚山小店種雞場)	No commercial value
80.	A chicken farm located at Qianyang Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (前楊種雞養殖場)	No commercial value
81.	A chicken farm located at Qianshanshan Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (苫山種雞場)	No commercial value
82.	A chicken farm located at Shizisong Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (獅子宋種雞場)	No commercial value
83.	A chicken farm located at Yihe Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (義和雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date RMB
84.	A chicken farm located at Zhaosi Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (趙寺種雞場)	No commercial value
85.	A chicken farm located at Fengxiang Road Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (孵化二場)	No commercial value
86.	A chicken farm located at Xijie Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (西街雞場)	No commercial value
87.	A chicken farm located at Taolou Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (陶樓雞場)	No commercial value
88.	A chicken farm located at Yuzhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (于莊東種雞養殖場)	No commercial value

No.	Property	Market value in existing state as at the valuation date
		RMB
89.	A chicken farm located at Yuzhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (于莊西種雞養殖場)	No commercial value
90.	A chicken farm located at Songzhuang Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (碱宋雞場)	No commercial value
91.	A chicken farm located at Zhangdamiao Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (張大廟雞場)	No commercial value
92.	A chicken farm located at Xinfeng Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (新豐種雞場)	No commercial value
93.	A chicken farm located at Guliushu Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (古柳樹雞場)	No commercial value

No.	Property	Market value in existing state as at the valuation date
		RMB
94.	A chicken farm located at Yuzhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (于莊種雞場)	No commercial value
95.	A chicken farm located at Zhangzhai Village Guotun Town Yanggu County Liaocheng City Shandong Province (張寨雞場)	No commercial value
	Sub-total:	**Nil**
	Grand total	**776,223,000**

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
1.	A parcel of land, 2 industrial buildings and various structures located at No. 0910 Zhangyanzhai Village Yanlou Town Yanggu County Liaocheng City Shandong Province The PRC (有機肥)	The property comprises a parcel of land with a site area of approximately 158,000 sq.m., 2 industrial buildings and various structures erected thereon which were completed in various stages between 2015 and 2017. The industrial buildings of the property are single-storey plants, which have a total gross floor area of approximately 29,843.58 sq.m. The structures mainly include roads, boundary walls, a gate and a bridge. The land use rights of the property have been granted for a term expiring on 26 December 2056 for industrial use.	As at the valuation date, the property was occupied by the Group for production, office and ancillary purposes.	59,134,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates — Lu (2018) Yang Gu Xian Bu Dong Chan Quan Di No. 0005022 and Lu (2019) Yang Gu Xian Bu Dong Chan Quan Di No. 0014931, 2 buildings of the property with a total gross floor area of approximately 29,843.58 sq.m. are owned by Yanggu Xiangyu Organic Fertiliser Co., Ltd. ("Yanggu Xiangyu Organic Fertiliser", 陽穀祥雨有機肥有限公司, a wholly-owned subsidiary of the Company), and the land use rights of a parcel of land with a site area of approximately 158,000 sq.m. have been granted to Yanggu Xiangyu Organic Fertiliser for a term expiring on 26 December 2056 for industrial use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. Yanggu Xiangyu Organic Fertiliser has legally obtained the Real Estate Title Certificates of the property and Yanggu Xiangyu Organic Fertiliser is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and

   b. Yanggu Xiangyu Organic Fertiliser legally owns the building ownership rights of the buildings mentioned in note 1 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	2 parcels of land, various buildings and structures located at Shifeng Street Yucheng City Dezhou City Shandong Province The PRC (禹城鳳鳴)	The property comprises 2 parcels of land with a total site area of approximately 28,939 sq.m., 23 industrial buildings and various structures erected thereon which were completed in various stages between 1998 and 2019. The buildings have a total gross floor area of approximately 9,258.23 sq.m. and mainly include industrial buildings, office buildings, storage houses, pump houses and a guard house. The structures mainly include roads, boundary walls, sheds and pipes. The land use rights of the property have been granted for terms expiring on 6 June 2050 and 24 September 2062 for industrial use.	As at the valuation date, the property was occupied by the Group for production, office and ancillary purposes.	17,454,000

Notes:

1. Pursuant to 9 Real Estate Title Certificates — Lu (2018) Yu Cheng Shi Bu Dong Chan Quan Di Nos. 0001663 to 0001665, 0001667 to 0001671 and 0001678, 19 buildings of the property with a total gross floor area of approximately 8,113.51 sq.m. are owned by Yucheng Fengming Food Co., Ltd. ("Yucheng Fengming", 禹城鳳鳴食品有限公司 a wholly-owned subsidiary of the Company), and the land use rights of 2 parcels of land with a total site area of approximately 28,939 sq.m. have been granted to Yucheng Fengming for terms expiring on 6 June 2050 and 24 September 2062 for industrial use.
2. For the remaining 4 buildings of the property with a total gross floor area of approximately 1,144.72 sq.m., we have not been provided with any title certificate.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. Yucheng Fengming has legally obtained the Real Estate Title Certificates of the land parcels of the property and Yucheng Fengming is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcels of land mentioned in note 1;
   b. Yucheng Fengming legally owns the building ownership rights of the 19 buildings mentioned in note 1 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings; and
   c. Yucheng Fengming will have the rights to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the the remaining 4 buildings mentioned in note 2 after obtaining their Real Estate Title Certificates.
4. In the valuation of the property, we have relied on the aforesaid legal opinion and attributed no commercial value to the buildings in note 2 which are without any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB579,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
3.	A parcel of land, an industrial building and various structures located at No. 598-1 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (食品一廠)	The property comprises a parcel of land with a site area of approximately 35,319.50 sq.m., an industrial building and various structures erected thereon which were completed in various stages between 1998 and 2012. The building of the property is a 4-storey industrial building with a gross floor area of approximately 16,721.64 sq.m. The structures mainly include roads, boundary walls, sheds, drilling wells, pipes and grooves. The land use rights of the property have been granted for a term expiring on 28 May 2046 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	22,586,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Lu (2019) Yang Gu Xian Bu Dong Chan Quan Di No. 0014164, a building with a gross floor area of approximately 16,721.64 sq.m. is owned by Shangdong Fengxiang Food Development Co., Ltd. ("Fengxiang Food Development", 山東鳳祥食品發展有限公司, a wholly-owned subsidiary of the Company), and the land use rights of a parcel of land with a site area of approximately 35,319.50 sq.m. have been granted to Fengxiang Food Development for a term expiring on 28 May 2046 for industrial use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. Fengxiang Food Development has legally obtained the Real Estate Title Certificate of the property and Fengxiang Food Development is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and

   b. Fengxiang Food Development legally owns the building ownership rights of the building mentioned in note 1 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
4.	A parcel of land, an industrial building and various structures located at No. 172 Dongying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (食品二廠)	The property comprises a parcel of land with a site area of approximately 54,719.59 sq.m., an industrial building and various structures erected thereon which were completed in various stages between 1998 and 2016. The building is a 2-storey industrial building with a gross floor area of approximately 23,425.20 sq.m. The structures mainly include roads, cable tray, pipes and grooves. The land use rights of the property have been granted for a term expiring on 30 December 2059 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	63,457,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Lu (2018) Yang Gu Xian Bu Dong Chan Quan Di No. 0001204, a building with a gross floor area of approximately 23,425.20 sq.m. is owned by Shandong Fengxiang Food Development Co., Ltd. ("Fengxiang Food Development", 山東鳳祥食品發展有限公司, a wholly-owned subsidiary of the Company), and the relevant land use rights of a parcel of land with a site area of approximately 54,719.59 sq.m. have been granted to Fengxiang Food Development for a term expiring on 30 December 2059 for industrial use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. Fengxiang Food Development has legally obtained the Real Estate Title Certificate of the property and Fengxiang Food Development is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and

   b. Fengxiang Food Development legally owns the building ownership rights of the building mentioned in note 1 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
5.	A parcel of land, an industrial building and various structures located at the western side of Shouguo Road Yanggu County Liaocheng City Shandong Province The PRC (食品三廠)	The property comprises a parcel of land with a site area of approximately 29,454 sq.m., an industrial building and various structures erected thereon which were completed in various stages between 2008 and 2017. The building is a single-storey industrial building with a gross floor area of approximately 14,280.76 sq.m. The structures mainly include roads, boundary walls, well, pipes and grooves. The land use rights of the property have been granted for a term expiring on 27 August 2064 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	21,614,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 217, the land use rights of a parcel of land with a site area of approximately 29,454 sq.m. have been granted to Shandong Fengxiang Food Development Co., Ltd. ("Fengxiang Food Development", 山東鳳祥食品發展有限公司, a wholly-owned subsidiary of the Company) for a term expiring on 27 August 2064 for industrial use.
2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0028581, a building with a gross floor area of approximately 14,280.76 sq.m. is owned by Fengxiang Food Development.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. Fengxiang Food Development has legally obtained the State-owned Land Use Rights Certificate of the property and Fengxiang Food Development is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and
   b. Fengxiang Food Development legally owns the building ownership rights of the building mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
6.	A parcel of land, a building and various structures located at the northern side of Fengxiang Road Dongying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (研發中心)	The property comprises a parcel of land with a site area of approximately 2,444 sq.m., a building and various structures erected thereon which were completed in 2017. The building is a 3-storey research and development centre with a gross floor area of approximately 4,531.84 sq.m. The structures mainly include roads and boundary walls. The land use rights of the property have been granted for a term expiring on 19 June 2067 for industrial use.	As at the valuation date, the property was occupied by the Group for research and development centre and office purposes.	10,465,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Yang Gu-01-2017-0020, the land use rights of a parcel of land with a site area of approximately 2,444 sq.m. were contracted to be granted to Shandong Fengxiang Food Development Co., Ltd. ("Fengxiang Food Development", 山東鳳祥食品發展有限公司, a wholly-owned subsidiary of the Company) for a term of 50 years for industrial use. The land premium was RMB460,000. As advised by the Group, the land premium had been fully paid.

2. Pursuant to a Real Estate Title Certificate — Lu (2019) Yang Gu Xian Bu Dong Chan Quan Di No. 0014754, a building with a gross floor area of approximately 4,531.84 sq.m. is owned by Fengxiang Food Development, and the relevant land use rights of a parcel of land with a site area of approximately 2,444 sq.m. have been granted to Fengxiang Food Development for a term expiring on 19 June 2067 for industrial use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. Fengxiang Food Development has legally obtained the Real Estate Title Certificate of the property and Fengxiang Food Development is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 2; and

   b. Fengxiang Food Development legally owns the building ownership rights of the building mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
7.	3 parcels of land, various buildings and structures located at the southern side of Fengxiang Road and the eastern side of Xiangguang Avenue Yanggu County Liaocheng City Shandong Province The PRC (新熟食廠)	The property comprises 3 parcels of land with a site area of approximately 92,915 sq.m., various buildings and various structures which were completed in 2018. The buildings have a total gross floor area of approximately 56,307.75 sq.m. and mainly include industrial buildings, office buildings, storage house and a guard house. The structures mainly include ancillary facility rooms, boundary walls, roads, garbage station and guard house. The land use rights of the property have been granted for terms expiring on 21 September 2066, 16 July 2067 and 30 March 2070 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	203,608,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts — Yang Gu-01-2016-0046 and Yang Gu-01-2020-0012, the land use rights of 2 parcels of land with a total site area of approximately 76,517 sq.m. were contracted to be granted to Shandong Fengxiang Food Development Co., Ltd. ("Fengxiang Food Development", 山東鳳祥食品發展有限公司, a wholly-owned subsidiary of the Company) for a term of 50 years for industrial use. The total land premium was RMB11,280,000. As advised by the Group, the land premium had been fully paid.

2. Pursuant to 3 Real Estate Title Certificates — Lu (2019) Yang Gu Xian Bu Dong Chan Quan Di Nos. 0015388, 0015528 and Lu (2020) Yang Gu Xian Bu Dong Chan Quan Di No. 0002621, various buildings with a total gross floor area of approximately 56,307.75 sq.m. are owned by Fengxiang Food Development, and the land use rights of 3 parcels of land with a total site area of approximately 92,915 sq.m. have been granted to Fengxiang Food Development for terms expiring on 21 September 2066, 16 July 2067 and 30 March 2070 for industrial use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. Fengxiang Food Development has legally obtained the Real Estate Title Certificates of the property and Fengxiang Food Development is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcels of land mentioned in note 2; and

   b. Fengxiang Food Development legally owns the building ownership rights of the buildings mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
8.	A parcel of land, various buildings and structures located at No. 580 Fengxiang Group Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (一、二冷)	The property comprises a parcel of land with a site area of approximately 35,240 sq.m., various buildings and structures erected thereon which were completed in various stages between 1994 and 2017. The buildings have a total gross floor area of approximately 14,107.60 sq.m. and mainly include industrial buildings and a guard house. The structures mainly include slaughter production & processing structures, bicycle sheds, roads and gates. The land use rights of the property have been granted for a term expiring on 26 December 2045 for industrial use.	As at the valuation date, the property was occupied by the Group for production and ancillary purposes.	40,677,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 200, the land use rights of a parcel of land with a site area of approximately 35,240 sq.m. have been granted to Shandong Fengxiang Industrial Co., Ltd. ("Fengxiang Industrial", 山東鳳祥實業有限公司, a wholly-owned subsidiary of the Company), for a term expiring on 26 December 2045 for industrial use.
2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0024452, the buildings with a total gross floor area of approximately 14,107.60 sq.m. are owned by Fengxiang Industrial.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. Fengxiang Industrial has legally obtained the State-owned Land Use Rights Certificate of the property and Fengxiang Industrial is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and
   b. Fengxiang Industrial legally owns the building ownership rights of the buildings mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
9.	A parcel of land, various buildings and structures located at No. 582-02 Aidixi Company Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (三冷)	The property comprises a parcel of land with a site area of approximately 34,453 sq.m., various buildings and structures erected thereon which were completed in various stages between 2000 and 2017. The buildings have a total gross floor area of approximately 15,086.61 sq.m. and mainly include office buildings, workshop, central control building and guardhouses. The structures mainly include slaughter production & processing structures, roads and gates. The land use rights of the property have been granted for a term expiring on 17 March 2047 for industrial use.	As at the valuation date, the property was occupied by the Group for production, office and ancillary purposes.	34,351,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 206, the land use rights of a parcel of land with a site area of approximately 34,453 sq.m. have been granted to Shandong Fengxiang Industrial Co., Ltd. ("Fengxiang Industrial", 山東鳳祥實業有限公司, a wholly-owned subsidiary of the Company), for a term expiring on 17 March 2047 for industrial use.
2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0024451, the buildings with a total gross floor area of approximately 15,086.61 sq.m. are owned by Fengxiang Industrial.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. Fengxiang Industrial has legally obtained the State-owned Land Use Rights Certificate of the property and Fengxiang Industrial is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the land parcel mentioned in note 1; and
   b. Fengxiang Industrial legally owns the building ownership rights of the buildings mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
10.	A parcel of land, 9 buildings, various structures and an industrial building under construction located at Dongying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (四冷)	The property comprises a parcel of land with a site area of approximately 131,999 sq.m., 9 buildings and various structures erected thereon which were completed in various stages between 2011 and 2019. The property also comprises an industrial building which was under construction on the subject land parcel as at the valuation date (the "CIP"). The completed buildings have a total gross floor area of approximately 65,792.11 sq.m. and mainly include workshops, a warehouse, a canteen and a boiler room. The structures mainly include roads and gates. The CIP is scheduled to be completed in October 2020. Upon completion, the CIP will have a total gross floor area of approximately 31,781.22 sq.m. As advised by the Group, the total construction cost is estimated to be approximately RMB61,760,000, of which approximately RMB12,352,000 has been incurred up to the valuation date. The land use rights of the property have been granted for a term expiring on 26 December 2056 for industrial use.	As at the valuation date, the property was occupied by the Group for production, office and ancillary purposes except for the CIP which was under construction.	186,237,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates — Lu (2017) Yang Gu Xian Bu Dong Chan Quan Di No. 0004376 and Lu (2019) Yang Gu Xian Bu Dong Chan Quan Di No. 0014897, 9 completed buildings with a total gross floor area of approximately 65,792.11 sq.m. are owned by Shandong Fengxiang Industrial Co., Ltd. ("Fengxiang Industrial", 山東鳳祥實業有限公司, a wholly-owned subsidiary of the Company), and the land use rights of a parcel of land with a site area of approximately 131,999 sq.m. have been granted to Fengxiang Industrial for a term expiring on 26 December 2056 for industrial use.
2. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 37152120190201 and 37152120190419 in favour of Fengxiang Industrial, a building with a gross floor area of approximately 31,781.22 sq.m. has been approved for construction.
3. Pursuant to 2 Construction Work Commencement Permits — Nos. 3715212001060001-SX-001 and 371521201909270101 in favour of Fengxiang Industrial, permissions by the relevant local authority was given to commence the construction work of the CIP.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. Fengxiang Industrial has legally obtained the Real Estate Title Certificates of the property and Fengxiang Industrial is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1;

   b. Fengxiang Industrial legally owns the building ownership rights of the buildings mentioned in note 1 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings; and

   c. Fengxiang Industrial has obtained the requisite approvals in respect of the construction of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
11.	A parcel of land, various buildings and structures located at Nos. 174-01 and 174-02 Dongying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (金鳳包裝)	The property comprises a parcel of land with a site area of approximately 41,907 sq.m., various buildings and structures erected thereon which were completed in various stages between 2002 and 2016. The buildings have a total gross floor area of approximately 13,101.93 sq.m. and mainly include industrial plants, storage houses and ancillary buildings. The structures mainly include gates, boundary walls, roads, pipes and grooves. The land use rights of the property have been granted for a term expiring on 30 December 2059 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	22,750,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Lu (2019) Yang Gu Xian Bu Dong Chan Quan Di No. 0003301, the buildings of the property with a total gross floor area of approximately 13,101.93 sq.m. are owned by Shandong Fengxiang Industrial Co., Ltd. ("Fengxiang Industrial", 山東鳳祥實業有限公司, a wholly-owned subsidiary of the Company), and the relevant land use rights of a parcel of land with a site area of approximately 41,907 sq.m. have been granted to Fengxiang Industrial for a term expiring on 30 December 2059 for industrial use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. Fengxiang Industrial has legally obtained the Real Estate Title Certificate of the property and Fengxiang Industrial is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and

   b. Fengxiang Industrial legally owns the building ownership rights of the buildings mentioned in note 1 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
12.	A parcel of land, an industrial building and various structures located at No. 590 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (孵化一廠)	The property comprises a parcel of land with a site area of approximately 6,720 sq.m., an industrial building and various structures erected thereon which were completed in various stages between 1997 and 2014. The building of the property is an industrial building which has a gross floor area of approximately 2,745.95 sq.m. The structures mainly include roads, pipes and grooves. The land use rights of the property have been granted for a term expiring on 27 December 2045 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	4,710,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 202, the land use rights of a parcel of land with a site area of approximately 6,720 sq.m. have been granted to the Company for a term expiring on 27 December 2045 for industrial use.
2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0024449, a building with a gross floor area of approximately 2,745.95 sq.m. is owned by the Company.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. the Company has legally obtained the State-owned Land Use Rights Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and
   b. the Company legally owns the building ownership rights of the building mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
13.	A parcel of land, 2 buildings and various structures located at No. 584 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (孵化三廠)	The property comprises a parcel of land with a site area of approximately 5,515 sq.m., 2 buildings and various structures erected thereon which were completed in various stages between 1999 and 2016. The buildings have a total gross floor area of approximately 2,968.71 sq.m. and comprise an industrial building and a boiler room. The structures mainly include sheds and deep well. The land use rights of the property have been granted for a term expiring on 19 August 2047 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	4,308,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 205, the land use rights of a parcel of land with a site area of approximately 5,515 sq.m. have been granted to the Company for a term expiring on 19 August 2047 for industrial use.
2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0024448, 2 buildings with a total gross floor area of approximately 2,968.71 sq.m. are owned by the Company.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. the Company has legally obtained the State-owned Land Use Rights Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and
   b. the Company legally owns the building ownership rights of the buildings mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
14.	A parcel of land, an industrial building and various structures located at No. 576 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (第一飼料廠)	The property comprises a parcel of land with a site area of approximately 7,667 sq.m., an industrial building and various structures erected thereon which were completed in various stages between 1992 and 2016. The building is a 4-storey industrial building with a gross floor area of approximately 3,244.88 sq.m. The structures mainly include roads and boundary walls. The land use rights of the property have been granted for a term expiring on 27 December 2045 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	3,329,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Lu (2017) Yang Gu Xian Bu Dong Chan Quan Di No. 0001693, a building with a gross floor area of approximately 3,244.88 sq.m. is owned by the Company, and the land use rights of a parcel of land with a site area of approximately 7,667 sq.m. have been granted to the Company for a term expiring on 27 December 2045 for industrial use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. the Company has legally obtained the Real Estate Title Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and

   b. the Company legally owns the building ownership rights of the building mentioned in note 1 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
15.	2 parcels of land, 4 buildings and various structures located at No. 586 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (飼料三廠)	The property comprises 2 parcels of land with a total site area of approximately 63,543 sq.m., 4 buildings and various structures erected thereon which were completed in various stages between 2002 and 2012. The buildings have a total gross floor area of approximately 20,569.17 sq.m. and mainly comprises 2 industrial buildings and 2 ancillary buildings. The structures mainly include roads, cable and chimney. The land use rights of the property have been granted for a term expiring on 26 December 2045 and 30 December 2059 for industrial use.	As at the valuation date, the property was occupied by the Group for production purpose.	20,266,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Lu (2018) Yang Gu Xian Bu Dong Chan Quan Di No. 0004274, a building with a gross floor area of approximately 2,888.37 sq.m. is owned by the Company, and the land use rights of a parcel of land with a site area of approximately 40,053 sq.m. have been granted to the Company for a term expiring on 26 December 2045 for industrial use.
2. Pursuant to a Real Estate Title Certificate — Lu (2018) Yang Gu Xian Bu Dong Chan Quan Di No. 0004403, a building with a gross floor area of approximately 6,295.27 sq.m. is owned by the Company, and the land use rights of a parcel of land with a site area of approximately 23,490 sq.m. have been granted to the Company for a term expiring on 30 December 2059 for industrial use.
3. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di Nos. 0024444, the remaining 2 buildings with a total gross floor area of approximately 11,385.53 sq.m. are owned by the Company.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. the Company has legally obtained the Real Estate Title Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcels of land mentioned in notes 1 and 2; and
   b. the Company legally owns the building ownership rights of the buildings mentioned in notes 1 to 3, and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
16.	A parcel of land, 3 buildings and various structures located at No. 578 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (第二車隊)	The property comprises a parcel of land with a site area of approximately 5,456.54 sq.m., 3 buildings and various structures erected thereon which were completed in various stages between 1999 and 2016. The buildings have a total gross floor area of approximately 273.51 sq.m. and comprises an office room, a storage room and an ancillary room. The land use rights of the property have been granted for a term expiring on 27 December 2045 for industrial use.	As at the valuation date, the property was occupied by the Group for office and storage purposes.	1,820,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 203, the land use rights of a parcel of land with a site area of approximately 5,456.54 sq.m. have been granted to the Company for a term expiring on 27 December 2045 for industrial use.
2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0024445, 3 buildings with a total gross floor area of approximately 273.51 sq.m. are owned by the Company.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. the Company has legally obtained the State-owned Land Use Rights Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and
   b. the Company legally owns the building ownership rights of the buildings mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
17.	A parcel of land and an office building located at No. 596 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (運輸部)	The property comprises a parcel of land with a site area of approximately 3,025.98 sq.m. and a single-storey office building erected thereon which was completed in 1992. The office building has a gross floor area of approximately 834.85 sq.m. The land use rights of the property have been granted for a term expiring on 27 December 2045 for industrial use.	As at the valuation date, the property was occupied by the Group for office purpose.	822,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 201, the land use rights of a parcel of land with a site area of approximately 3,025.98 sq.m. have been granted to the Company for a term expiring on 27 December 2045 for industrial use.
2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0024443, a building with a gross floor area of approximately 834.85 sq.m. is owned by the Company.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. the Company has legally obtained the State-owned Land Use Rights Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and
   b. the Company legally owns the building ownership rights of the building mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
18.	A parcel of land and a building located at No. 594 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (生活區)	The property comprises a parcel of land with a site area of approximately 4,153.79 sq.m. and a building erected thereon which was completed in 1993. The building is a single-storey dormitory building with a gross floor area of approximately 1,567.81 sq.m. The land use rights of the property have been granted for a term expiring on 27 December 2045 for industrial use.	As at the valuation date, the property was occupied by the Group for dormitory purpose.	1,289,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 198, the land use rights of a parcel of land with a site area of approximately 4,153.79 sq.m. have been granted to the Company for a term expiring on 27 December 2045 for industrial use.
2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0024446, a building with a gross floor area of approximately 1,567.81 sq.m. is owned by the Company.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:
   a. the Company has legally obtained the State-owned Land Use Rights Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and
   b. the Company legally owns the building ownership rights of the building mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
19.	A parcel of land and an office building located at No. 582-01 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (股份辦公樓)	The property comprises a parcel of land with a site area of approximately 17,954 sq.m. and a building erected thereon which was completed in 1999. The building is a 6-storey office building with a gross floor area of approximately 22,559.07 sq.m. The land use rights of the property have been granted for a term expiring on 17 March 2047 for office and residential uses.	As at the valuation date, the property was occupied by the Group for office purpose.	25,193,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yang Guo Yong (2014) Di No. 207, the land use rights of a parcel of land with a site area of approximately 17,954 sq.m. have been granted to the Company for a term expiring on 17 March 2047 for office and residential uses.

2. Pursuant to a Building Ownership Certificate — Yang Fang Quan Zheng Yang Gu Xian Zi Di No. 0024450, the building with a gross floor area of approximately 22,559.07 sq.m. is owned by the Company.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers, which contains, inter alia, the following:

   a. the Company has legally obtained the State-owned Land Use Rights Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1; and

   b. the Company legally owns the building ownership rights of the building mentioned in note 2 and is entitled to legally occupy, use, transfer, donate, lease, mortgage and otherwise dispose of the building.

VALUATION CERTIFICATE

Group II — Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
20.	An industrial building under construction located at the western side of Shouguo Road Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (新飼料廠)	The property comprises a parcel of land with a site area of approximately 48,425 sq.m. and an industrial building erected thereon which was under construction as at the valuation date (the "CIP"). The CIP is scheduled to be completed in October 2020. Upon completion, the CIP will have a gross floor area of approximately 14,917.77 sq.m. As advised by the Group, the total construction cost is estimated to be approximately RMB31,800,300, of which approximately RMB6,360,000 had been incurred up to the valuation date. The land use rights of the property have been granted for a term expiring on 18 February 2070 for industrial use.	As at the valuation date, the property was under construction.	16,045,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Yang Gu-01-2020-0002, the land use rights of a parcel of land with a site area of approximately 48,425 sq.m. were contracted to be granted to the Company for a term of 50 years for industrial use. The land premium was RMB9,370,300. As advised by the Company, the land premium has been fully paid.
2. Pursuant to a Real Estate Title Certificate — Lu (2020) Yang Gu Xian Bu Dong Chan Quan Di No. 0001925, the land use rights of a parcel of land with a site area of approximately 48,425 sq.m. have been granted to the Company for a term expiring on 18 February 2070 for industrial use.
3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 37152120200010 in favour of the Company, a building with a gross floor area of approximately 14,917.77 sq.m. has been approved for construction.
4. Pursuant to a Construction Work Commencement Permit — No. 3715212002240001-SX-001 in favour of the Company, permission by the relevant local authority was given to commence the construction work of the CIP.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the Company has legally obtained the Real Estate Title Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 2; and
   b. the Company has obtained the requisite approvals in respect of the construction of the property.

VALUATION CERTIFICATE

Group III — Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
21.	A parcel of land located at the eastern side of Xiangguang Avenue Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC	The property comprises a parcel of land with site area of approximately 65,431 sq.m. which is planned to be developed into an industrial plant. The land use rights of the property have been granted for a term expiring on 22 September 2066 for industrial use.	As at the valuation date, the property was a vacant land for future development.	12,890,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Yang Gu-01-2016-0047, the land use rights of a parcel of land with a site area of approximately 65,431 sq.m. were contracted to be granted to Fengxiang Food Co., Ltd. ("Fengxiang Food", 鳳祥食品有限公司, a wholly-owned subsidiary of the Company) for a term of 50 years for industrial use. The land premium was RMB9,230,000. As advised by the Group, the land premium had been fully paid.
2. Pursuant to a Real Estate Title Certificate — Lu (2016) Yang Gu Xian Bu Dong Chan Quan Di No. 0002247, the land use rights of a parcel of land with a site area of approximately 65,431 sq.m. have been granted to Fengxiang Food for a term expiring on 22 September 2066 for industrial use.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers that Fengxiang Food has legally obtained the Real Estate Title Certificate of the property and Fengxiang Food is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 2.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
22.	A parcel of land located at No. 588 Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC	The property comprises a parcel of land with site area of approximately 1,824.5 sq.m. which is planned to be developed into an industrial plant. The land use rights of the property have been granted for a term expiring on 19 August 2047 for industrial use.	As at the valuation date, the property was a vacant land for future development.	312,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Yang Guo Yong (2014) Di No. 199, the land use rights of a parcel of land with a site area of approximately 1,824.5 sq.m. have been granted to the Company for a term expiring on 19 August 2047 for industrial use.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers that the Company has legally obtained the Real Estate Title Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 1.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
23.	A parcel of land located at the northern side of Fengxiang Road Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 14,676 sq.m. which is planned to be developed into an industrial plant. The land use rights of the property have been granted for a term expiring on 16 July 2067 for industrial use.	As at the valuation date, the property was a vacant land for future development.	2,906,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Yang Gu-01-2017-0030, the land use rights of a parcel of land with a site area of approximately 14,676 sq.m. were contracted to be granted to Fengxiang Food Co., Ltd. ("Fengxiang Food", 鳳祥食品有限公司, a wholly-owned subsidiary of the Company) for a term of 50 years for industrial use. The land premium was RMB2,770,000. As advised by the Group, the land premium had been fully paid.
2. Pursuant to a Real Estate Title Certificate — Lu (2020) Yang Gu Xian Bu Dong Chan Quan Di No. 0002512, the land use rights of a parcel of land with a site area of approximately 14,676 sq.m. have been granted to Fengxiang Food for a term expiring on 16 July 2067 for industrial use.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisers that the Company has legally obtained the Real Estate Title Certificate of the property and the Company is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land mentioned in note 2.

VALUATION CERTIFICATE

Group IV — Property interests leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
24.	A chicken farm located at Tongyao Village Yuping Town Xingwen County Yibin City Sichuan Province The PRC (同堯雞場)	The property comprises 2 leased land parcels with a total site area of approximately 34,333.33 sq.m. on which 3 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2018 with a total gross floor area of approximately 5,507.64 sq.m., and the structures mainly include water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts entered into between Xingwen County Yuping Town Government, Xingwen County Yuping Town Tongyao Village Committee Forth Villager Group (altogether as the lessors, independent third parties) and Xingwen Fengxiang Mountain Black Bone Chicken Development Co., Ltd. (the lessee, a 90% interest owned subsidiary of the Company), 2 parcels of land with a total site area of approximately 34,333.33 sq.m. were leased to the lessee with terms of 50 years and 13 years expiring on 30 August 2066 and 30 August 2029 respectively at a total annual rent of RMB7,725.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB7,716,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
25.	A chicken farm located at Mao Village Gongle Town Xingwen County Yibin City Sichuan Province The PRC (毛村商品雞示範場)	The property comprises 6 leased land parcels with a total site area of approximately 28,690.67 sq.m. on which 3 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2017 and 2018 with a total gross floor area of approximately 1,414 sq.m., and the structures mainly include roads, boundary walls and methane generating pits.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 6 Rural Land Lease Contracts entered into between Gongle Town Mao Village Ninth Production Group, Gongle Town Mao Village Thirteenth Production Group (altogether as the lessors, independent third parties) and Xingwen Fengxiang Mountain Black Bone Chicken Development Co., Ltd. (the lessee, a 90% interest owned subsidiary of the Company), 6 parcels of land with a total site area of approximately 28,690.67 sq.m. were leased to the lessee with a term of 13 years expiring on 31 August 2029. The lessee pays 7,531.3 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB4,051,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
26.	A chicken farm located at Qingyangli Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (青楊李雞場)	The property comprises a leased land parcel with a site area of approximately 89,533.78 sq.m. on which 15 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 25,644 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0045 entered into between Yanggu County Shifo Town Qinagyangli Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 89,533.78 sq.m. was leased to the lessee with a term of 50 years expiring on 24 October 2061. The lessee pays 40,290 kilogrammes of wheat and 40,290 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB8,844,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
27.	A chicken farm located at the eastern side of Wanggaoru Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (王皋如東現代化養殖場)	The property comprises a leased land parcel with a site area of approximately 99,146.67 sq.m. on which 18 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2012 with a total gross floor area of approximately 30,873.50 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2011-0030 entered into between Yanggu County Shifo Town Wanggaoru Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 99,146.67 sq.m. was leased to the lessee with a term of 50 years expiring on 22 December 2062. The lessee pays 44,616 kilogrammes of wheat and 44,616 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB10,294,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
28.	A chicken farm located at the southern side of Wanggaoru Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (王皋如南雞場)	The property comprises a leased land parcel with a site area of approximately 123,686.67 sq.m. on which 21 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 35,220 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2011-0029 entered into between Yanggu County Shifo Town Wanggaoru Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 123,686.67 sq.m. was leased to the lessee with a term of 50 years expiring on 22 December 2062. The lessee pays 55,660 kilogrammes of wheat and 55,660 kilogrammes of corn or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB11,626,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
29.	A chicken farm located at Wangzhenyang Village Yanlou Town Yanggu County Liaocheng City Shandong Province The PRC (王振陽雞場)	The property comprises a leased land parcel with a site area of approximately 31,200.00 sq.m. on which 7 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2013 with a total gross floor area of approximately 10,778.40 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0143 entered into between Yanggu County Yanlou Town Wangzhenyang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 31,200.00 sq.m. was leased to the lessee with a term of 20 years expiring on 14 November 2033. The lessee pays 23,400 kilogrammes of wheat or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB4,334,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
30.	A chicken farm located at Zhangliu Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (張劉現代化養殖場)	The property comprises 4 leased land parcels with a total site area of approximately 226,486.67 sq.m. on which 39 chicken coops, 4 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 65,787 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 4 Rural Land Lease Contracts — Nos. FXGF/E2012-0006, 0036, 0090 and No. FXGF/E2013 entered into between several lessors (independent third parties) and the Company (the lessee), 4 parcels of land with a total site area of approximately 226,486.67 sq.m. were leased to the lessee with terms of 50 years expiring on 30 June 2061, 50 years expiring on 31 January 2062, 50 years expiring on 1 July 2061 and 39 years expiring on 22 June 2052. The lessee pays 110,385 kilogrammes of wheat and 110,385 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB21,212,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
31.	A chicken farm located at Zihai Village Dabu Town Yanggu County Liaocheng City Shandong Province The PRC (訾海雞場)	The property comprises 2 leased land parcels with a total site area of approximately 150,493.34 sq.m. on which 27 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 44,351.40 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2012-0095 and 0141 entered into between Yanggu County Dabu Town Zihai Village Committee, Yanggu County Dabu Town Xuzhuang Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 150,493.34 sq.m. were leased to the lessee with a term of 50 years expiring on 30 April 2062. The lessee pays 90,296 kilogrammes of wheat and 90,296 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB14,957,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
32.	A chicken farm located at Dongcui Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (東崔雞場)	The property comprises a leased land parcel with a site area of approximately 75,680.38 sq.m. on which 14 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 24,064.20 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0096 entered into between Yanggu County Dingshui Town Dongcui Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 75,680.38 sq.m. was leased to the lessee with a term of 50 years expiring on 30 April 2062. The lessee pays 45,408 kilogrammes of wheat and 45,408 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB9,137,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
33.	A chicken farm located at Xinzhuang Village Shouzhang Town Yanggu County Liaocheng City Shandong Province The PRC (辛莊雞場)	The property comprises a leased land parcel with a site area of approximately 98,256.49 sq.m. on which 19 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 32,332.05 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0100 entered into between Yanggu County Shouzhang Town Xinzhuang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 98,256.49 sq.m. was leased to the lessee with a term of 50 years expiring on 30 April 2062. The lessee pays 36,846 kilogrammes of wheat and 36,864 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB11,659,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
34.	A chicken farm located at Dongzhuang Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (董莊雞場)	The property comprises 2 leased land parcels with a total site area of approximately 65,240.33 sq.m. on which 12 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 20,387.16 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — No. FXGF/E2012-0098 and No. FXGF/E2013-0130 entered into between Yanggu County Shifo Town Dongzhuang Village Committee, Yanggu County Dingshui Town Xuezhuang Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 65,240.33 sq.m. were leased to the lessee with terms of 50 years expiring on 30 April 2062 and 31 July 2063. The lessee pays 29,469 kilogrammes of wheat and 29,469 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB7,916,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
35.	A chicken farm located at Zhaotang Village Qiaorun Sub-District Office Yanggu County Liaocheng City Shandong Province The PRC (趙堂雞場)	The property comprises a leased land parcel with a site area of approximately 117,260.59 sq.m. on which 21 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 35,802 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0097 entered into between Yanggu County Qiaorun Office Zhaotang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 117,260.59 sq.m. was leased to the lessee with a term of 50 years expiring on 30 June 2062. The lessee pays 70,356 kilogrammes of wheat and 70,356 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB12,219,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
36.	A chicken farm located at Caozhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (阿城曹莊雞場)	The property comprises 3 leased land parcels with a total site area of approximately 91,047.12 sq.m. on which 19 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2013 with a total gross floor area of approximately 31,266.78 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 Rural Land Lease Contracts — Nos. FXGF/E2012-0025, 0159 and 0160 entered into between several lessors (independent third parties) and the Company (the lessee), 3 parcels of land with a total site area of approximately 91,047.12 sq.m. were leased to the lessee with terms of 50 years expiring on 22 December 2062 and 19 September 2062. The lessee pays 54,628 kilogrammes of wheat and 54,628 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB11,553,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
37.	A chicken farm located at Liuziying Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (劉子英現代化養殖場)	The property comprises 3 leased land parcels with a total site area of approximately 114,037.90 sq.m. on which 21 chicken coops, 4 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary building were completed in 2012 with a total gross floor area of approximately 35,828.40 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 Rural Land Lease Contracts — Nos. FXGF/E2012-0086, 0018 and 0020 entered into between several lessors (independent third parties) and the Company (the lessee), 3 parcels of land with a total site area of approximately 114,073.90 sq.m. were leased to the lessee with terms of 50 years expiring on 24 October 2061. The lessee pays 30,096 kilogrammes of wheat and 51,334 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB12,481,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
38.	A chicken farm located at Luohai Village Yanlou Town Yanggu County Liaocheng City Shandong Province The PRC (羅海雞場)	The property comprises a leased land parcel with a site area of approximately 69,440.67 sq.m. on which 14 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 23,200.80 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0161 entered into between Yanggu County Yanlou Town Liuhai Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 69,440.67 sq.m. was leased to the lessee with a term of 50 years expiring on 19 October 2062. The lessee pays 41,664.4 kilogrammes of wheat and 41,664.4 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB8,387,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
39.	A chicken farm located at Yanzhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (閆莊現代化養殖場)	The property comprises 4 leased land parcels with a total site area of approximately 63,682.99 sq.m. on which 11 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 16,202.86 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 4 Rural Land Lease Contracts — Nos. FXGF/E2012-0052 to 0055 entered into between several lessors (independent third parties) and the Company (the lessee), 4 parcels of land with a total site area of approximately 63,682.99 sq.m. were leased to the lessee with a term of 50 years expiring on 31 March 2061. The lessee pays RMB85,971.60 as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB6,987,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
40.	A chicken farm located at Houtun Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (後屯雞場)	The property comprises a leased land parcel with a site area of approximately 99,146.67 sq.m. on which 21 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 35,496 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0094 entered into between Yanggu County Anle Town Houtun Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 99,146.67 sq.m. was leased to the lessee with a term of 50 years expiring on 30 April 2062. The lessee pays 59,488 kilogrammes of wheat and 59,488 kilogrammes of corn or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB11,923,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
41.	A chicken farm located at Fengxiang East Road Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (劉廟雞場)	The property comprises a leased land parcel with a site area of approximately 40,686.87 sq.m. on which 10 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2014 with a total gross floor area of approximately 12,349 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0173 entered into between Yanggu County Anle Town Liumiao Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 40,686.87 sq.m. was leased to the lessee with a term of 35 years expiring on 30 September 2048. The lessee pays 24,412 kilogrammes of wheat and 24,412 kilogrammes of corn or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB4,454,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
42.	A chicken farm located at Nanjie Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (南街現代化養殖場)	The property comprises 2 leased land parcels with a total site area of approximately 77,380 sq.m. on which 10 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 16,864 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — No. FXGF/E2012-0088 and No. FXGF/E2012-0088-1 and a Supplementary Contract entered into between Yanggu County Anle Town Nanjie Village Committee (the lessor, independent third party) and the Company (the lessee), 2 parcels of land with a total site area of approximately 77,380.00 sq.m. were leased to the lessee with terms of 49 years and 50 years expiring on 2 October 2061 and 1 October 2061 respectively. The lessee pays 34,822.2 kilogrammes of wheat and 34,822.2 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB6,332,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
43.	A chicken farm located at Yuanlou Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (袁樓現代化養殖場)	The property comprises 2 leased land parcels with a total site area of approximately 125,366.67 sq.m. on which 24 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 36,150 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — No. FXGF/E2012-0043 and 0044 entered into between Yanggu County Anle Town Yuanlou Village Committee, Yanggu County Anle Town Mazhuang Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcel of lands with a total site area of approximately 125,366.67 sq.m. were leased to the lessee with terms of 50 years expiring on 30 November 2061. The lessee pays 56,415 kilogrammes of wheat and 56,415 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB12,423,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
44.	A chicken farm located at Luzhuang Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (魯莊現代化養殖場)	The property comprises 2 leased land parcels with a total site area of approximately 118,067.92 sq.m. on which 21 chicken coops, 3 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 34,500 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2012-0032 and FXGF/E2012-0033 entered into between Shifo Village Committee, Luzhuang Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 118,067.92 sq.m. were leased to the lessee with terms of 50 years expiring on 1 November 2061. The lessee pays 53,130 kilogrammes of wheat and 53,130 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB12,283,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
45.	A chicken farm located at Wangzhuang Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (王莊現代化養殖場)	The property comprises 2 leased land parcels with a total site area of approximately 121,153.94 sq.m. on which 21 chicken coops, 3 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 34,170.65 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0087 and a Supplementary Contract entered into between Wangzhuang Village Committee (the lessor, independent third party) and the Company (the lessee), 2 parcels of land with a total site area of approximately 121,153.94 sq.m. were leased to the lessee with terms of 50 years expiring on 24 October 2061. The lessee pays 55,484 kilogrammes of wheat and 55,484 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB11,805,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
46.	A chicken farm located at Shihu Village Yanlou Town Yanggu County Liaocheng City Shandong Province The PRC (石虎雞場)	The property comprises 2 leased land parcels with a total site area of approximately 116,393.92 sq.m. on which 22 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings completed in 2012 with a total gross floor area of approximately 36,795 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2012-0037 and No. FXGF/E2012-0038 entered into between Jiangmiao Village Committee, Shihu Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 116,393.92 sq.m. were leased to the lessee with terms of 50 years expiring on 31 December 2061. The lessee pays 69,836 kilogrammes of wheat and 69,836 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB12,599,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
47.	A chicken farm located at Fengxu Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (豐徐雞場)	The property comprises 3 leased land parcels with a total site area of approximately 136,560.68 sq.m. on which 25 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2012 with a total gross floor area of approximately 40,900 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 Rural Land Lease Contracts — Nos. FXGF/E2012-0021, FXGF/E2012-0024 and FXGF/E2012-0039 entered into between Zhaoyuan Village Committee, Fengxu Village Committee, Houhai Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 3 parcels of land with a total site area of approximately 136,560.68 sq.m. were leased to the lessee with terms of 50 years expiring on 1 July 2061, 30 June 2061 and 1 July 2061 respectively. The lessee pays 61,452 kilogrammes of wheat and 61,452 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB13,996,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
48.	A chicken farm located at Dongjin Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (東金雞場)	The property comprises 2 leased land parcels with a total site area of approximately 52,446.93 sq.m. on which 10 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 17,740 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2012-0041 and FXGF/E2012-0042 entered into between Dongjin Village Committee, Sanguanmiao Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 52,446.93 sq.m. were leased to the lessee with terms of 50 years expiring on 9 February 2062. The lessee pays RMB101,346 and 1,884 kilogrammes of wheat and 1,884 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB5,779,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
49.	A chicken farm located at Wangtun Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (王屯現代化養殖場)	The property comprises 2 leased land parcels with a total site area of approximately 85,687.1 sq.m. on which 27 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2016 with a total gross floor area of approximately 28,182.50 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2012-0027 and FXGF/E2015-0079 and a Supplementary Contract entered into between Wangtun Village Committee (the lessor, independent third party) and the Company (the lessee), 2 parcels of land with a total site area of approximately 85,687.1 sq.m. were leased to the lessee with terms expiring on 1 July 2061. The lessee pays RMB500 plus 38,589 kilogrammes of wheat and 38,589 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB10,623,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
50.	A chicken farm located at Hezhuang Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (賀莊現代化養殖場)	The property comprises a leased land parcel with a site area of approximately 77,473.72 sq.m. on which 19 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 26,750 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0028 entered into between Hezhuang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 77,473.72 sq.m. was leased to the lessee with a term of 50 years expiring on 31 December 2061. The lessee pays RMB162,694 to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB9,242,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
51.	A chicken farm located at Houwang Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (後王商品雞場)	The property comprises a leased land parcel with a site area of approximately 47,766.91 sq.m. on which 9 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2012 with a total gross floor area of approximately 14,632.50 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0009 entered into between Houwang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 47,766.91 sq.m. was leased to the lessee with a term of 50 years expiring on 31 May 2061. The lessee pays RMB100,310 to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB4,908,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
52.	A chicken farm located at Lizhuang Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (李莊雞場)	The property comprises 2 leased land parcels with a total site area of approximately 32,873.50 sq.m. on which 7 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2015 with a total gross floor area of approximately 11,616 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2013-0141 and FXGF/E2013-0142 entered into between Fengji Village Committee, Dongli Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 32,873.50 sq.m. were leased to the lessee with terms expiring on 27 April 2034. The lessee pays 24,655 kilogrammes of wheat or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB4,404,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
53.	A chicken farm located at Leilou Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (雷樓雞場)	The property comprises 2 leased land parcels with a total site area of approximately 33,450.17 sq.m. on which 7 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2015 with a total gross floor area of approximately 10,574 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2013-0153 and FXGF/E2013-0155 entered into between several lessors (independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 33,450.17 sq.m. were leased to the lessee with terms of 21 years expiring on 4 May 2034. The lessee pays 25,087.5 kilogrammes of wheat or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB4,171,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
54.	A chicken farm located at Mengwa Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (孟窪雞場)	The property comprises a leased land parcel with a site area of approximately 79,607.06 sq.m. on which 14 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2011 with a total gross floor area of approximately 21,768 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0177 entered into between Mengwa Nursery (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 79,607.06 sq.m. was leased to the lessee with a term of 30 years expiring on 4 May 2041. The lessee pays 38,808.25 kilogrammes of wheat and 38,808.25 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB7,887,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
55.	A chicken farm located at Sihe Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (四合雞場)	The property comprises a leased land parcel with a site area of approximately 79,200.40 sq.m. on which 21 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 27,882 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0093 entered into between Sihe Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 79,200.4 sq.m. was leased to the lessee with a term of 50 years expiring on 30 April 2062. The lessee pays RMB166,320 to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB9,943,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
56.	A chicken farm located at Xinzhuang Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (第一養殖場)	The property comprises 3 leased land parcels with a total site area of approximately 128,153.34 sq.m. on which 25 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2012 with a total gross floor area of approximately 41,100 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 Rural Land Lease Contracts — Nos. FXGF/E2012-0016, FXGF/E2012-0017, FXGF/E2013-0152 and a Supplementary Contract entered into between Beijie Village Committee, Xinzhuang Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 3 parcels of land with a total site area of approximately 128,153.34 sq.m. were leased to the lessee with terms expiring on 1 January 2061 and 30 November 2061. The lessee pays 49,934 kilogrammes of wheat and 49,434 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB13,127,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
57.	A chicken farm located at Yuanyangao Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (苑閆高雞場)	The property comprises a leased land parcel with a site area of approximately 96,033.81 sq.m. on which 15 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 34,116 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0145 entered into between Yuanyangao Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 96,033.81 sq.m. was leased to the lessee with a term of 50 years expiring on 31 July 2062. The lessee pays RMB201,670 to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB12,154,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
58.	A chicken farm located at Nange Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (南葛雞場)	The property comprises 4 leased land parcels with a total site area of approximately 127,193.92 sq.m. on which 23 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 37,873.20 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 4 Rural Land Lease Contracts —Nos. FXGF/E2012-0078, FXGF/E2012-0079, FXGF/E2012-0080 and FXGF/E2012-0081 and a Supplementary Contract entered into between Nange Village Committee, Lizhuang Village Committee, Chenji Village Committee, Wangding Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 4 parcels of land with a total site area of approximately 127,193.92 sq.m. were leased to the lessee with terms of 50 years expiring on 30 April 2062. The lessee pays 57,237 kilogrammes of wheat and 57,237 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB13,170,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
59.	A chicken farm located at Xuzhuang Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (徐莊雞場)	The property comprises 2 leased land parcels with a total site area of approximately 135,124.01 sq.m. on which 31 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 41,496 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2012-0040 and FXGF/E2012-0110 entered into between Xuzhuang Village Committee (the lessor, independent third party) and the Company (the lessee), 2 parcels of land with a total site area of approximately 135,124.01 sq.m. were leased to the lessee with terms expiring on 6 February 2062 and 30 April 2062 respectively. The lessee pays 25,087.5 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB15,152,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
60.	A chicken farm located at Yangwangli Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (坡裏雞場)	The property comprises a leased land parcel with a site area of approximately 33,166.83 sq.m. on which 7 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 11,145.15 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0149 entered into between Yangwangli Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 33,166.83 sq.m. was leased to the lessee with a term of 21 years expiring on 17 May 2034. The lessee pays 24,875 kilogrammes of wheat to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB3,903,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
61.	A chicken farm located at Caozhuang Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (曹莊現代化養殖場)	The property comprises 2 leased land parcels with a total site area of approximately 130,340.65 sq.m. on which 22 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 35,976 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2012-0031 and FXGF/E2012-0035 entered into between Zhangliu Village Committee, Caozhuang Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 130,340.65 sq.m. were leased to the lessee with terms of 50 years expiring on 1 July 2061. The lessee pays 58,653 kilogrammes of wheat and 58,653 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB12,628,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
62.	A chicken farm located at Haopu Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (蒿鋪雞場)	The property comprises 2 leased land parcels with a total site area of approximately 56,800 sq.m. on which 20 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2011 with a total gross floor area of approximately 34,541.50 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2012-0046 and FXGF/E2012-0135 and a Supplementary Contract entered into between Haopu Village Committee, Lilou Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 56,800 sq.m. were leased to the lessee with terms of 50 years expiring on 30 April 2061 and 30 June 2062 respectively. The lessee pays 44,180 kilogrammes of wheat and 44,180 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB12,089,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
63.	A chicken farm located at Zhuzhuang Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (朱莊雞場)	The property comprises a leased land parcel with a site area of approximately 32,697.16 sq.m. on which 7 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2015 with a total gross floor area of approximately 11,689.64 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0144 entered into between Zhuzhuang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 32,697.16 sq.m. was leased to the lessee with a term of 21 years expiring on 28 March 2034. The lessee pays 24,523 kilogrammes of wheat to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB4,442,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
64.	A chicken farm located at Songzhuang Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (宋莊雞場)	The property comprises 3 leased land parcels with a total site area of approximately 58,570.29 sq.m. on which 10 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2012 with a total gross floor area of approximately 14,543.20 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 Rural Land Lease Contracts — Nos. FXGF/E2012-0013, FXGF/E2012-0014, FXGF/E2013-0137 and a Supplementary Contract entered into between Songzhuang Village Committee, Chenji Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 3 parcels of land with a total site area of approximately 58,570.29 sq.m. were leased to the lessee with terms expiring on 30 June 2052, 1 November 2061 and 1 November 2061 respectively. The lessee pays 15,517 kilogrammes of wheat and 15,017 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB5,264,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
65.	A chicken farm located at Wuyang Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (楊集雞場)	The property comprises a leased land parcel with a site area of approximately 33,669.5 sq.m. on which 7 chicken coops, 4 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 10,970 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-1039 entered into between Yanggu County Dingshui Town Wuyang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 33,669.5 sq.m. was leased to the lessee with a term of 21 years expiring on 5 September 2034. The lessee pays 25,252 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB4,176,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
66.	A chicken farm located at Caolou Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (曹樓雞場)	The property comprises a leased land parcel with a site area of approximately 111,907.23 sq.m. on which 17 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 28,620 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0018 entered into between Yanggu County Dingshui Town Caolou Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 111,907.23 sq.m. was leased to the lessee with a term of 50 years expiring on 1 July 2062. The lessee pays 67,144 kilogrammes of wheat and 67,144.00 kilogrammes of corn or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB9,834,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
67.	A chicken farm located at Wangtianxu Village Shiwuliyuan Town Yanggu County Liaocheng City Shandong Province The PRC (王天緒種雞場)	The property comprises a leased land parcel with a site area of approximately 34,681.51 sq.m. on which 7 chicken coops, 2 ancillary building and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2011 with a total gross floor area of approximately 11,850 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0138 entered into between Yanggu County Shiwuliyuan Town Wangtianxu Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 34,681.51 sq.m. was leased to the lessee with a term of 21 years expiring on 25 April 2034. The lessee pays 26,011 kilogrammes of wheat or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB4,347,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
68.	A chicken farm located at Wanzhuang Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (萬莊種雞場)	The property comprises a leased land parcel with a site area of approximately 67,075 sq.m. on which 12 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 21,666 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0076 entered into between Donge County Liuji Town Wanzhuang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 67,075 sq.m. was leased to the lessee with a term of 29 years expiring on 31 December 2041 at an annual rent of RMB80,000 in the first 10 years. In the remaining years, the lessee pays 40,000 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB7,665,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
69.	A chicken farm located at Xingtun Village Tongcheng Sub-district Donge County Liaocheng City Shandong Province The PRC (興屯種雞場)	The property comprises a leased land parcel with a site area of approximately 45,473.56 sq.m. on which 11 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2015 with a total gross floor area of approximately 14,661 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0167 entered into between Donge County Tongcheng Sub-district Xingtun Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 45,473.56 sq.m. was leased to the lessee with a term of 30 years expiring on 30 September 2042 at an annual rent of RMB68,000 in the first 10 years. In the remaining years, the lessee pays 34,000 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB5,526,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
70.	A chicken farm located at Guozhuang Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (郭莊種雞場)	The property comprises a leased land parcel with a site area of approximately 49,186.91 sq.m. on which 9 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2012 with a total gross floor area of approximately 14,280 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0092 entered into between Donge County Liuji Town Guozhuang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 49,186.91 sq.m. was leased to the lessee with a term of 30 years expiring on 30 April 2041 at an annual rent of RMB59,024 in the first 10 years. In the remaining years, the lessee pays 29,512 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB5,931,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
71.	A chicken farm located at Lilu Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (李爐雞場)	The property comprises a leased land parcel with a site area of approximately 32,940.16 sq.m. on which 7 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2015 with a total gross floor area of approximately 11,790.50 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0151 entered into between Yanggu County Acheng Town Lilu Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 32,940.16 sq.m. was leased to the lessee with a term of 21 years expiring on 28 March 2034. The lessee pays 24,705 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB4,680,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
72.	A chicken farm located at Taozhuang Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (陶莊種雞場)	The property comprises a leased land parcel with a site area of approximately 69,807.02 sq.m. on which 15 chicken coops, 3 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 19,144.50 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0091 entered into between Donge County Liuji Town Taozhuang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 69,807.02 sq.m. was leased to the lessee with a term of 30 years expiring on 30 April 2041 at an annual rent of RMB83,768 in the first 10 years. In the remaining years, the lessee pays 41,884 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB6,878,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
73.	A chicken farm located at Weipu Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (葦鋪種雞養殖場)	The property comprises 2 leased land parcels with a total site area of approximately 70,720.35 sq.m. on which 8 chicken coops, 4 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in between 2012 and 2013 with a total gross floor area of approximately 14,146.89 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts and a Supplementary Agreement — Nos. FXGF/E2012-0010, 0089 and 0089-1 entered into between Donge County Liuji Town Hulutou Village Committee, Yanggu County Qiji Town Weipu Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 70,720.35 sq.m. were leased to the lessee with a term of 30 years expiring on 1 October 2041 at a total annual rent of RMB84,864.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB5,613,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
74.	A chicken farm located at Xitaiping Village Yuji Town Dongchangfu District Liaocheng City Shandong Province The PRC (西太平種雞養殖場)	The property comprises a leased land parcel with a site area of approximately 52,266.93 sq.m. on which 11 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 16,155 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0173 entered into between Dongchangfu District Yuji Town Xitaiping Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 52,266.93 sq.m. was leased to the lessee with a term of 30 years expiring on 30 November 2042 at an annual rent of RMB62,720 in the first 10 years. In the remaining years, the lessee pays 31,360 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB6,142,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
75.	A chicken farm located at Xishanshan Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (華岩種雞養殖場)	The property comprises a leased land parcel with a site area of approximately 53,708.27 sq.m. on which 12 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2015 with a total gross floor area of approximately 15,407.75 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0036 entered into between Donge County Liuji Town Xishanshan Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 53,708.27 sq.m. was leased to the lessee with a term of 30 years expiring on 27 March 2043. The lessee pays 40,281 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB6,295,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
76.	A chicken farm located at Chailou Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (柴樓雞場)	The property comprises 2 leased land parcels with a total site area of approximately 57,782.96 sq.m. on which 10 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2015 with a total gross floor area of approximately 17,085 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts and a Supplementary Agreement — Nos. FXGF/E2012-0050, 0050-1 and 0051 entered into between Yanggu County Acheng Town Yinkeng Village Committee, Yanggu County Acheng Town Chailou Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 57,782.96 sq.m. were leased to the lessee with terms of 50 years expiring on 20 March 2062. The lessee pays 346,670 kilogrammes of wheat and 346,670 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB7,494,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
77.	A chicken farm located at Shengchan Road Taozhuang Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (陶莊種雞二場)	The property comprises a leased land parcel with a site area of approximately 52,446.93 sq.m. on which 10 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 16,955.10 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0120 entered into between Donge County Liuji Town Taozhaung Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 52,446.93 sq.m. was leased to the lessee with a term of 30 years expiring on 30 June 2042 at an annual rent of RMB78,670 in the first 10 years. In the remaining years, the lessee pays 39,335 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB6,222,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
78.	A chicken farm located at Xicui Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (西崔種雞場)	The property comprises a leased land parcel with a site area of approximately 38,753.53 sq.m. on which 11 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 11,516 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0126 entered into between Donge County Liuji Town Xicui Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 38,753.53 sq.m. was leased to the lessee with a term of 30 years expiring on 30 June 2042 at an annual rent of RMB46,504 in the first 10 years. In the remaining years, the lessee pays 23,252 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB4,573,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
79.	A chicken farm located at Xiaodian Village Yushan Town Donge County Liaocheng City Shandong Province The PRC (魚山小店種雞場)	The property comprises a leased land parcel with a site area of approximately 57,133.62 sq.m. on which 12 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 20,425.20 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0137 entered into between Donge County Yushan Town Xiaodian Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 57,133.62 sq.m. was leased to the lessee with a term of 30 years expiring on 31 July 2042. The lessee pays 38,565 kilogrammes of wheat or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB7,391,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
80.	A chicken farm located at Qianyang Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (前楊種雞場)	The property comprises 3 leased land parcels with a total site area of approximately 63,833.65 sq.m. on which 12 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 20,413.84 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 Rural Land Lease Contracts — No. FXGF/E2012-0133, 0134 and 0136 entered into between Yanggu County Qiji Town Qianyang Village Committee, Yanggu County Qiji Town Houyang Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 3 parcels of land with a total site area of approximately 63,833.65 sq.m. were leased to the lessee with terms of 50 years expiring on 31 July 2062. The lessee pays RMB125,330.80 and 1,868.40 kilogrammes of wheat and 1,868.40 kilogrammes of corn to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB7,179,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
81.	A chicken farm located at Qianshanshan Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (苫山種雞場)	The property comprises a leased land parcel with a site area of approximately 74,767.04 sq.m. on which 12 chicken coops, 3 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 22,370.16 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0056 entered into between Donge County Liuji Town Qianshanshan Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 74,767.04 sq.m. was leased to the lessee with a term of 30 years expiring on 30 June 2041 at an annual rent of RMB112,150 in the first 10 years. In the remaining years, the lessee pays 56,075 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB8,308,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
82.	A chicken farm located at Shizisong Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (獅子宋種雞場)	The property comprises a leased land parcel with a site area of approximately 46,906.90 sq.m. on which 12 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 17,437.32 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0175 entered into between Donge County Liuji Town Shizisong Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 46,906.90 sq.m. was leased to the lessee with a term of 30 years expiring on 30 September 2042. The lessee pays 42,216 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB6,384,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
83.	A chicken farm located at Yihe Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (義和雞場)	The property comprises 2 leased land parcels with a total site area of approximately 35,221.51 sq.m. on which 7 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 with a total gross floor area of approximately 11,339.50 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2013-0146 and 0147 entered into between Yanggu County Acheng Town Yihe Village Committee, Yanggu County Acheng Town Yangyao Village (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 35,221.51 sq.m. were leased to the lessee with terms of 21 years expiring on 3 September 2034. The lessee pays 26,416 kilogrammes of wheat or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB4,311,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
84.	A chicken farm located at Zhaosi Village Liuji Town Donge County Liaocheng City Shandong Province The PRC (趙寺種雞場)	The property comprises a leased land parcel with a site area of approximately 75,867.05 sq.m. on which 13 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 with a total gross floor area of approximately 23,883.52 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2012-0075 entered into between Donge County Liuji Town Zhaosi Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 75,867.05 sq.m. was leased to the lessee with a term of 30 years expiring on 31 December 2041 at an annual rent of RMB91,040 in the first 10 years. In the remaining years, the lessee pays 45,520 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB8,458,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
85.	A chicken farm located at Fengxiang Road Liumiao Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (孵化二場)	The property comprises 5 leased land parcels with a total site area of approximately 32,797.50 sq.m. on which a workshop, 2 ancillary buildings and various structures are erected thereon. The workshop and ancillary buildings were completed in 2012 with a total gross floor area of approximately 21,241.48 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 5 Rural Land Lease Contracts — Nos. FXGF/E20132-0034, 0085, 0115, 0127 and 0128 entered into between several lessors (independent third parties) and the Company (the lessee), 5 parcels of land with a total site area of approximately 32,797.50 sq.m. were leased to the lessee with terms of 50 years expiring on 23 July 2061 and 11 June 2062. The lessee pays 14,758.80 kilogrammes of wheat and 4,919.60 kilogrammes of corn or equivalent money to the lessors as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the workshop, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the workshop, buildings and structures of the property as at the valuation date would be RMB37,574,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
86.	A chicken farm located at Xijie Village Anle Town Yanggu County Liaocheng City Shandong Province The PRC (西街雞場)	The property comprises a leased land parcel with a site area of approximately 8,753.38 sq.m. on which a workshop, an ancillary building and various structures are erected thereon. The workshop and ancillary building were completed in 2013 with a total gross floor area of approximately 450.99 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FSGF/E2016-0067 entered into between Yanggu County Anle Town Xijie Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 8,753.38 sq.m. was leased to the lessee with a term of 5 years expiring on 11 July 2021. The lessee pays 600 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the workshop, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the workshop, building and structures of the property as at the valuation date would be RMB421,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
87.	A chicken farm located at Taolou Village Shifo Town Yanggu County Liaocheng City Shandong Province The PRC (陶樓雞場)	The property comprises a leased land parcel with a site area of approximately 59,897.30 sq.m. on which 15 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2015 with a total gross floor area of approximately 21,412.50 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2015-0025 entered into between Yanggu County Shifo Town Taolou Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 59,897.30 sq.m. was leased to the lessee with a term of 41 years expiring on 31 December 2056. The lessee can lease the parcel of land at nil rent before 31 December 2026 and pays 800 kilogrammes of wheat and 800 kilogrammes of corn or equivalent money to the lessor as rent every year since 1 January 2027.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB9,531,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
88.	A chicken farm located at Yuzhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (于莊東種雞養殖場)	The property comprises 2 leased land parcels with a total site area of approximately 57,298.67 sq.m. on which 9 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2015 with a total gross floor area of approximately 17,460 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 2 Rural Land Lease Contracts — Nos. FXGF/E2017-0046 and 0047 entered into between Yanggu County Acheng Town Yuzhuang Village Committee, Yanggu County Acheng Town Zhulou Village Committee (altogether as the lessors, independent third parties) and the Company (the lessee), 2 parcels of land with a total site area of approximately 57,298.67 sq.m. were leased to the lessee with terms of 46 years expiring on 11 May 2062. The lessee pays 34,379.20 kilogrammes of wheat and 34,379.20 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB6,691,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
89.	A chicken farm located at Yuzhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (于莊西種雞養殖場)	The property comprises a leased land parcel with a site area of approximately 64,280 sq.m. on which 10 chicken coops, 2 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 and 2013 with a total gross floor area of approximately 17,232 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2017-0045 entered into between Yanggu County Acheng Town Yuzhuang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 64,280 sq.m. was leased to the lessee with a term of 45 years expiring on 25 January 2061. The lessee pays 38,568 kilogrammes of wheat and 38,568 kilogrammes of corn or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB6,889,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
90.	A chicken farm located at Songzhuang Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (碱宋雞場)	The property comprises 3 leased land parcels with a total site area of approximately 97,453.30 sq.m. on which 17 chicken coops, an ancillary building and various structures are erected thereon. The chicken coops and ancillary building were completed in 2013 with a total gross floor area of approximately 27,960 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 Rural Land Lease Contracts — Nos. FXGF/E2017-0049, 0050 and 0051 entered into between several lessors (independent third parties) and the Company (the lessee), 3 parcels of land with a total site area of approximately 97,453.30 sq.m. were leased to the lessee with terms of 46 years expiring on 6 February 2062. The lessee pays 58,472 kilogrammes of wheat and 58,472 kilogrammes of corn or equivalent money to the lessors as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, building and structures of the property as at the valuation date would be RMB9,715,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
91.	A chicken farm located at Zhangdamiao Village Dingshui Town Yanggu County Liaocheng City Shandong Province The PRC (張大廟雞場)	The property comprises 3 leased land parcels with a total site area of approximately 92,893.30 sq.m. on which 21 chicken coops, 4 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2012 and 2013 with a total gross floor area of approximately 31,405.20 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 3 Rural Land Lease Contract — Nos. FXGF/E2017-0052, 0053 and 0054 entered into between several lessors (independent third parties) and the Company (the lessee), 3 parcels of land with a total site area of approximately 92,893.3 sq.m. were leased to the lessee with terms of 46 years expiring on 14 March 2062. The lessee pays 55,736 kilogrammes of wheat and 55,736 kilogrammes of corn or equivalent money to the lessors as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcels on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB11,351,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
92.	A chicken farm located at Xinfeng Village Qiji Town Yanggu County Liaocheng City Shandong Province The PRC (新豐種雞場)	The property comprises a leased land parcel with a site area of approximately 61,600 sq.m. on which a chicken coop, an office building and various structures are erected thereon. The chicken coop and office building were completed in 2013 with a total gross floor area of approximately 17,208 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and office purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2017-0045 entered into between Yanggu County Qiji Town Xinfeng Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 61,600 sq.m. was leased to the lessee with a term of 46 years expiring on 30 April 2062. The lessee pays 36,960 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coop, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coop, building and structures of the property as at the valuation date would be RMB6,782,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
93.	A chicken farm located at Guliushu Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (古柳樹雞場)	The property comprises a leased land parcel with a site area of approximately 28,437.3 sq.m. on which a chicken coop and various structures are erected thereon. The chicken coop was completed in 2012 with a gross floor area of approximately 6,302.33 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding purpose.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0145 entered into between Yanggu County Acheng Town Guliushu Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 28,437.3 sq.m. was leased to the lessee with a term of 39 years expiring on 21 June 2052. The lessee pays 21,328 kilogrammes of wheat or equivalent money to the lessor as rent every year.

2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coop and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coop and structures of the property as at the valuation date would be RMB2,075,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
94.	A chicken farm located at Yuzhuang Village Acheng Town Yanggu County Liaocheng City Shandong Province The PRC (于莊種雞場)	The property comprises a leased land parcel with a site area of approximately 32,181.3 sq.m. on which 14 chicken coops, 5 ancillary buildings and various structures are erected thereon. The chicken coops and ancillary buildings were completed in 2013 and 2014 with a total gross floor area of approximately 12,196.45 sq.m., and the structures mainly include gates, water pools, roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract — No. FXGF/E2013-0150 entered into between Yanggu County Acheng Town Yuzhuang Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 32,181.3 sq.m. was leased to the lessee with a term of 22 years expiring on 22 September 2035. The lessee pays 24,136 kilogrammes of wheat or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coops, buildings and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coops, buildings and structures of the property as at the valuation date would be RMB4,078,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
95.	A chicken farm located at Zhangzhai Village Guotun Town Yanggu County Liaocheng City Shandong Province The PRC (張寨雞場)	The property comprises a leased land parcel with a site area of approximately 59,520 sq.m. on which a chicken coop, an ancillary building and various structures are erected thereon. The chicken coop and ancillary building were completed in 2020 with a total gross floor area of approximately 28,332 sq.m., and the structures mainly include roads and boundary walls.	As at the valuation date, the property was leased and occupied by the Group for breeding and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Rural Land Lease Contract – No. FXGF/E2019-0491 entered into between Yanggu County Guotun Town Zhangzhai Village Committee (the lessor, independent third party) and the Company (the lessee), a parcel of land with a site area of approximately 59,520 sq.m. was leased to the lessee with a term of 50 years expiring on 31 August 2069. The lessee pays 35,712 kilogrammes of wheat and 35,712 kilogrammes of corn or equivalent money to the lessor as rent every year.
2. We have attributed no commercial value to the property due to the leased land nature of the land parcel on which the chicken coop, building and structures are erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the chicken coop, building and structures of the property as at the valuation date would be RMB11,112,000.

This appendix contains a summary of laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION IN THE PRC

Taxation of Dividends

Individual investors

Pursuant to Arrangements between the Mainland of China and 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》) signed on 21 August 2006, the PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, the amount of such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fourth Protocol of the State Administration of Taxation Concerning Arrangements between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (SAT Announcement No. 12) (《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>第四議定書》(國家稅務總局公告第12號)), which came into effect on 29 December 2015, states that such provisions shall not apply to arrangements made for the primary purpose of gaining such tax benefit.

According to the IIT Law and the *Regulations on Implementation of the Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法實施條例), dividends paid by PRC companies to individuals are subject to IIT with the tax rate of 20%.

According to the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No.348) (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) promulgated by the SAT on 28 June 2011, for a foreign individual shareholder who is not a PRC resident, the receipt of dividends on the H Shares is subject to a withholding tax ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. For foreign residents of jurisdictions that have not entered a tax treaty with the PRC, the tax rate on dividends is 20%.

Generally, a tax rate of 10% shall apply to the dividends paid by the non-foreign invested PRC enterprise on shares listed in Hong Kong that are sold by foreign individuals (the "Relevant Individual Investors") without application to applicable tax authorities according to the treaties. When a tax rate of 10% is not applicable, the withholding non-foreign invested PRC enterprise shall: (i) if individuals obtaining dividends or extra bonus are residents from a country whose tax rate for dividends under the tax treaty is lower than 10%, the tax withholding agents may, in accordance with the Circular, apply for the entitlements under the relevant tax treaties on their behalf, and after the examination and approval of the competent tax authorities, return the tax overpaid; (ii) if individuals obtaining dividends or extra bonus are residents from a country whose tax rate for dividends under the tax treaty is higher than 10% and lower than 20%, the tax withholding agents shall withhold the individual income tax in accordance with the actual rate when distributing dividends or extra bonus, and are not obligated to file an application; or (iii) withhold the tax at the rate of 20% if the countries of the Relevant Individual Investors have not entered into any taxation treaties with the PRC or otherwise.

Enterprise investors

In accordance with the EIT Law and the EIT Rules, a non-resident enterprise is generally subject to a 10% withholding income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC.

Notice of the State Administration of Taxation on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises Which hold H Shares (Guo Shui Han [2008] No.897) (國家稅務總局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(國稅函[2008]897號)), issued by the SAT on 6 November 2008, further clarifies that a PRC-resident enterprise must withhold EIT at the rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H shares with respect to the dividends distributed out of profit generated after 1 January 2008. The non-resident enterprise shareholders entitled to a reduced tax rate under tax treaties or arrangements may apply to the competent tax authorities for refund of the excess amount withheld.

Pursuant to Arrangements between the Mainland of China and 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), signed on 21 August 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders shall pay income tax according to PRC laws, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be not more than 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be not more than 10% of the distributed dividends.

Furthermore, pursuant to the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreement (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated and with effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

In addition, according to the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (非居民納稅人享受協定待遇管理辦法) issued on 14 October 2019 and became effective on 1 January 2020, a non-resident taxpayer satisfying the terms and conditions for enjoying the taxation treatment may be entitled to the taxation treaties treatment itself/himself when filing a tax declaration or making a withholding declaration through a withholding agent, and retain relevant documents and information subject to the subsequent administration by the tax authorities.

Taxation of Capital Gains

Individual investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realised on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知(財稅字[1998]61 號)) issued by the Ministry of Finance and the SAT on 30 March 1998, from 1 January 1997 onwards, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. However, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知(財稅[2009]167 號)) on 31 December 2009, which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales limitations. As at the Latest Practicable Date, no legislation has expressly provided that IIT shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges, such as our H Shares, and in practise the taxation administrations do not collect IIT on such income.

Enterprise investors

In accordance with the EIT Law and the EIT Rules, a non-resident enterprise is generally subject to withholding tax at a rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. As at the Latest Practicable Date, no legislation has expressly provided that withholding tax shall be collected from non-resident enterprises on their income derived by them from sale of the shares in PRC companies listed on overseas stock exchange. However, the possibility cannot be entirely excluded that taxation authorities will seek to collect withholding tax on such income in the future.

Estate Tax

Currently, no estate tax is imposed by the PRC Government.

EIT

The EIT Law and the EIT Rules, provide that the EIT rate applicable to all enterprises, resident or non-resident, shall be 25% generally.

PRC Stamp Duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例) amended on 8 January 2011 and the Implementation Rules of Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例施行細則), effective on 1 October 1988 and amended by Notice on Revision of the Administrative Measures on Payment of Stamp Duties on a Regular and Consolidated Basis (財政部、國家稅務總局關於改變印花稅按期匯總繳納管理辦法的通知) on 5 November 2004, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside the PRC.

Value Added Tax

Pursuant to the Interim Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) promulgated on 13 December 1993 and further amended on 19 November 2017, and the

Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值税暫行條例實施細則), entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services and importation of goods within the territory of the PRC are subject to the payment of VAT. The VAT payable is calculated as "output VAT" minus "input VAT". The VAT rate is 17% for entities that engage in the sales of goods. Domestic entities and individuals who engage in cross-border sales of services or intangible assets that are within the scope prescribed by the State Council shall be subject to zero-rated VAT.

Pursuant to the Notice on Implementing the Pilot Plan for Levying Value-added Tax in lieu of Business Tax Nationwide (關於全面推開營業税改徵增值税試點的通知) issued by the MOFCOM and SAT on 23 March 2016 and effective from 1 May 2016, from 1 May 2016 onwards, the pilot reform for the transition from business tax to VAT ("Business Tax to VAT") is implemented nationwide. Pursuant to the Implementation Measures for Transition from Business Tax to Value-added Tax (營業税改徵增值税試點實施辦法), entities and individuals engaging in the sales of services, intangible assets or real property within the territory of the PRC shall pay VAT instead of business tax. Sales of services refers to the provisions of transportation services, postal services, telecommunication services, construction services, financial services, modern services and livelihood services.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、税務總局關於調整增值税税率的通知) implemented by the Ministry of Finance and the SAT, the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively. As for exported goods to which the tax rate of 17% applies and whose export tax refund rate is 17%, the export tax refund rate shall be adjusted to 16%. As for exported goods and cross-border taxable acts to which the tax rate of 11% applies and whose export tax refund rate is 11%, the export tax refund rate shall be adjusted to 10%.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trading, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15%. Gains from sales of the H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Share is effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred to or from each of the seller and purchaser.

In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5.00 is charged on each instrument of transfer (if required). If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

Currently, Hong Kong has no estate duty.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal regulations governing foreign currency exchange in the PRC are the Regulations on the Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Regulations**"), promulgated by the State Council in 1996 and amended in 1997 and 2008. Under the Foreign Exchange Regulations, Renminbi is freely convertible for current account items, such as trade and service-related foreign exchange transactions and unilateral transfers, on a basis of true and lawful transactions; as for capital account items, such as direct investment, loans, and portfolio investment, the prior approval of, or registration with, SAFE is required.

Pursuant to the Rules on Administration of Settlement, Sale and Payment of Foreign Exchange Provisions (結匯、售匯及付匯管理規定), issued by the PBOC on 20 June 1996 and effective from 1 July 1996, enterprises in the PRC may purchase foreign currency, subject to a cap approved by SAFE, to settle current account transactions, without the approval from SAFE. Foreign exchange transactions under capital account are still subject to limitations and require approvals from or registrations with SAFE.

The PBOC announced that, beginning from 21 July 2005, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar only. The PBOC will publish the closing price of the Renminbi against foreign currencies such as the US dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which will be used as the middle price for Renminbi transactions on the following business day.

Starting from 4 January 2006, the PBOC has authorised China Foreign Exchange Trading Centre to publish the middle price for the exchange of Renminbi to the US dollar, euro, Japanese yen and Hong Kong dollar at 9:15 am on each business day, which will be used as the middle price of exchange rates for transactions in inter-bank spot foreign exchange market (including over the counter and automatic price-matching transactions) and bank counter transactions.

On 26 December 2014, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on 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). According to the notice, after a domestic company gets listed overseas, of any of its domestic shareholders intends to increase or decrease its shares in the company in accordance with the relevant provisions, such domestic shareholder shall, within 20 working days before such increase or decrease, handle overseas shareholding registration formalities with the local foreign exchange authority.

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Company's operations and business, as well as certain major differences between PRC Company Law, the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV" to this prospectus. 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 data which may be important to the potential investors. For discussion of laws and regulations which are relevant to our business, see "Regulatory Overview" in this prospectus.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC Government is a signatory and other regulatory documents. Court judgements do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (the "**Legislation Law**"). The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that 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 the provinces, autonomous regions and municipalities and their 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 respective standing committees may formulate local regulations on aspects 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 their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions 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 such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (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 on 10 June 1981, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate, and the other issues related to laws other than the above-mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Under the Constitution and the Law of Organisation of the People's Courts of the PRC (中華人民共和國人民法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military 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 civil, criminal and economic divisions, and certain people's courts based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions, such as the intellectual property division, if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorised to supervise the judgement and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorised to supervise the judgement and ruling of a people's court at lower levels which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts.

A people's court takes the rule of the second instance as the final rule, that is, the judgements or rulings of the second instance at a people's court are final. A party may appeal against the judgement or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court 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 judgements or rulings of the people's court are final. Judgements or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgements or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgement, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgement, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgement, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "PRC Civil Procedure Law") adopted on 9 April 1991 and amended three times on 28 October 2007, 31 August 2012 and 27 June 2017 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgement or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation is given the same litigation rights and obligations as a citizen, a legal person or other organisations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or 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 enterprise or a foreign organisation must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgements and rulings. If any party to a civil action refuses to abide by a judgement or ruling 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 the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

In accordance with the international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, a PRC court and a foreign court may request each other to serve legal documents, conduct investigation and collect evidence and conduct other actions on its behalf. Where a party applies for enforcement of a legally effective judgement or ruling made by a people's court, and the opposite party or his property is not within the territory of the People's Republic of China, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court, unless the people's court considers that the recognition or enforcement of such judgement or ruling would violate the basic legal principles of the PRC, its sovereignty or national security or the public's interests.

Shareholders may experience difficulty in effecting service of PRC legal process. See "Risk Factors" for further details.

The PRC Company Law, the Special Regulations and the Mandatory Provisions

The PRC Company Law was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on 29 December 1993 and came into effect on 1 July 1994. It was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018.

The Special Regulations of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on 4 July 1994 and promulgated and implemented on 4 August 1994. The Special Regulations include provisions in respect of the overseas share offering and listing of joint stock limited companies.

The Mandatory Clauses of the Articles of Association of Companies Seeking Overseas Listing (到境外上市公司章程必備條款) (the "**Mandatory Provisions**") jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System on 27 August 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association. References to a "company" made in this Appendix are to a joint stock limited company established under the Company Law with H Shares to be issued.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A "joint stock limited company" ("**company**") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration for industry and commerce, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. A promoter who offers shares to the public must announce a share offering prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business licence has been issued.

A company's promoter shall be liable for the followings:

- the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;
- 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 the company cannot be incorporated; and

- the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of CSRC to offer its shares to the overseas public. According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors (including the investors from the territories of Hong Kong, Macau and Taiwan) and listed in Hong Kong are classified as H Shares, and those shares issued to investors within the PRC, except these regions above, are known as domestic shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of H Shares, to retain not more than 15% of the aggregate number of such overseas listed foreign shares proposed to be issued in addition to the number of underwritten shares.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the issue of new share the company has been paid up, the change must be registered with the relevant administration bureau for industry and commerce and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders at general meeting;
- the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed;
- the creditors of the company may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification; and
- the company must apply to the relevant administration bureau for industry and commerce for registration of the change on the reduction of registered capital.

Repurchase of Shares

No company shall purchase its own shares other than in any of the following circumstances:

1. where a company reduces its registered capital;
2. where the company plans to merge with a company which is one of its existing shareholders;
3. where its shares are used for employee stock ownership plan or stock ownership incentive scheme;
4. where any shareholder requests the company to purchase his/her shares because of his/her objection to any company resolution concerning a combination or division of the company made at any general meeting;
5. where its shares are used to convert corporate bonds issued by a listed company that can be converted into stocks; or
6. Where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

Any company's purchase of its own shares for any reason specified in Items 1 and 2 of the preceding paragraph shall be subject to a resolution of the general meeting; any company's purchase of its own shares for any reason specified in Items 3, 5 and 6 of the preceding paragraph may be subject to a resolution of the board meeting with more than two thirds of directors present, according to the provisions of the Articles of Associations or upon authorisation by the general meeting.

Following any company's purchase of its own shares pursuant to the first paragraph of this Article, the company shall, in the event of a purchase made pursuant to Item 1, cancel the relevant shares within ten days of the purchase, or in the event of a purchase made pursuant to Item 2 or 4, transfer or cancel the relevant shares within six months of the purchase, or in the event of a purchase made pursuant to Item 3, 5 or 6, hold a total number of its own shares not more than 10% of the total shares issued by the company and transfer or cancel the relevant shares within three years of the purchase.

Any company that purchases its own shares shall perform the information disclosures obligations specified in the Securities Law of the PRC. Any purchase of its own shares by a listed company in the event of Item 3, 5, or 6 of the first paragraph of this Article shall be made by way of a public centralised trading.

No company may take a pledge of its own stock.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

- to receive a return on assets, participate in significant decision-making and select management personnel;
- to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors that has not been convened in compliance with the laws, administrative regulations or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

- to transfer the shares of the shareholders legally;
- to attend or appoint a proxy to attend shareholders' general meetings and vote at the meetings;
- to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;
- to receive dividends in respect of the number of shares held;
- to participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and
- any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

- to decide on the company's operational objectives and investment plans;
- to elect and dismiss the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;
- to review and approve the reports of the board of directors;
- to review and approve the reports of the supervisory board;
- to review and approve the company's annual financial budgets and final accounts;
- to review and approve the company's profit distribution proposals and loss recovery proposals;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of corporate bonds;
- to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- to amend the company's articles of association; and
- to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

- the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;

- the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;
- shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;
- the board deems necessary;
- the supervisory board proposes to hold; or
- any other circumstances as provided for in the articles of association.

A shareholders' general meeting 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 is 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 is not performing his duties, a director nominated by half or more of the 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.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting 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. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and the other matters must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders (including proxies thereof) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

- to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed by the shareholders at the shareholders' general meetings;
- to decide on the company's operational plans and investment proposals;
- to formulate proposal for the company's annual financial budgets and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

- to decide on the setup of the company's internal management organs;
- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- to formulate the company's basic management system; and
- to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorisation.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are 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 shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that 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 bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business licence revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and
- a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函), the chairman of the supervisory board shall be selected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

- to review the company's financial position;
- 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,

regulations, the articles of association or resolutions of the shareholders' general meetings;

- when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;
- to propose the convening of extraordinary shareholders' 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 PRC Company Law;
- to submit proposals to the shareholders' general meetings;
- to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and
- to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

- to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;
- to arrange for the implementation of the company's annual operation plans and investment proposals;
- to formulate proposals for the establishment of the company's internal management organs;
- to formulate the fundamental management system of the company;
- to formulate the company's specific rules and regulations;
- to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;
- to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence.

Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

- misappropriating company funds;
- depositing company funds into accounts under their own names or the names of other individuals to deposit;
- loaning company funds to others or providing guarantees in favour of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;
- entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;
- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;
- accepting commissions paid by a third party for transactions conducted with the company;
- unauthorised divulgence of confidential information of the company; and
- other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company earned from the issue of share and other income as required by CSRC to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC 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 Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and cheque other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. The Special Regulations require that any dividend and other distribution to shareholders of H Shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department of the State Council authorised by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

- the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

- the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- the company is dissolved by reason of its merger or division;
- the business licence of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or
- the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of first point above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph 1, 2, 4 or 5 above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The sort out committee may exercise following powers during the liquidation:

- to sort out the company's assets and to prepare a balance sheet and an inventory of assets;
- to notify the company's creditors or publish announcements;
- to deal with any outstanding business related to the liquidation;
- to pay any overdue tax together with any tax arising during the liquidation process;
- to settle the company's claims and liabilities;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation 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. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC, and the listing must be arranged in accordance with procedures specified by the State Council. Pursuant to the Special Regulations, a company may issue shares to overseas investors and list its shares overseas upon approval from CSRC. Subject to approval of the company's plans to issue overseas-listed foreign shares and domestic shares by CSRC, the board of directors of the company may make arrangement to implement such plans for issuance of the foreign shares and domestic shares, respectively, within fifteen months from the date of approval by CSRC.

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 declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

A separate procedure regarding the loss of share certificates and H Share certificates of the overseas-listed foreign shareholders of the PRC is provided for in the Mandatory Provisions, details of which are set out in the articles of association.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancellation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information of companies. In October 1992, the State Council established the Securities Committee and 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 CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On 22 April 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (股票發行與交易管理暫行條例) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning 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). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (中華人民共和國證券法) (the "PRC Securities Law") took effect on 1 July 1999 and was revised as at 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 1 March 2020, respectively. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles comprehensively regulating activities in the PRC securities market, including 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. Article 224 of the PRC Securities Law provides that domestic enterprises issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (中華人民共和國仲裁法) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on 31 August 1994, which became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, also in contracts between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("**CIETAC**") or the Hong Kong International Arbitration Centre ("**HKIAC**"). Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognised and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution passed by the Standing Committee of the NPC on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non- contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region on 18 June 1999, which went into effect on 1 February 2000. The arrangements reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognised by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong, the awards may not be enforced.

HONG KONG LAWS AND REGULATIONS

Summary of Material Differences Between Certain PRC Company Law Matters in the PRC and Hong Kong

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. The Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate existence

Under Hong Kong law, a company having share capital, is incorporated and will acquire an independent corporate existing after the Companies Registry of Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a company may be incorporated by promotion or public subscription. Unless otherwise required by laws and regulations, there is no minimum registered capital for a company. Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share capital

Under Hong Kong law, the shares of a Hong Kong company have no nominal value and the directors may, with the prior approval of the shareholders if required, cause the company to issue new shares up to the maximum number (if any) set out in its articles of association. The PRC Company Law does not provide for authorised share capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is authorised by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30.0 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on shareholding and transfer of shares

Under PRC laws, the domestic shares ("**domestic shares**") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares ("**foreign shares**") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors, except as allowed under the Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (合格境內機構投資者境外證券投資管理試行辦法).

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel have left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the lock-up on the Company's issue of shares and the Controlling Shareholders' disposal of shares as described in "Underwriting".

Financial assistance for acquisition of shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarised in Appendix VI to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except: (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting; (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question; (iii) by agreement of all the members of a Hong Kong company; or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) the Company issues domestic shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as at the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by CSRC; and (iii) upon approval by CSRC, the shareholders of Domestic Shares of the Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI to this prospectus.

Board of Supervisors

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a board of supervisors but there is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law gives shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favour of the company acting as agent for the shareholders. This allows minority shareholders to take action against the directors and supervisors in default.

Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong Government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 days before the meeting, or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held.

For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively. The notice period for an annual general meeting is 21 days.

Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum.

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting.

Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

Financial disclosure

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public subscription under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. The financial statements of a Hong Kong company must be prepared in accordance with the standards issued or specified by the Hong Kong Institute of Certified Public Accountants. A company is required under the PRC laws to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on directors and shareholders

The PRC Company Law gives the shareholders of a company the right to inspect the Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC laws is two years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

Corporate reorganisation

Corporate reorganisations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to sections 668 to 674 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

Mandatory deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declares any dividends after taxation. The company may not require to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been in compliance with the Listing Rules.

Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company. Without the consent of the shareholders' meeting or the general meeting, directors and senior management are prohibited from operating for their own or for others business that is of the same type with that of the company that they serves.

Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

The Listing Rules

The Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

Compliance adviser

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorised representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Stock Exchange if the authorised representatives of the company are expected to be frequently outside Hong Kong.

Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to HKFRS or IFRS or PRC GAAP.

Process agent

The company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("**foreign shares**") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalisation at the time of listing of not less than HK$125 million. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the company has an expected market capitalisation at the time of listing of over HK$10 billion.

Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC laws of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI to this prospectus.

Redeemable shares

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

Pre-emptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Company's articles of association, prior to: (i) authorising, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (ii) any major subsidiary of the Company making any such authorisation, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its Shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing Shareholders of the company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorise, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing Domestic Shares and foreign shares as at the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by CSRC; or where upon approval by securities supervision or administration authorities of the State Council, the Shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

Supervisors

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

The Company is required to obtain the approval of its Shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (i) the term of the contract may exceed three years; or (ii) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

The remuneration and assessment committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and the Shareholders as a whole and advise the Shareholders on how to vote.

Amendment to the Articles of Association

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the Mandatory Provisions of the Listing Rules and the Mandatory Provisions or the PRC Company Law.

Documents for inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and its shareholders free of charge, and for copying by shareholders at reasonable charges the following:

(a) a complete duplicate register of shareholders;

(b) a report showing the state of the issued share capital of the Company;

(c) the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;

(d) special resolutions of the Company;

(e) reports showing the number and nominal value of securities repurchased by the Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares); and

(f) a copy of the latest annual return led with the SAIC; and for shareholders only, copies of minutes of meetings of shareholders.

Receiving agents

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in H share certificates

The Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its Shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such Shares bearing statements to the following effect that the acquirer of shares:

(a) agrees with the Company and each Shareholder of the Company, and the Company agrees with each Shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;

(b) agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(c) agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and

(d) authorises the Company to enter into a contract on his behalf with each Director, Supervisors, manager and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between the Company and its Directors, officers and Supervisors

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

(a) an undertaking by the Director or officer to the Company to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Takeovers Code and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

(b) an undertaking by the Director or officer to the Company acting as agent for each shareholder to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;

(c) an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and the Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

(d) if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;

(e) PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

(f) the award of the arbitral body is final and shall be binding on the parties thereto;

(g) the agreement to arbitrate is made by the Director or officer with the Company on its own behalf and on behalf of each shareholder; and

(h) any reference to arbitration shall be deemed to authorise the arbitral tribunal to conduct hearings in open session and to publish its award.

The Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

Subsequent listing

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

English translation

All notices or other documents required under the Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC laws or market practises materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC laws or market practises occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Company's listing.

Other Legal and Regulatory Provisions

Upon the Company's listing, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau Special Administrative Regions of the PRC and Taiwan.

PRC Legal Matter

Our PRC Legal Advisers, have sent to us a legal opinion dated 30 June 2020 confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in "Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection". Any person wishing to have detailed advice on PRC laws and the laws of any jurisdictions is recommended to seek independent legal advice.

Set out below is a summary of the principal provisions of the Articles of Association, the main objective of which is to provide investors with an overview of the Articles of Association. As the information contained below is in summary form only, it may not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of the Articles of Association are available for inspection as mentioned in "Appendix VIII—Documents Delivered to the Registrar of Companies and Available for Inspection."

The Articles of Association were passed at the extraordinary general meetings on 8 August 2019 and were amended at the extraordinary general meetings on 6 January 2020.

POWER OF DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS TO ALLOT AND ISSUE SHARES

There is no provision in the Articles of Association empowering the Directors, Supervisors or other senior officers to allot and issue shares.

Proposals to increase registered capital of the Company must be formulated by the Board of Directors and submitted for approval by an affirmative vote of at least two thirds or more of the voting rights at the shareholders' general meeting. Any such increase is subject to the formal formalities prescribed by relevant laws and administrative regulations.

POWER TO DISPOSE OF FIXED ASSETS OF THE COMPANY

Without the prior approval of the shareholders' general meeting, the Board of Directors may not dispose or agree to dispose of the fixed assets where the sum of the expected value of the consideration for the proposed proposal and the value of the consideration for disposed fixed assets within four months immediately preceding the proposed disposal exceeds 33% of the value of the fixed assets shown in the last balance sheet presented at the shareholders' general meeting.

A disposal of fixed assets referred herein shall include the transfer of certain interest in assets other than by way of providing security interest by using fixed assets as collaterals.

The validity of transactions whereby the Company disposes of fixed assets shall not be affected by the breach of above-mentioned restrictions contained in the Articles of Association.

EMOLUMENTS, COMPENSATION OR PAYMENTS FOR LOSS OF OFFICE

The Company shall enter into a written contract with each Director and Supervisor of the Company concerning his/her emoluments. Such contracts shall be approved by the shareholders' general meeting before they are entered into. The above-mentioned emoluments shall include:

1. emoluments in respect of his/her service as a Director, Supervisor or senior management member of the Company;
2. emoluments in respect of his/her service as a Director, Supervisor or senior management member of a subsidiary of the Company;
3. other emoluments in connection with the provision of management or other services to the Company or any subsidiary thereof;
4. funds as compensation for his/her loss of office or retirement to the aforementioned Directors and Supervisors.

A Director or Supervisor shall not sue the Company for any benefits due to him/her on the basis of the above-mentioned matters, except under a contract as mentioned above.

The contract entered into between the Company and each Director or Supervisor of the Company in respect of his/her emolument should provide that in the event of a takeover of the Company, a Director or Supervisor of the Company shall, subject to prior approval of the shareholders' general meeting, have the right to receive the compensation or other funds obtainable for loss of office or retirement.

The term "a takeover of the Company" in the above paragraph shall refer to any of the following circumstances:

1. anyone makes a tender offer to all the shareholders;
2. anyone makes a tender offer so that the offeror will become a controlling shareholder as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the abovementioned provisions, any fund received by him/her shall belong to those persons who have sold their shares as a result of their acceptance of the above-mentioned offer, and the expenses incurred in distribution of such fund on a pro rata basis shall be borne by the relevant Director or Supervisor and may not be paid out of such fund.

LOANS TO DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS

The Company shall not, directly or indirectly, provide a loan or loan guarantee to its Directors, Supervisors, general manager or other senior officers or the Directors, Supervisors, general manager or other senior officers of its Controlling Shareholder; and shall not provide a loan or loan guarantee to the related persons of any of the aforementioned personnel.

The above provisions shall not apply where:

1. the Company provides a loan to its subsidiaries or provides a loan guarantee for the benefits of its subsidiaries;
2. pursuant to the service contract upon approval of the shareholders' general meeting, the Company provides a loan, loan guarantee or other funds to any of its Directors, Supervisors, general manager or other senior officers to pay any expenditures incurred or to be incurred by him/her for the purpose of the Company or for the purpose of enabling him/her to perform his/her duties properly in accordance with the terms of a service contact approved by the shareholders' general meeting, or
3. the Company may provide a loan or loan guarantee to the related Directors, Supervisors, general manager or other senior officers or any of their related persons on normal commercial terms and conditions should the provision of loan or loan guarantee be within the ordinary business scope of the Company.

FINANCIAL ASSISTANCE FOR ACQUISITION OF THE COMPANY'S SHARES

The Company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in the Company. Such purchasers of the Company's shares referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in the Company.

The Company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations. However, the following acts are not prohibited:

1. where the Company provides the relevant financial assistance truthfully for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;
2. lawful distribution of the Company's property in the form of dividends;
3. distribution of dividends in the form of shares;
4. a reduction of registered capital, repurchase of shares, adjustment to shareholding structure effected in accordance with these Articles of Association;
5. provision of a loan by the Company within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of the Company or that if the same results in a reduction, the financial assistance is paid out of the Company' s distributable profits);
6. the provision of funds by the Company for an employee shareholding plan (provided that the same does not lead to a reduction in the net assets of the Company or that if the same constitutes a reduction, the financial assistance is paid out of the Company's distributable profits).

For these purposes, "financial assistance" shall include but not be limited to:

1. gift;
2. guarantee (including undertaking of liability or provision of property by the guarantor to ensure the fulfilment of the obligation by the obligator), indemnity (not including, however, indemnity arising from the Company's own fault) and release or waiver of rights;
3. provision of a loan or conclusion of a contract under which the obligations of the Company are to be fulfilled prior to the obligation of performance by the other party to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract; and
4. financial assistance in any other form when the Company is insolvent or has no net assets or when such assistance would lead to a major reduction in the Company's net assets.

"undertake obligations" shall include the undertaking of an obligation by the obligor by entering into a contract or making an arrangement or by changing its financial position in any other way; whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligator individually or jointly with any other person.

DISCLOSURE OF CONTRACTUAL INTERESTS WITH THE COMPANY

In cases where a Director, a Supervisor, the general manager or other senior management of the Company has directly or indirectly vested a material interest in any contract, transaction or arrangement concluded or to be concluded by the Company (except his/her service contract with the Company), he/she shall disclose the nature and extent of his/her interest to the Board of Directors at the earliest opportunity, whether or not the matter is normally subject to the approval of the Board of Directors.

Unless the interested Director, Supervisor, general manager or other senior management of the Company has made such disclosure to the Board of Directors as required under the preceding paragraph hereof and the matter has been approved by the Board of Directors at a meeting in which he/she was not counted in the quorum and was abstained from voting, the Company shall have the right to revoke the contract, transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the Director, supervisor, general manager or other senior management of the Company concerned.

In cases where a related person of the Company's Director, Supervisor, general manager and other senior management has directly or indirectly vested an interest in any contract, transaction or arrangement, such Director, Supervisor, general manager and senior management shall also be deemed as having such interest.

If a Director, a Supervisor, general manager or other senior management of the Company gives a written notice to the Board of Directors before the conclusion of the contract, transaction or arrangement is first considered by the Company, stating that due to the contents of the notice, he/she has an interest in the contract, transaction or arrangement that may subsequently be made by the Company, such Director, Supervisor, general manager or other senior management shall be deemed for the purposes of the above paragraphs hereof to have declared his/her interest, insofar as attributable to the scope stated in the notice.

REMUNERATION

The remuneration of Directors and Supervisors shall be approved by the shareholders of the Company at the shareholders' general meeting, as referred to in "— Emoluments, Compensation or Payments for Loss of Office" above.

RETIREMENT, APPOINTMENT AND REMOVAL

The Company shall establish a board of directors, which shall comprise of six to nine Directors. The Board of Directors shall have one chairman.

Directors shall be elected or replaced by the shareholders' general meeting and serve a term of office of three years. Except for independent non-executive Directors, who are limited to a maximum term of nine years, a Director may serve consecutive terms if re-elected upon the expiration of his/her term. Subject to the requirement of relevant laws and administrative regulations, the shareholders' general meeting may remove any Directors by ordinary resolution (but without prejudice to any claims for damages under any contracts) prior to the expiration of the term of such Directors.

None of the following persons may serve as a Director, supervisor, general manager or other senior management of the Company:

1. persons without capacity or with limited capacity for civil acts;
2. persons who have been sentenced for crimes for corruption, bribery, encroachment or embezzlement of property or disruption of the social or economic order;
3. Directors, or factory directors or managers who bear personal liability for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed of following the date of completion of such bankruptcy or liquidation;

4. the legal representatives of companies or enterprises that had their business licences revoked or that had been shut down for violation of law(s), where such representatives bear individual liability therefore and three years have not lapsed following the date of revocation of such business licences;
5. persons with relatively heavy individual debts that have not been settled upon maturity;
6. persons who is under criminal investigation by the judicial authorities, and such cases have not been closed;
7. persons who shall not act as leaders of enterprises by virtue of laws and administrative regulations;
8. non-natural persons;
9. persons convicted of violating relevant securities laws and regulations by the competent regulatory authority, and such conviction involves a finding that he or she has acted fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;
10. other contents stipulated by listing rules for stock exchanges where the Company's Share are listed.

The validity of an act of a Director, Supervisor, general manager or other senior management of the Company on behalf of the Company towards a bona fide third party shall not be affected by any irregularity in his/her current position, election or qualifications.

Shareholders holding individually or jointly at least 3% of the shares of the Company with the right to vote shall have the right to nominate candidates for election to the Board of Directors or the Board of Supervisors (except for directorship or supervisorship representing employees) at a shareholders' general meeting by submission of a written proposal, provided that the number of the nominated candidates shall be in compliance with the Articles of Association and no more than the membership to be elected.

There is no provision in the Articles of Association regarding retirement or nonretirement of Directors under an age limit.

DUTIES

In addition to obligations imposed by laws or listing rules of the stock exchange(s) on which shares of the Company are listed, the Company's Directors, Supervisors, general manager and other senior management members shall have the following obligations to each shareholder in the exercise of the functions and powers granted to them by the Company:

1. not to cause the Company to act beyond the scope of business stipulated in its business licence;
2. to act honestly in the best interests of the Company;
3. not to deprive the Company of its property in any way, including (but not limited to) any opportunities that are favourable to the Company; and
4. not to deprive any shareholders of their individual rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring plan of the Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

The Company's Directors, Supervisors, general manager and other senior management shall have an obligation, in the exercise of their rights or discharge of their obligations, to perform their acts with due care, diligence and skills as a reasonable and prudent person should do under similar circumstances.

The Company's Directors, Supervisors, general manager and other senior management must, in the exercise of their duties, abide by the principle of loyalty and shall not place themselves in a position where there is a conflict between their personal interests and their duties. This principle shall include (but not limited to) the fulfilment of the following obligations:

1. to act honestly in the best interests of the Company;
2. to exercise powers within the scope of their functions and powers and not to act beyond such powers;
3. to personally exercise the discretion vested on him/her, not to allow himself/herself to be manipulated by another person and, not to delegate the exercise of his/her discretion to another party unless permitted by laws or with the consent of the shareholders' general meeting that has been informed;
4. to be impartial from shareholders of the same category and fair to shareholders of different categories;
5. not to conclude a contract or enter into a transaction or arrangement with the Company except as otherwise provided in the Articles of Association or with the informed consent of the shareholders' general meeting;
6. not to use the Company's property for his/her own benefit in any way without the informed consent of the shareholders' general meeting;
7. not to use his/her positions and powers as a means to accept bribes or other forms of illegal income, and not to appropriate the Company's property in any way, including (but not limited to) any opportunities that are favourable to the Company;
8. not to accept commissions in connection with the Company's transactions without the informed consent of the shareholders' general meeting;
9. to abide by the Articles of Association, perform his/her duties faithfully, protect the interests of the Company and not to seek personal gain with his position, functions and powers in the Company;
10. not to compete with the Company in any way without the informed consent of the shareholders' general meeting;
11. not to embezzle the Company's funds, not to deposit the Company's assets or funds in accounts opened in his/her own or in another person's name;
12. not to lend the Company's funds to others or use the Company's assets to provide security interest for the debts of the Company shareholders or other individuals in violation of the Articles of Association and in the absence of the approval by the shareholders' general meeting or the Board of Directors;
13. not to use his/her connected relationship to impair the interests of the Company;
14. not to disclose confidential information relating to the Company that was acquired by him/her during his/her term of office without the informed consent of the shareholders' general meeting, and not to use such information except for the interests of the Company;

however, such information may be disclosed to the court or other government authorities if:

(a) required by laws;

(b) required in the public interest;

(c) required in the own interest of such Director, supervisor, general manager or other senior management.

A Director, a Supervisor, the general manager or other senior management of the Company may not procure the following persons or organisations (''**Related Persons**'') to do what such Director, supervisor, general manager or other senior management may not do:

1. the spouse or minor children of such Director, Supervisor, general manager or other senior management member of the Company;

2. the trustee of a Director, Supervisor, general manager or other senior management of the Company or of any person referred in the aforesaid item above;

3. the partner of a Director, Supervisor, general manager or other senior management of the Company or of any person referred in aforesaid two items above;

4. a company in which a Director, Supervisor, general manager or other senior management of the Company, individually or jointly with any person referred to in aforesaid three items above or any other Director, Supervisor, general manager or other senior management of the Company, has actual control; and

5. a Director, a Supervisor, the general manager or other senior management of a company being controlled as referred to in aforesaid item above.

The fiduciary duty of a Director, Supervisor, general manager and other senior management of the Company does not necessarily cease with the termination of his/her term of office. His/her confidentiality obligation in relation to the Company's trade secrets shall remain upon termination of their term of office. The term for continuance of other obligations shall be decided upon in accordance with the principle of fairness, depending on the time lapse between the termination and the occurrence of the matter as well as the circumstances and conditions under which the relationship with the Company terminates.

If a Director, a Supervisor, the general manager or other senior management of the Company breaches his/her obligations to the Company, the Company shall, in addition to any rights and remedies provided by laws, have a right to:

1. require the relevant Director, Supervisor, general manager or other senior management of the Company to compensate for the losses sustained by the Company as a consequence of his/her dereliction of duty;

2. rescind any contract or transaction concluded by the Company with the relevant Director, Supervisor, general manager or other senior management of the Company and contracts or with a third party (where such third party is aware or should be aware that the Director, Supervisor, general manager or other senior management representing the Company was in breach of his/her obligations to the Company);

3. require the relevant Director, Supervisor, general manager or other senior management of the Company to surrender the gains derived from the breach of his/her obligations;

4. recover any funds received by the relevant Director, Supervisor, general manager or other senior management of the Company that should have been received by the Company, including (but not limited to) commissions;
5. require the relevant Director, Supervisor, general manager or other senior management of the Company to return the interest earned or possibly earned on the funds that should have been given to the Company; and
6. recover any property obtained by the Director, Supervisor, general manager, and other senior management member convicted of the breach of his duties by legal proceedings.

BORROWING POWERS

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

1. provisions which authorise the Board of Directors to formulate proposals for the issuance of debentures and other securities by the Company;
2. provisions which provide that the issuance of debentures and other securities shall be approved by the shareholders' general meeting by a special resolution.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company may amend the Articles of Association in accordance with laws and the provisions of the Articles of Association.

An amendment to the Articles of Association in connection with the Mandatory Provisions shall be subject to approval of the relevant supervisory and regulatory authorities of the State Council or CSRC. Where an amendment in the Articles of Association shall be subject to registration, the Company shall register the amendment according to the applicable law.

VARIATION OF RIGHTS OF EXISTING SHAREHOLDERS OF DIFFERENT CLASSES

Shareholders who hold different categories of shares in the Company shall be shareholders of different classes. Shareholders of different classes shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of Association.

In addition to shareholders of other categories of shares, shareholders of domestic-listed shares and foreign-listed shares shall be deemed as shareholders of different classes of shares.

Upon the approval by securities regulatory authorities of the State Council, holders of domestic shares of the Company may transfer, in whole or in part, the shares held by them to overseas investors and list and trade such shares on an overseas stock exchange; all or part of domestic shares of the Company may be converted into foreign shares and upon such conversion, the foreign shares may be listed and traded on an overseas stock exchange. The listing of shares so transferred or converted on an overseas stock exchange shall be in compliance with relevant supervisory regulations, rules and requirements effective at the place of listing. Neither the listing of transferred shares on an overseas stock exchange nor the conversion of domestic shares into foreign shares or the listing of such foreign shares on an overseas stock exchange requires approval at a general meeting of shareholders or a class shareholders' meeting. Domestic shares, after being converted into overseas listed foreign shares, are of the same class as the original overseas listed foreign shares.

Any proposal by the Company to change or abrogate the rights of any class of shareholders shall be approved by the shareholders' general meeting by a special resolution and by a separate shareholders' general meeting convened by the affected shareholders of that classes conducted in accordance with the Articles of Association.

The rights of shareholders of a class shall be deemed to have been changed or abrogated in the following conditions:

1. an increase or decrease in the number of shares of a class or an increase or decrease in the voting rights, distribution rights or other privileges of shares of a class;
2. conversion of all or part of the shares of a class into shares of another class, or *vice versa* or the grant of a right to convert;
3. cancellation or reduction of rights to accrued dividends or cumulative dividends attached to shares of a class;
4. cancellation or reduction of a dividend preference or property distribution preference during liquidation of the Company, attached to shares of a class;
5. an addition, cancellation or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights of placing or rights to acquire securities of the Company attached to shares of a class;
6. cancellation or reduction of rights to receive amounts payable by the Company in a particular currency attached to shares of a class;
7. creation of a new class of shares with voting rights, distribution rights or other privileges which are equal or superior to shares of a class;
8. imposition of restrictions or additional restrictions on the transfer or ownership of shares of a class;
9. issue of rights to subscribe for, or convert into, shares of a class or another class;
10. an increase in the rights and privileges of shares of another class;
11. restructuring of the Company which causes shareholders of different classes to bear liability on a disproportionate basis during the restructuring; or
12. an amendment or cancellation of "special voting procedures for shareholders of different classes" as contained in the Articles of Association.

Interested shareholders (as defined below) shall not have the right to vote at meetings of shareholders of different classes.

Resolutions of a class shareholders' general meeting may be passed only by way of poll by two-thirds or more of the voting rights of that class represented at that meeting who are entitled to vote at that meeting.

When the Company is to convene a class shareholders' general meeting, the period for giving written notice regarding convening a class shareholders' meeting shall be the same as the period for giving written notice regarding a non-class meeting of shareholders proposed to be convened with such class shareholders' meeting concurrently. Written notices specifying the date and place of the meeting and the matters to be reviewed thereat shall be delivered to all registered shareholders of the corresponding class.

Notice regarding convening a class shareholders' general meeting needs to be delivered only to the shareholders who are entitled to vote thereat.

The procedures pursuant to which a class shareholders' general meeting is held shall, to the extent possible, be identical to the procedures according to which a shareholders' general meeting is held. Provisions of the Articles of Association in relation to procedures for the holding of a shareholders' general meeting shall be applicable to class shareholders' general meetings.

The special voting procedures for shareholders of different classes shall not apply in the following circumstances:

1. where, as approved by way of a special resolution of the shareholders' general meeting, the Company issues, either separately or concurrently, domestic investment shares listed within the PRC and foreign investment shares listed outside the PRC every 12 months, and the number of the domestic investment shares and foreign investment shares listed outside the PRC intended to be issued does not exceed 20% of the issued and outstanding shares of the respective categories;
2. where the plan for, issuance of domestic investment shares listed within the PRC and foreign investment shares listed outside the PRC upon the incorporation of the Company is completed within 15 months since being approved by the securities regulatory authorities of the State Council;
3. where the domestic shareholders transfer their shares to the foreign investors and such shares are listed on the offshore stock exchange after approval from the securities regulatory authorities of the State Council;
4. where all or part of the Domestic Shares are converted into foreign shares and upon such conversion, the foreign shares are listed and traded on an overseas stock exchange.

For the purposes of the provisions of the rights of shareholders of different classes, the "interested shareholders" shall have the following meanings:

1. if the Company has made a repurchase offer to all shareholders in the same proportion or has repurchased its own shares through open transactions on a stock exchange in accordance with the Articles of Association, the controlling shareholders as defined in the Articles of Association shall be "interested shareholders";
2. if the Company has repurchased its own shares by an agreement outside a stock exchange in accordance with the Articles of Association, shareholders in relation to such an agreement shall be "interested shareholders";
3. under a restructuring proposal of the Company, shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same class, or shareholders who have an interest that is different from the interest of other shareholders of the same class shall be "interested shareholders."

RESOLUTIONS-MAJORITY REQUIRED

Resolutions of shareholders' general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions made by shareholders' general meeting shall be adopted by more than half of voting shares represented by the shareholders attending the shareholders' general meeting (including their proxies).

Special resolutions made by shareholders' general meeting shall be adopted by two-thirds or more of voting shares represented by the shareholders attending the shareholders' general meeting (including their proxies).

VOTING RIGHTS (GENERALLY, THE RIGHT ON A POLL AND TO DEMAND A POLL)

Shareholders (including their proxies) exercise voting rights according to the voting shares they hold, and each share shall have one voting right. However, the shares of the Company held by the Company shall not carry voting right and shall not be calculated into the aggregate amount of shares carrying voting right in attendance of the shareholders' general meeting.

The matters of the shareholders' general meeting shall be resolved by show of hands.

A poll demanded on a vote regarding the election of the chairman of the meeting or an adjournment of the meeting, shall be taken immediately. A poll demanded on any other matters shall be taken at the time as the chairman of the meeting decides and the meeting may proceed to other matters. The result of the poll shall still be a resolution of the meeting.

On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all of his votes in the same way.

In case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

REQUIREMENTS FOR ANNUAL SHAREHOLDERS' GENERAL MEETING

Annual general meeting shall be held once every year within six months after the end of the last financial year.

ACCOUNTS AND AUDIT

The Company shall formulate its accounting system in compliance with laws, administrative regulations and relevant stipulations of PRC formulated by the relevant regulatory authorities.

The Board of Directors of the Company shall submit to its shareholders at every annual general meeting such financial reports as are required by the laws and regulations.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the place outside China where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall be stated and explained in the financial statements. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different set of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by shareholders 20 days before the annual general meeting. Each shareholder of the Company is entitled to a copy of the financial reports.

A copy of the above financial reports shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holder of Foreign Shares.

The interim result or financial information that the Company announces or discloses shall be compiled according to both PRC accounting standards, laws and regulations, and international accounting standards or accounting standards of the place at which shares of the Company are listed.

The Company shall disclose its financial reports two times in each accounting year, that is, its interim financial reports within sixty days of the end of the first six months of a financial year and its annual financial reports within 120 days of the end of its financial year.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

There are two types of shareholders' general meetings: the annual shareholders' general meetings and the extraordinary shareholders' general meetings.

The extraordinary shareholders' general meeting shall be convened within two months upon the occurrence of any of the following events:

1. the number of Directors is less than the number stipulated by PRC Company Law or less than two-thirds of the number required by the Articles of Association;
2. the outstanding balance of the Company's loss that bad not been made-up reaches one-third of the Company's total paid-in share capital;
3. shareholders holding severally or jointly 10% or more of the Company's shares presents a written request to convene an extraordinary shareholders' general meeting (the percentage of shareholding shall be calculated in accordance with the shareholdings on the date of the presence of such request);
4. the Board of Directors deems it as necessary or the Board of Supervisors proposes that the meeting be convened;
5. two or more independent non-executive Directors propose in writing that the meeting be convened; and
6. other situations, as stipulated in laws and the Articles of Association.

When the Company is to convene a general meeting of shareholders, the shareholders holding, individually or aggregately, 3% or more of all the shares of the Company may propose and submit in writing to the board of directors special proposals ten days prior to the proposed date of such meeting; the board of directors shall, within two days upon receipt of such proposals, notify the other shareholders thereof and submit the proposals to the general meeting of shareholders for review. The special proposals shall fall within the scope of duties of the general meeting of shareholders and include specific subject and particular matters to be resolved.

When the Company is to convene a general meeting of shareholders, it shall notify each shareholder of the date and place of the meeting and the matters to be reviewed at the meeting 20 days prior to the proposed date of such meeting. When the Company is to convene an extraordinary meeting of shareholders, it shall give such notice to each shareholder 15 days prior to the proposed date of such meeting.

The notice of a shareholders' general meeting shall be delivered to the shareholders (whether or not entitled to vote on the shareholders' general meeting) by courier or pre-paid mail to the recipient's address shown in the register of shareholders or by public announcement. The public announcement referred to in the preceding paragraph shall be published in one or more newspapers or periodicals designated by the securities regulatory authorities of the State Council as well as the website of the Company and the stock exchange during the period between 20 and 25 days prior to the convening of any general meeting of shareholders or between 15 and 20 days prior to the convening of any extraordinary meeting of shareholders. Once the announcement is made, all shareholders of Domestic Shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

For shareholders of foreign shares, notice of the shareholders' general meeting, shareholders' circulars and relevant documents may be issued on the website of the Company and the website of the Stock Exchange provided that the requirements of laws, administrative regulations, and the listing rules of the jurisdictions where the shares of the Company are listed as well as the Articles of Association are complied with.

A meeting and the resolutions adopted to thereof shall not be invalidated as a result of accidental omission to give notice of the meeting to, or the failure of receiving such notice by, a person entitled to receive such notice.

The notice of a shareholders' general meeting shall meet the following requirements:

1. it shall be made in writing;
2. it shall specify the time, place and period of the meeting;
3. it shall describe the matters to be discussed at the meeting;
4. it shall provide necessary information and explanations to the shareholders so as to enable them fully understand the matters to be discussed and make decisions accordingly. This principle shall apply (but not limited to) when the Company proposes a merger, repurchase of shares, reorganisation of share capital or other restructuring, it shall provide the specific conditions and contracts (if any) of the transaction under discussions and earnestly explain the cause and result of the transaction;
5. it shall disclose the nature and extent of material interests, if any, of any Director, Supervisor, general manager or other senior management of the Company in any matter to be discussed; and provide an explanation of the differences, if any, between the way in which the matter to be discussed would affect such Director, Supervisor, general manager or other senior management of the Company in his/her capacity as shareholders and the way in which such matter would affect other shareholders of the same class;
6. it shall contain the full text of any special resolutions proposed to be voted at the meeting;
7. it shall contain a conspicuous statement that the shareholders are entitled to attend and vote have the right to appoint one or more proxies to attend and vote on their behalf and that such proxy is not required to be a shareholder;
8. it shall state the time and place for the delivery of the meeting's proxy forms.

At a general meeting of shareholders, no resolution shall be made in respect of any matter which is not specified in the notices set out in the Articles of Association.

Without the prior approval of the shareholders' meeting by the Company shall not enter into any contract with any party other than the Directors, Supervisors, general manager or other senior management members pursuant to which such party shall be responsible for managing the whole or any substantial part of the Company's business.

Resolutions on the following items shall be adopted in the form of ordinary resolutions by a shareholders' general meeting:

1. working report of the Board of Directors and the Board of Supervisors;
2. plans made by the Board of Directors on profit distribution and loss make-up;
3. election and removal of members of the Board of Directors and the shareholder representative supervisors and their remunerations and methods of payment;
4. annual budget and final accounts plans;

5. annual reports of the Company;
6. matters other than those stipulated by laws, administrative regulations or the Articles of Association to be adopted by special resolutions.

The following items shall be adopted in the form of special resolutions:

1. increase or reduction of the Company's registered capital or issuance of any class of shares, warrants of share subscription or other similar securities;
2. issuance of bonds;
3. division, merger, dissolution, liquidation or change of organisational form of the Company;
4. amendment to the Articles of Association;
5. determining on loan (both within the annual budget and extra-annual budget), investment, purchase or sale of asset, lease, mortgage or pledge of asset or any other matters in relation to asset disposal and guarantee with an amount of more than 30% of the Company's audited total assets value for the latest period;
6. share option incentive plans;
7. other matters stipulated by laws, administrative regulations or the Articles of Association, and other matters decided in the form of ordinary resolutions adopted by the shareholders' general meeting as having significant impact on the Company and requiring adoption by way of special resolutions;
8. other matters which should be adopted in the form of special resolutions required by the Listing Rules.

TRANSFER OF SHARES

Upon the approval by securities regulatory authorities of the State Council, holders of domestic shares of the Company may transfer, in whole or in part, the shares held by them to overseas investors and list and trade such shares on an overseas stock exchange; all or part of domestic shares of the Company may be converted into foreign shares and upon such conversion, the foreign shares may be listed and traded on an overseas stock exchange. The listing of shares so transferred or converted on an overseas stock exchange shall be in compliance with relevant supervisory regulations, rules and requirements effective at the place of listing. Neither the listing of transferred shares on an overseas stock exchange nor the conversion of domestic shares into foreign shares or the listing of such foreign shares on an overseas stock exchange requires approval at a general meeting of shareholders or a class shareholders' meeting. Domestic shares, after being converted into overseas listed foreign shares, are of the same class as the original overseas listed foreign shares.

Unless otherwise provided by laws and administrative regulations, the Company's shares may be transferred free of any encumbrances, provided that H shares listed in Stock Exchange shall be registered at the share registration institution in Hong Kong entrusted by the Company.

Any changes to or correction of any parts of the register of shareholders shall be conducted in accordance with the laws of the place where such parts of the register of shareholders are kept.

No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a shareholders' general meeting or five days prior to the record date set by the Company for the purpose of distribution of dividends.

POWER OF THE COMPANY TO REPURCHASE ITS OWN SHARES

After being approved under the procedures stipulated by laws and the Articles of Association and obtaining approvals from administrative authorities authorised by the State Council, the Company may repurchase shares of the Company in the following circumstance:

1. to cancel the shares for the purpose of reducing the registered capital of the Company;
2. to merge with other companies holding the shares of the Company;
3. to give the shares for employee stock ownership plan or stock ownership incentive;
4. to be requested to repurchase the shares held by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning consolidation and division of the Company;
5. to convert the shares to corporate bonds that are issued by the Company and convertible to stocks;
6. to be necessary to safeguard the value of the Company and the interests of its shareholders;
7. other circumstances where laws and administrative regulations so permit.

   The purchase by the Company of its own shares for the reasons set forth in items (1) and (2) above shall be subject to the resolutions adopted at the shareholders' general meeting; the purchase of shares under items (3), (5) and (6) above, shall be subject to the resolutions adopted at the board meeting where over two-thirds of the directors are present, in accordance with provisions of the Articles of Associations or the authorisation by the Board.

Where laws, administrative regulations, department regulations, the Articles of Association as well as the stock exchange and securities regulatory authority of the place where the stocks of the Company are listed require otherwise with respect to matters relating to repurchase of shares stated above, such requirements shall be complied with.

The repurchase of the Company's shares, upon the approval by the relevant competent governmental authorities, may be conducted in any of the following manners:

1. making a repurchase offer pro rata to all shareholders;
2. repurchase through open transactions in a stock exchange;
3. repurchase through contractual arrangements outside a stock exchange;
4. other means approved by laws, administrative regulations or administrative departments authorised by the State Council.

When the Company is to repurchase shares through contractual arrangements outside a stock exchange, prior approval shall be obtained from the shareholders' general meeting in accordance with the Articles of Association. Upon prior approval of the shareholders' general meeting obtained in the same manner, the Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

1. for the purposes of the above paragraph, contracts for the repurchase of shares shall include (but not limited to) agreements whereby repurchase obligations are undertaken and repurchase rights are acquired.

2. the Company may not assign contracts for the repurchase of its own shares or any of its rights thereunder.
3. the Company shall apply to the original registration authority for the change of the registered capital registration in the event that the repurchased shares are cancelled due to the repurchase thereof.
4. the amount of the Company's registered capital shall be reduced by the total par value of the shares so cancelled.

Unless the Company has already entered the liquidation stage, it must comply with the following provisions in buying back its issued and outstanding shares:

1. where the Company buys back shares at their par value, the amount thereof shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to repurchase the old shares;
2. where the Company buy backs shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to buy back the old shares. The portion in excess of the par value shall be handled according to the following methods:
   (a) where the shares bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;
   (b) where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to buy back the old shares; however, the amount deducted from the proceeds of the new share issuance may not exceed the total premium obtained at the time of issuance of the old shares nor may it exceed the amount in the Company's share premium account (or capital reserve funds account) (including the premiums from the new share issuance) at the time of buy-back;
3. the amount paid by the Company for the purposes set forth below shall be paid out of the Company's distributable profits:
   (a) acquisition of the right to repurchase its own shares;
   (b) modification of any contract for repurchase of its own shares;
   (c) release from any of its obligations under any repurchase contracts.
4. after the par value of the cancelled shares has been deducted from the registered capital of the Company in accordance with relevant regulations, that portion of the amount deducted from the distributable profit and used to buy back shares at the par value shall be included in the Company's share premium account (or capital reserve account).

DIVIDENDS AND OTHER METHODS OF PROFITS DISTRIBUTION

The Company may distribute the dividends in the form of cash or shares (or a combination of both).

The Company shall appoint recipient agents for shareholders of foreign investment shares listed outside the PRC. The recipient agents shall collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed outside the PRC, and to keep such amounts for the future payment to the relevant shareholders.

The recipient agents appointed by the Company for shareholders of foreign investment shares listed in Hong Kong shall be a company which is registered as a trust company under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong).

After complying with PRC laws, the Company may expropriate dividends no one claimed for, but such right of expropriation shall only be exercised upon the expiration of the applicable statutory limitation.

PROXIES

Any shareholders entitled to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (who need not be shareholders) as his/her proxies to attend and vote on his/her behalf. Such proxy may exercise the following rights according to his/her entrustment by the shareholder:

1. the shareholder's right to speak at the shareholders' general meeting;
2. the exercise of voting right by ballot.

Shareholders shall entrust the proxy in writing, and the proxy shall be signed by the appointer or the agent authorised by the shareholders in writing. If the appointer is a legal person, the instrument shall be sealed with the legal person's stamp or signed by its Director or formally authorised agent.

Legal person shareholders shall be represented by its legal representative or proxy entrusted by its legal representative to attend the meeting. When a proxy is entrusted to attend the meeting, he/she shall present his/her identification card and written proxy or authorisation letter signed by the legal person shareholder or legal representative of the legal person shareholder. Legal representative attending the meeting shall present his/her identification card and effective proof to his/her qualification as a legal representative appointed by the board of the legal person or other authority of the legal person or any effective proof permitted by the Company.

The proxy letter issued by a shareholder to entrust proxy to attend shareholders' general meeting shall contain in the following contents:

1. name of the principal and the proxy;
2. the number of shares held by the principal;
3. proxy's voting right;
4. instructions on each item to be discussed on the agenda of shareholders' general meeting, stating whether the shareholder agrees to, object to or abstain from voting the resolution respectively;
5. instructions on the voting right in respect of the special proposals to be discussed on the agenda of shareholders' general meeting, including detailed instructions on the exercise of such voting right, if any;
6. the issuing date of proxy letter and its effective period;
7. signature or seal of the appointer; if the appointer is a legal person, the proxy letter shall be sealed by it.

Any form issued by the Board of Directors of the Company to the shareholders for the appointment of proxies shall give the shareholders free choice to instruct their proxies to cast an affirmative, negative or abstention vote and enable the shareholders to give separate instructions on each matter to be voted during discussions at the meeting. The proxy letter shall specify that in the absence of instructions from the shareholder, the proxy may vote as he/she thinks fit.

If, before voting, the appointer has passed away, lost his/her ability to act, withdrawn the appointment, withdrawn the authorisation to sign the proxy form, or transferred all his/her shares, the vote cast by the proxy in accordance with the proxy form shall remain valid so long as the Company has not received the written notice regarding such matters before the commencement of relevant meeting.

CALLS ON SHARES AND FORFEITURE OF SHARES

Shareholders are entitled to the interests of any payment for shares prior to the making of calls on such shares, but cannot claim any dividend in respect of such shares that is declared after that prepayment.

The Company has right to sell the foreign investment shares listed outside the PRC, the holders of which are unable to get into contact with for a prescribed period of time subject to satisfaction of the following conditions:

1. the Company has declared dividend in respect of such shares of at least three times within 12 years, but such dividend has never been collected by any person during that period; and
2. after the expiration of the 12 year period, the Company shall publish an announcement in one or more magazines of the jurisdiction where the Company is listed, stating its intention to sell such shares, and notify the Stock Exchange.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER)

Shareholders of ordinary shares of the Company shall enjoy rights pursuant to the applicable laws and the Articles of Association as follows:

1. collect dividends and other kinds of interests distributed based on the number of shares held by them;
2. attend or entrust a proxy to attend shareholders' meetings and exercise relevant voting right in accordance with the applicable laws;
3. supervise and administrate the business operation of the Company, and make suggestions and enquiries accordingly;
4. transfer, donate or pledge shares held by the shareholders in compliance with laws, administrative regulations, relevant requirements of securities regulatory authorities in the places where the shares are listed and the Articles of Association, shareholders holding 5% or more of the Company's shares pledge shares shall report to the Company within 3 business days after the pledge occurs;
5. obtain relevant information in accordance with the Articles of Association, including: the right to obtain the Articles of Association, subject to payment of costs; the right to inspect the following documents for free and make copies of the documents subject to payment of costs:

   (1) all parts of the register of shareholders;

(2) personal materials of a Director, Supervisor, general manager and other senior management of the Company;

(3) status of share capital of the Company;

(4) latest audited financial statements of the Company and the Reports of the Directors, auditors and the Board of Supervisors;

(5) extraordinary general meeting of the Company;

(6) minutes of shareholders' general meetings;

(7) reports of the aggregate par value, number of shares, and highest and lowest prices of each class of shares repurchased by the Company since the last accounting year as well as all the expenses paid by the Company therefor;

(8) copy of the latest annual report filed with the PRC State Administration for Industry and Commerce or other competent PRC authority;

6. participate in the distribution of the Company's remaining assets based on the number of shares held by the shareholders when the Company is terminated or liquidated;

7. request the Company to purchase its shares if they object to the resolutions adopted by the shareholders' general meeting on merger or separation;

8. other rights conferred by laws, administrative regulations and the Articles of Association.

RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or the listing rules of the stock exchange(s) on which the shares of the Company are listed, while exercising shareholder's rights, the controlling shareholders shall not make such decisions by exercising their voting rights to the detriment of all or part of the shareholders' interests as below:

1. relieving a Director or Supervisor of the responsibility to act honestly in the best interest of the Company;

2. approving a Director or a Supervisor for his/her own or other person's benefit to deprive the Company of its property in any form, including (but not limited to) any opportunities that are favourable to the Company; or

3. approving a Director or a Supervisor for his/her own or other person's benefit to deprive other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of the Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

The term "controlling shareholder(s)" in the Articles of Association shall refer to the person(s) satisfying any of the following conditions:

1. acting alone or in concert with others, has the power to elect half or more number of the Directors;

2. acting alone or in concert with others, has the power to exercise or control the exercise of 30% or more of the Company's voting rights;

3. acting alone or in concert with others, hold 30% or more of shares of the Company;

4. acting alone or in concert with others, can obtain actual control of the Company in any other manner.

PROCEDURES ON LIQUIDATION

Should any of the following circumstances occur, the Company shall be dissolved and liquidated pursuant to law:

1. if the business term has expired;
2. if the shareholders' general meeting resolves to dissolve the Company;
3. if a dissolution is necessary as a result of the merger or division of the Company;
4. if the Company's business licence is lawfully suspended, or the Company is lawfully declared to be closed or revoked;
5. if no other solutions can be pursued when the Company has significant difficulties in its operation and management, and its continued existence will cause great loss to the shareholders' interests, shareholders with 10% or more of all the voting rights of the Company may file a lawsuit with the court to dissolve the Company;
6. if a people's court declare the Company's bankrupt due to the assets are insufficient to settle the debts.

If the Board of Directors decides that the Company should be liquidated (except the liquidation as a result of the Company's declaration of insolvency), the notice of the shareholders' general meeting convened for such purpose shall include a statement to the effect that the Board of Directors has made full investigation into the position of the Company and that the Board of Directors holds the opinion that the Company can pay its debts in full within 12 months after the announcement of liquidation.

The functions and powers of the Board of Directors shall terminate immediately after the general shareholders' general meeting has adopted a resolution regarding liquidation.

During the period of liquidation, the Company still exists but shall not engage in any business activities irrelevant to such liquidation.

Upon completion of liquidation, the liquidation committee shall prepare a liquidation report, an income and expenditure statement and financial account for the period of liquidation and, after they are certified by a PRC certified public accountant, submit to the shareholders' general meeting or the people's court for confirmation.

OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

General provisions

The Company is a joint stock limited company. From the date on which the Articles of Association came into effect, the Articles of Association constitute a legally binding public document regulating our organisation and activities, and the rights and obligations between the Company and each shareholder and among the shareholders themselves.

In light of the demands of operation and business development and based on relevant laws and regulations, after obtaining separate resolutions of the shareholders' general meeting, the Company may increase its capital through the following ways:

1. offering new shares to the public;
2. private placing of shares;

3. allotment of new shares to existing shareholders;
4. offering new shares to employees by option;
5. transferring capital reserve funds;
6. other methods provided by laws and administrative regulations or permitted by the administrative authorities authorised by the State Council.

The Company's issuance of new shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations after having been approved in accordance with the Articles of Association.

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The reduction of registered capital shall follow the procedures set forth in the PRC Company Law and other regulations and provisions of the Articles of Association.

When the Company is to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days of adopting the resolution to reduce its registered capital and shall publish an announcement about the resolution in the newspapers designated by the relevant regulatory authorities in the jurisdiction where the Company is listed at least three times within 30 days and on the website of the Company and the relevant stock exchange. Creditors shall, within 30 days since receiving a written notice or within 90 days since the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee for repayment.

The reduced registered capital of the Company may not be less than the statutory minimum.

Shareholders of ordinary shares of the Company shall undertake the following obligations:

1. abide by laws, administrative regulations and the Articles of Association;
2. contribute share capital according to the number of shares subscribed by them and the methods of capital contribution;
3. the liability of the Shareholders to the Company is limited to the extent of the shares subscribed by them;
4. unless otherwise stipulated by laws and administrative regulations, shareholders shall not withdraw their share capital;
5. shall not abuse shareholders' rights to cause damage to the Company or the interests of other shareholders or abuse the independent legal person status of the Company and limited liability of the shareholders to cause damage to the interests of the creditors of the Company. Shareholders of a company who abuse their shareholders' rights and cause the company or other shareholders to suffer damages shall bear compensation liability in accordance with the law. Shareholders of the Company who abuse the independent legal person status of the Company and limited liability of shareholders to evade debts and cause damage to the interests of the creditors of the company shall bear joint liability for the Company's debt.
6. other obligations imposed by laws and the Articles of Association.

SECRETARY OF THE BOARD OF DIRECTORS

The Board of Directors has a secretary who shall be appointed by the chairman and dismissed by the Board. The secretary of the Board of Directors is a member of senior management of the Company.

The major duties of the secretary of the Board of Directors shall include:

1. to ensure the Company keep the relevant documents and records of our organisation and activities;
2. to keep and administrate the relevant documents of shareholders;
3. to assist the routine of the Board of Directors for the directors;
4. to organise and prepare for the meetings of the Board of Directors and shareholders' general meetings, take minutes of the meetings and take care of the documents and minutes of the meetings;
5. to organise, prepare and submit the reports and documents required by the relevant supervisory and regulatory authorities and to be responsible for all relevant task from regulatory authorities as the contact person between the Company and the relevant supervisory and regulatory authorities of the State Council or CSRC;
6. to ensure the Company set up the register of shareholders. to ensure the persons entitled to access to the relevant documents and records are furnished with such documents and records without delay;
7. to be responsible for the information disclosure of the Company, attending all the relevant meetings, and timely acquisition of information on material operation decisions and relevant materials;
8. to coordinate with visits and reception work, maintain relationship with the media, coordinate public relationship;
9. to exercise other powers conferred by the Board of Directors and other powers as may be required or provided for under laws of the places where the Company's shares are listed.

BOARD OF SUPERVISORS

The Company shall have a Board of Supervisors, which shall comprise three supervisors, one of whom shall be elected as the chairman of the Board of Supervisors. The chairman of the Board of Supervisors shall be elected and replaced by two-thirds or more of all the Supervisors. The term of office of each supervisor shall be 3 years. A Supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. Directors, general manager and other senior management members of the Company may not serve as Supervisors concurrently.

The Board of Supervisors shall perform the following duties:

1. to supervise the financial activities of the Company;
2. to exam the financial reports, operating reports, profit distribution plans and other financial documents which the Board of Directors intend to submit to the shareholders' general meeting, and to entrust certified accountant or certified auditor on behalf of the Company to review these relevant financial documents in case of any doubt;
3. to supervise the performance of duties by the Directors, the general manager and senior management members of the Company, and dismissal of the Directors and senior

management of the Company who violate laws, the Articles of Association or resolutions of the shareholders' general meeting;

4. to require the Directors, the general manager, and other senior management of the Company to correct any act that is harmful to the Company's interests;
5. to propose to hold an extraordinary shareholders' general meeting, and to convene and preside over a shareholders' general meeting when the Board of Directors fails to perform its duty of convening and presiding over such meeting pursuant to the laws;
6. to make proposals to the shareholders' general meetings;
7. to propose to hold an extraordinary Board meeting;
8. to bring legal proceedings against the Directors, the senior management members in accordance with laws;
9. other authority prescribed by laws, administrative regulations and the Articles of Association.

A Supervisor can attend the meetings of the Board of Directors as a non-voting attendee.

A Supervisor shall abide by laws and the Articles of Association, and perform his/her supervising responsibilities honestly and diligently.

GENERAL MANAGER OF THE COMPANY

The general manager of the Company shall be accountable to the Board of Directors and shall have the right to exercise the following powers:

1. be in charge of business operation and management, report to the Board of Directors;
2. organise the implementation of resolution of the Board of Directors, annual operation and investment plans;
3. formulate the draft of the basic administrative system and internal management establishment structure;
4. formulate the specific regulations of the Company;
5. propose to the Board of Directors for the appointment or dismissal of the deputy general manager, the chief accountants and other senior management;
6. appoint or dismiss other management or ordinary employees that shall not be appointed or dismissed by the Board of Directors, formulate regulations of remuneration, welfare, rewards and punishment of employees;
7. propose to convene interim meeting of the Board of Directors;
8. determine loan (both within the annual budget and extra-annual budget), investment, purchase or sale of asset, lease, mortgage or pledge of asset or any other matters in relation to asset disposal and guarantee in an amount of less than 10% of the Company's audited total assets value for the latest period;
9. other duties and powers authorised by the Articles of Association and the Board of Directors.

The general manager shall abide by laws and the Articles of Association and perform his duties faithfully, honestly and diligently.

BOARD OF DIRECTORS

The Board of Directors shall be responsible to the shareholders' general meetings and exercise the following functions and powers:

1. convening shareholders' general meetings and reporting on its performance to shareholders at such meetings;
2. executing the resolutions of the shareholders' general meetings;
3. determining business plans and investment proposals;
4. formulating proposed annual budgets and final accounts;
5. formulating profit distribution plans and plans for recovery of losses;
6. formulating proposals for increases in or reductions of registered share capital, and proposals for issuance of bonds or other marketable securities and listing plans;
7. formulating proposals for material acquisition, repurchase of shares, merger, separation, dissolution, liquidation or change of the nature of the Company;
8. determining establishment of internal management system and basic administrative system;
9. appointing or dismissing the Company' s general manager and secretary of the Board of Directors, appointing or dismissing the senior management members including deputy general managers based on the nomination of our general manager, and deciding on matters relating to their emoluments and on the imposition of any disciplinary measures or rewards;
10. formulating proposals for any amendment to Articles of Association;
11. managing disclosure of information of the Company;
12. propose to the shareholders' general meeting about appointment or change of accounting firm;
13. review working report of the general manager and exam performance of the general manager;
14. determining on loan (both within the annual budget and extra-annual budget), investment, purchase or sale of asset, lease, mortgage or pledge of asset or any other matters in relation to asset disposal and guarantee in an amount from 10% to 30% of the Company's audited total assets value for the latest period;
15. determining the establishment of special committees and their compositions;
16. other authorities conferred by shareholders' general meetings or prescribed by the laws or the Articles of Association.

At least four regular meetings of the Board of Directors shall be held each year. Meetings of the Board of Directors shall be convened by the chairman of the Board of Directors. The notice of a regular meeting of the Board of Directors and a special meeting of the Board of Directors shall be served in writing to all the Directors, Supervisors and the general manager 14 days and 5 days respectively before such meetings are convened. The chairman of the Board of Directors shall convene and preside a special meeting of the Board of Directors within 10 days under one of the following circumstances:

1. shareholders individually or collectively representing one tenth or more voting rights propose;

2. the Board of Supervisors proposes;
3. the chairman of the Board of Directors considers necessary;
4. one third or more of the Directors propose jointly;
5. two or more independent non-executive Directors propose;
6. the general manager of the Company proposes.

Meetings of the Board of Directors may be held only if more than half of the Directors (including proxies) attend. Resolutions of the Board of Directors shall be adopted by the affirmative votes of more than half of all the Directors except for the following matters where an affirmative vote of at least two thirds or more of all the Directors will be required:

1. formulating proposals for increases in or reductions of registered share capital, and proposals for issuance of bonds or other marketable securities and listing plans;
2. formulating proposals for material acquisition, repurchase of shares, merger, separation, dissolution, liquidation or change of the nature of the Company;
3. formulating proposals for any amendment to the Articles of Association.

Each Director shall have one vote. If the number of dissenting votes is equal to that of affirmative votes, the chairman of the Board of Directors shall have a casting vote.

The special committees set up under the Board of Directors include without limitation: Nomination Committee, Audit Committee and Remuneration Committee.

ENGAGEMENT OF AN ACCOUNTING FIRM

The Company shall engage an independent accounting firm that complies with relevant State regulations to audit the annual financial reports and other financial reports of the Company. The term of engagement of an accounting firm engaged by the Company shall be between the end of the annual shareholders' general meeting of the Company and the end of the next annual shareholders' general meeting.

The shareholders' general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of engagement, notwithstanding any provisions in the engagement contract between the accounting firm and the Company, without prejudice to such accounting firm's right, if any, to claim damages from the Company in respect of such dismissal.

The engagement, dismissal or refusal of the renewal of the engagement of an accounting firm shall be decided upon by the shareholders' general meeting and reported to the securities regulatory authorities of the State Council.

DISPUTE RESOLUTION

If any disputes or claims related to the Company's business based on the rights or obligations provided in the Articles of Association, the PRC Company Law and other relevant laws arise between the shareholders of foreign investment shares listed outside the PRC and the Company, between the shareholders of foreign investment shares listed outside the PRC and the Directors, Supervisors, the general manager and other senior management members of the Company or between the shareholders of foreign investment shares listed outside the PRC and other shareholders of domestic investment shares, the parties concerned may submit such dispute or claim for arbitration.

When such disputes or claims as described above are submitted for arbitration, such disputes or claims shall be submitted in their entirety, and all persons that have a cause of action due to the same events or whose participation is necessary for the settlement of such disputes or claims, and if such persons being the Company or Shareholders, Directors, Supervisors, the general manager or other senior management members of the Company, shall abide by arbitration.

Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration.

A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic or Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. After the arbitration applicant has submitted the dispute or claim for arbitration, the other party must carry out arbitration in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Unless otherwise provided by laws or administrative regulations, the laws of the PRC shall apply to the settlement by means of arbitration of disputes or claims referred in the above paragraph.

The award of the arbitration institution shall be final and binding upon each party.

The said arbitration agreement is reached between the Directors or senior executives and the Company, with the Company representing both itself and its Shareholders.

Any arbitration submitted shall be deemed as authorising the arbitration tribunal to conduct public hearing and announce the arbitration award.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was established on 17 December 2010 in the PRC as a joint stock limited liability company. The Company has established a principal place of business in Hong Kong at 14/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong and the Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 August 2019. Ms. Mok Ming Wai has been appointed as the authorised representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for acceptance of service of process and notices on the Company in Hong Kong is the same as its registered place of business in Hong Kong.

As the Company is established in the PRC, the operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix V to this prospectus. A summary of the Articles of Association is set out in Appendix VI to this prospectus.

2. Changes in the Registered Capital of the Company

The Company's registered capital has undergone the following changes since its establishment.

On 14 December 2010, being the date of the establishment, the registered capital was RMB86,000,000, which had been fully paid up and was owned as to 60% and 40% by GMK Holdings and Fengxiang Investment, respectively.

On 22 November 2011, the then Shareholders, GMK Holdings and Fengxiang Investment resolved to increase the registered capital of the Company from RMB86,000,000 to RMB215,000,000. The increased registered capital of RMB129,000,000 was fully paid up by Fengxiang Group at a consideration of RMB129,000,000. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on 29 November 2011.

On 26 March 2012, the then Shareholders, Fengxiang Group, GMK Holdings and Fengxiang Investment, resolved to increase the registered capital of the Company from RMB215,000,000 to RMB485,000,000. The increased registered capital of RMB270,000,000 was fully paid up by Fengxiang Group, GMK Holdings and Fengxiang Investment at a consideration of RMB162,000,000, RMB64,800,000, and RMB43,200,000, respectively. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on 28 March 2012.

On 3 December 2012, the then Shareholders, Fengxiang Group, GMK Holdings and Fengxiang Investment, resolved to increase the registered capital of the Company from RMB485,000,000 to RMB685,000,000. The increased registered capital of RMB200,000,000 was fully paid up by Fengxiang Group, GMK Holdings and Fengxiang Investment at a consideration of RMB120,000,000, RMB48,000,000, and RMB32,000,000, respectively. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on 20 December 2012.

On 6 August 2013, the then Shareholders, Fengxiang Group, GMK Holdings and Fengxiang Investment, resolved to increase the registered capital of the Company from RMB685,000,000 to RMB1,045,000,000. The increased registered capital of RMB360,000,000 was fully paid up by Fengxiang Group, GMK Holdings and Fengxiang Investment at a consideration of RMB216,000,000, RMB86,400,000, and RMB57,600,000, respectively. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on 9 August 2013. Save as disclosed above, as at the Latest Practicable Date, there has been no further change to the registered capital of the Company.

Immediately upon completion of the Global Offering, the registered capital of the Company will be RMB1,400,000,000, made up of 1,045,000,000 Domestic Shares and 355,000,000 H Shares, with nominal value of RMB1.00 each, assuming the Over-allotment Option is not exercised, and RMB1,453,250,000, made up of 1,045,000,000 Domestic Shares and 408,250,000 H Shares, with nominal value of RMB1.00 each, assuming the Over-allotment Option is exercised in full.

For further details, please refer to "History and Development".

3. Resolutions Passed at the Company's Extraordinary General Meeting on 8 August 2019 and 4 June 2020

At the extraordinary general meeting held on 8 August 2019 and 4 June 2020, among other things, the following resolutions were passed by the Shareholders:

(a) approving the issue of the H Shares by the Company and the Listing, whereby the number of H Shares to be issued shall not exceed 25.36% of the total issued share capital of the Company; the issue price of the H Shares will be decided upon completion of the book building process for the Listing; and the granting of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued pursuant to the Global Offering;

(b) subject to the Listing, the Articles of Association has been approved and conditionally adopted, which shall only become effective on the Listing Date and the Board has been authorised to amend the Articles of Association according to the relevant laws and regulations and requirements of relevant regulatory authorities; and

(c) authorising the Board to handle all matters relating to, among other thing, the issue of the H Shares and the Listing.

B. THE SUBSIDIARIES

The Company's subsidiaries include those referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in "History and Development", there has not been any changes in the share capital to any of the subsidiaries within the two years preceding to the date of this prospectus.

C. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) a merger agreement dated 12 March 2019 entered into between Fengxiang Industrial and Yanggu Golden Phoenix Colour Printing & Packing Co., Ltd. (陽穀金鳳彩印包裝有限公司), pursuant to which Fengxiang Industrial was the subsisting entity and Yanggu Golden Phoenix Colour Printing & Packing Co., Ltd. (陽穀金鳳彩印包裝有限公司) was dissolved and merged upon completion of such merger;

(b) a trust deed constituting a share award scheme of the Company dated 22 June 2020 entered into by the Company as settlor and Bank of Communications Trustee Limited as trustee;

(c) the Undertaking of Indemnity;

(d) the Non-competition Undertaking; and

(e) the Hong Kong Underwriting Agreement.

2. The Intellectual Property Rights

As at the Latest Practicable Date, the Group had registered or applied for registration of the following intellectual property rights which are material to its business:

(a) Trademarks

(1) 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	Type and class	Registered owner	Place of registration	Registration number	Validity period
1.		29	The Company	PRC	761200	14 August 2015 – 13 August 2025
2.		29	The Company	PRC	30621181	14 February 2019 – 13 February 2029
3.		29	The Company	PRC	16538005	7 May 2016 – 6 May 2026
4.		29, 35, 40, 43	The Company	Hong Kong	304943638	30 May 2019 – 29 May 2029
5.		29, 35, 40, 43	The Company	Hong Kong	304943638	30 May 2019 – 29 May 2029
6.		29, 30	The Company	Hong Kong	305043771	2 September 2019 – 1 September 2029
7.		29	Fengxiang Food Development	PRC	3368931	7 November 2013 – 6 November 2023
8.		30	Fengxiang Food Development	PRC	12807110	7 February 2015 – 6 February 2025

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Validity period
9.	iShape	30	Fengxiang Food	PRC	21947676	28 December 2018 – 27 December 2028
10.	iShape	29	Fengxiang Food	PRC	21947677	28 December 2018 – 27 December 2028
11.	优形	30	Fengxiang Food	PRC	21947678	14 February 2018 – 13 February 2028
12.	优形	29	Fengxiang Food	PRC	21947679	7 January 2018 – 6 January 2028
13.	莫斯先生	29	Fengxiang Food	PRC	23026530	28 May 2018 – 27 May 2028
14.	Mr. Moments	29	Fengxiang Food	PRC	23112466	28 May 2018 – 27 May 2028
15.	速享机智包	29	Fengxiang Food	PRC	28658528	7 December 2018 – 6 December 2028
16.	速享机智包	30	Fengxiang Food	PRC	28658527	7 December 2018 – 6 December 2028

(2) As at the Latest Practicable Date, we had applied for registration of the following trademarks which, in the opinion of the Directors, is material to our business:

No.	Trademark	Type and class	Applicant	Place of application	Application number	Application date
1.	iShape	29, 30	The Company	Hong Kong	305043780	2 September 2019

(b) Domain Names

As at the Latest Practicable Date, the Group had registered the following domain name which, in the opinion of the Directors, are material to our business:

Domain name	Registered owner	Date of registration	Expiry date
fengxiang.com	The Company	12 February 1998	12 February 2028
fovofood.com	The Company	3 July 2016	3 July 2022

(c) Patents

(1) 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 type	Patent holder	Place of registration	Patent registration date
1.	ZL201110376298.2	A type of modern breeding heating device (一種現代化養殖取暖裝置)	Invention	The Company	PRC	2 October 2013
2.	ZL201110411419.2	A type of automatic breeding control system (一種養殖自動控制系統)	Invention	The Company	PRC	16 October 2013
3.	ZL201310030193.0	Control method and system of broiler farm environment (雞舍環境的控制方法及系統)	Invention	The Company	PRC	20 May 2015

No.	Patent number	Patent name	Patent type	Patent holder	Place of registration	Patent registration date
4.	ZL201310039150.9	A type of broiler farm (一種雞舍)	Invention	The Company	PRC	31 August 2016
5.	ZL201310044720.3	A type of grilling machine and food support rack (一種碳烤機及食品支撐架)	Invention	The Company	PRC	28 October 2015
6.	ZL201310052778.2	A type of henhouse (一種雞舍)	Invention	The Company	PRC	4 March 2015
7.	ZL201310057139.5	A method for removing chicken leg bones (一種雞腿骨的剔除方法)	Invention	The Company	PRC	4 March 2015
8.	ZL201310311076.1	A method for extracting chicken visceral (一種雞的內臟掏取方法)	Invention	The Company	PRC	18 May 2016
9.	ZL201310359642.6	A type of poultry house and its evaporative cooling pad system (養禽舍及其濕簾降溫系統)	Invention	The Company	PRC	4 February 2015
10.	ZL201310404639.1	A type of poultry feed addictive and poultry feed (一種禽類飼料添加劑及禽類飼料)	Invention	The Company	PRC	10 December 2014
11.	ZL201310660880.0	A type of gristle ball and its preparation method (一種脆骨丸及其製備方法)	Invention	The Company	PRC	12 August 2015
12.	ZL201310664248.3	A type of chicken cube and its preparation method (一種雞肉粒及其製備方法)	Invention	The Company	PRC	12 August 2015
13.	ZL201310667307.2	A type of sliced chicken with corn and its preparation method (一種玉米雞柳及其製備方法)	Invention	The Company	PRC	20 January 2016
14.	ZL201310662341.0	A type of coating flour (一種裹粉)	Invention	The Company	PRC	4 May 2016
15.	ZL201310661530.6	A type of popcorn chicken and its preparation method (一種鹽酥雞及其製備方法)	Invention	The Company	PRC	11 May 2016
16.	ZL201510027849.2	A type of chicken cage cleaning and disinfection system (一種雞籠清洗消毒系統)	Invention	The Company	PRC	4 January 2017
17.	ZL201510028220.x	A type of waterless cleaning system for broiler farm (一種禽舍無水清潔系統)	Invention	The Company	PRC	19 April 2017
18.	ZL201510029238.1	A scientific method for cage free chicken to exit the fence and a type of blocking net (一種地養雞隻科學出欄方法和擋網)	Invention	The Company	PRC	19 April 2017
19.	ZL201510027847.3	A type of feeding method to increase craw saturation of chicks (一種提高雛雞嗉囊飽和度的開食飼餵方法)	Invention	The Company	PRC	23 June 2017

No.	Patent number	Patent name	Patent type	Patent holder	Place of registration	Patent registration date
20.	ZL201510028291.x	A type of meat product transmitting device with slurry spraying and collecting function (一種具有料漿噴淋收集功能的肉製品傳送裝置)	Invention	The Company	PRC	24 October 2017
21.	ZL201510205678.8	An early-stage brooder box brooding device and a type of brooding method (一種早期箱體育雛裝置和育雛方法)	Invention	The Company	PRC	23 February 2018
22.	ZL201510955069.4	A type of brooding system using stereoscopic and high-intensity brooder box (立體高密度箱體育雛系統)	Invention	The Company	PRC	19 June 2018
23.	ZL201610031524.6	A type of modern brooding ventilation system (一種現代化育雛通風系統)	Invention	The Company	PRC	29 March 2019
24.	ZL201610648187.5	A type of steriliser and sterilising method used for broiler farm bedding (一種用於雞舍墊料的消毒機和消毒方法)	Invention	The Company	PRC	28 May 2019
25.	ZL201710403888.7	A type of claw removing machine for poultry (一種家禽類卸爪機構)	Invention	The Company	PRC	28 May 2019
26.	ZL201210540247.3	A type of flavoured smoked chicken cooking method (一種風味熏雞的製作工藝)	Invention	Fengxiang Food	PRC	5 November 2014
27.	ZL201220738774.0	A type of cutting device for processing poultry (一種用於加工禽體的切割裝置)	Utility Model	The Company	PRC	24 July 2013
28.	ZL201320095227.X	A type of feed tray (一種料塔)	Utility Model	The Company	PRC	24 July 2013
29.	ZL201320095289.0	A type of feed tray (一種料塔)	Utility Model	The Company	PRC	24 July 2013
30.	ZL201320445484.1	A type of broiler farm and its heating device (一種雞舍及其加熱裝置)	Utility Model	The Company	PRC	28 May 2014
31.	ZL201420535167.3	A type of material transmitting device (一種物料傳送裝置)	Utility Model	The Company	PRC	7 January 2015
32.	ZL201520039108.1	A type of foam sterilisation system (一種泡沫消毒系統)	Utility Model	The Company	PRC	29 July 2015
33.	ZL201520039208.4	A new type of highly efficient electric broiler stunning machine (一種新型高效肉雞電擊暈設備)	Utility Model	The Company	PRC	29 July 2015
34.	ZL201520146593.2	A system for deodorising exhaust air in broiler farms (一種雞舍廢氣除臭系統)	Utility Model	The Company	PRC	29 July 2015

No.	Patent number	Patent name	Patent type	Patent holder	Place of registration	Patent registration date
35.	ZL201520262718.8	A system for detecting faults in heaters (一種加熱器故障監測系統)	Utility Model	The Company	PRC	16 September 2015
36.	ZL201520261685.5	A type of basket for chicks that is suitable for high density brooding (一種適於高密度育雛的雞筐)	Utility Model	The Company	PRC	16 September 2015
37.	ZL201520262033.3	An early-stage brooder box brooding device and a type of brooding method (一種早期箱體育雛裝置和育雛方法)	Utility Model	The Company	PRC	16 September 2015
38.	ZL201520264274.1	A type of automatic water fountain (一種自動飲水系統)	Utility Model	The Company	PRC	16 September 2015
39.	ZL201520364435.4	A type of feeding trough for brooding (一種育雛料槽)	Utility Model	The Company	PRC	18 November 2015
40.	ZL201520430901.4	A type of car for transfer of early-stage brooding (一種早期育雛轉移車)	Utility Model	The Company	PRC	18 November 2015
41.	ZL201520547241.8	A type of broiler farm temperature zone control system (一種雞舍溫度分區控制系統)	Utility Model	The Company	PRC	18 November 2015
42.	ZL201520874451.8	A type of indoor cleaning device for livestock farms (用於畜禽舍內清潔的清洗裝置)	Utility Model	The Company	PRC	9 March 2016
43.	ZL201521063253.x	A type of stereoscopic and high intensity brooder basket (立體高密度箱體育雛筐)	Utility Model	The Company	PRC	11 May 2016
44.	ZL201521065182.7	A lighting system for stereoscopic and high intensity brooder box brooding (立體高密度箱體育雛光照系統)	Utility Model	The Company	PRC	11 May 2016
45.	ZL201521063571.6	A type of car for stereoscopic and high intensity brooder box brooding (立體高密度箱體育雛車)	Utility Model	The Company	PRC	18 May 2016
46.	ZL201620246361.9	A type of brooding water supply system (一種育雛供水系統)	Utility Model	The Company	PRC	17 August 2016
47.	ZL201620261174.8	A control system for brooder box brooding (箱體育雛控制系統)	Utility Model	The Company	PRC	17 August 2016
48.	ZL201620270921.4	A type of chicken skin dehydrator (一種雞皮脱水機)	Utility Model	The Company	PRC	14 September 2016
49.	ZL201620270903.6	A distributing device for fried non-forming products before freezing (油炸非成型類產品速凍前布料裝置)	Utility Model	The Company	PRC	14 September 2016

No.	Patent number	Patent name	Patent type	Patent holder	Place of registration	Patent registration date
50.	ZL201620269598.9	A impingement separator for fried non-forming products (油炸非成型類產品撞擊分離裝置)	Utility Model	The Company	PRC	17 September 2016
51.	ZL201620868755.8	A type of air exhaust system for brooder box (一種育雛室用箱體式排風系統)	Utility Model	The Company	PRC	22 February 2017
52.	ZL201621492351.X	A type of air distribution device to prevent condensation on the roof (一種防止頂板出現冷凝水的布風裝置)	Utility Model	The Company	PRC	11 August 2017
53.	ZL201720629190.2	A type of correction device used during the belt transmitting process (一種應用於傳送帶傳動過程中的糾偏裝置)	Utility Model	The Company	PRC	9 February 2018
54.	ZL201721155307.4	A type of tunnel immersing cleaning machine for poultry cage (一種禽籠隧道式浸泡清洗機)	Utility Model	The Company	PRC	10 April 2018
55.	ZL201721378410.5	A type of feed collection device for chicken stomach and chicken gastric gland processing (一種雞肫和雞腺胃加工用內容飼料收集裝置)	Utility Model	The Company	PRC	12 June 2018
56.	ZL201721377763.3	A type of full leg operation system (一種全腿運轉系統)	Utility Model	The Company	PRC	12 June 2018
57.	ZL201721627523.4	A type of livestock innocuous pre-cutting machine (一種禽畜無害化處理預切機)	Utility Model	The Company	PRC	21 August 2018
58.	ZL201821179055.3	A type of high intensity brooder (一種高密度育雛器)	Utility Model	The Company	PRC	29 March 2019
59.	ZL201821179053.4	A type of brooder basket and system that is suitable for chicks drinking water (一種適合雛雞飲水的育雛筐及系統)	Utility Model	The Company	PRC	2 April 2019
60.	ZL201821270140.0	A type of water supply device that increases solar power utilisation rate (一種提高太陽能熱水利用率的供水裝置)	Utility Model	The Company	PRC	26 March 2019
61.	201821179052.X	Broiler disinfection and sterilisation machine (平養禽舍消毒除菌機器)	Utility Model	The Company	PRC	11 October 2019
62.	ZL201710135465.1	A type of chicken leg bone removal device (一種雞腿脱骨裝置)	Invention	The Company	PRC	6 December 2019

No.	Patent number	Patent name	Patent type	Patent holder	Place of registration	Patent registration date
63.	ZL201710352359.9	A type of pollution-free method for transporting bags of fermented chicken manure in the bedding out of the broiler farms (一種墊料雞糞舍內發酵、裝袋外運無污染處理方法)	Invention	The Company	PRC	6 December 2019
64.	ZL201920100502.X	A type of waste oil filter tank (一種廢油過濾池)	Utility Model	The Company	PRC	3 December 2019

Under PRC laws, a granted invention patent has a validity period of 20 years from the date of its application and a granted utility model has a validity period of ten years from the date of its application.

(2) As at the Latest Practicable Date, we made the following patent applications which, in the opinion of the Directors, are material to our business:

No.	Application number	Patent name	Patent type	Applicant	Place of application	Patent application date
1.	201510540622.8	A type of instant meat product for leisure at room temperature and its preparation method (一種常溫休閑即食肉製品及其製備方法)	Invention	Fengxiang Food	PRC	28 August 2015
2.	201510549087.2	A type of gristle chicken and its preparation method (一種脆骨雞及其製備方法)	Invention	The Company	PRC	31 August 2015
3.	201611257890.X	A type of automatic chicken tail cutting device (一種全自動雞尾切割機)	Invention	The Company	PRC	30 December 2016
4.	201710353808.1	A type of chicken gastric gland cutting device (一種腺胃切割機構)	Invention	The Company	PRC	18 May 2017
5.	201710471227.8	A type of electronically roasted chicken breast suitable for the fitness crowd and its preparation method (一種適合健身人群食用的電烤雞胸肉及其製備方法)	Invention	Fengxiang Food	PRC	20 June 2017
6.	201710538138.0	A type of chicken clavicle chain conveyor processing method (一種雞叉骨鏈條輸送線加工方法)	Invention	The Company	PRC	4 July 2017
7.	201710538794.0	A type of chicken wing cutting device (一種雞翅切割機)	Invention	The Company	PRC	4 July 2017

No.	Application number	Patent name	Patent type	Applicant	Place of application	Patent application date
8.	201711001687.0	A type of chicken stomach and chicken lung separation device (一種雞肫雞肺分離裝置)	Invention	The Company	PRC	24 October 2017
9	201810820705.6	A type of obscure control method of brooding box temperature, obscure controller and brooding box (一種育雛箱的溫度模糊控制方法、模糊控制器和育雛箱)	Invention	The Company	PRC	24 July 2018
10.	201910430318.6	A type of minced meat recombinant meat product and its preparation method (一種碎肉重組肉製品及其製作工藝)	Invention	The Company	PRC	22 May 2019
11.	201930298775.5	Packing box (Wu Genglu smoked chicken) (包裝套盒(五更爐熏雞))	Exterior Design	The Company	PRC	11 June 2019
12.	201910670947.6	A type of method to prepare processed meat products at low temperature and its application (一種低溫肉製品的製作方法及其應用)	Invention	The Company	PRC	24 July 2019
13.	201930299095.5	Packaging bag (for salt-baked chicken) (包裝袋(鹽焗雞))	Exterior Design	The Company	PRC	11 June 2019

D. FURTHER INFORMATION ABOUT THE DIRECTORS AND THE SUPERVISORS

1. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of the Directors and Supervisors has entered into a contract in respect of, among other things, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with the Company.

Each of the Directors and Supervisors has entered into a service contract with the Company on 25 June 2020. The principal particulars of these service contracts are: (i) for a term of three years commencing from the Listing Date; and (ii) subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules or regulations.

None of the Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

2. Remuneration of Directors and Supervisors

For the four years ended 31 December 2016, 2017, 2018 and 2019, the aggregate amount of fees, salaries, allowances, benefits in kind and pension scheme contributions (if applicable) paid by us to the Directors and Supervisors were approximately RMB1.9 million, RMB2.1 million, RMB7.4 million and RMB7.4 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 four years ended 31 December 2016, 2017, 2018 and 2019.

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.

Under the current arrangements, the Directors and Supervisors will be entitled to receive compensation (including salaries and benefits in kind) from the Company for the year ending 31 December 2020 under arrangement in force as at the date of this prospectus which is expected to be approximately RMB7.5 million in aggregate.

Each of the Directors and Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

3. Miscellaneous

Mr. Xiao Dongsheng, an executive Director, was a supervisor of Qingdao Shinview International Trade Co., Ltd. (青島新惠遠國際貿易有限公司), which was a limited liability company established in the PRC engaged in the the wholesaling and retailing of pet supplies, textiles, daily necessities and building materials. According to Mr. Xiao, such company had no actual operation and had not conducted annual inspection and therefore its business licence was revoked on 5 November 2008. Mr. Xiao confirmed that the said company was solvent and dormant with no outstanding liabilities at the time of it being revoked and as far as he is aware, the revocation of the said company has not resulted in any liability or imposed any obligation against him.

Mr. Zhang Ye, an independent non-executive Director, was an executive director and the legal representative of Shanghai Saishi Industry Co., Ltd. (上海賽世實業有限公司), which was a limited liability company established in the PRC engaged in the import and sales of plastic particles. According to Mr. Zhang, as such company was planned to discontinue and its operation had been ceased, such company had not conducted the annual inspection and therefore its business licence was revoked on 28 June 1999. Mr. Zhang confirmed that the said company was solvent and dormant with no outstanding liabilities at the time of it being revoked and as far as he is aware, the revocation of the said company has not resulted in any liability or imposed any obligation against him.

Mr. Zhang Chuanli, a non-executive Director, was an executive director and the legal representative of Beijing Tiantianjian Biotechnology Co., Ltd. (北京天天健生物技術有限責任公司), which was a limited liability company established in the PRC engaged in sales of condiments and health care products. According to Mr. Zhang, as such company was planned to discontinue and its operation had been ceased, such company had not conducted the annual inspection and therefore its business licence was revoked on 12 December 2007. Mr. Zhang confirmed that the said company was solvent and dormant with no outstanding liabilities at the time of it being revoked and as far as he is aware, the revocation of the said company has not resulted in any liability or imposed any obligation against him.

E. DISCLOSURE OF INTERESTS

1. Disclosure of the Directors' and Supervisors' Interests in the Registered Capital of the Company and its Associated Corporations.

Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, the interests or short positions of the Directors, Supervisors and chief executives in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which once the H Shares are listed, will be required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein once the H Shares are listed; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the H Shares are listed are as follows:

(a) The Company

Director/Supervisor	Number and class of Shares held immediately following the Global Offering	Nature of interest	Approximate percentage of interest in the relevant class of Shares of the Company immediately following the Global Offering(1)	Approximate percentage of interest in the total share capital of the Company immediately following the Global Offering(2)
Mr. Liu ZG(3),(4)	52,145,500 Domestic Shares (L)	Interest in controlled corporation	4.99%	3.72%
	992,854,500 Domestic Shares (L)	Interests held jointly with another person	95.01%	70.92%
Mr. Liu XJ(3)	992,854,500 Domestic Shares (L)	Interest in controlled corporation	95.01%	70.92%
Mr. Xiao Dongsheng(5)	300,000 H Shares (L)	Beneficiary of a trust	0.085%	0.021%
Mr. Ow Weng Cheong(5)	200,000 H Shares (L)	Beneficiary of a trust	0.056%	0.014%
Mr. Wang Jinsheng(5)	200,000 H Shares (L)	Beneficiary of a trust	0.056%	0.014%
Mr. Lian Xianmin(5)	50,000 H Shares (L)	Beneficiary of a trust	0.014%	0.004%

Notes:

(1) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares of the Company after the Global Offering assuming the Over-allotment Option is not exercised.

(2) The calculation is based on the total number of 1,045,000,000 Domestic Shares and 355,000,000 H Shares in issue after the Global Offering.

(3) The Company is owned as to 19.01% by GMK Holdings, as to 60.00% by Fengxiang Group, 16.00% by Fengxiang Investment and 4.99% by Guangdong Hengqin. Fengxiang Group and Fengxiang Investment are wholly owned by GMK Holdings and in turn held as to 51.00% by Mr. Liu XJ, and as to 9.00% by Ms. Zhang XY, spouse of Mr. Liu XJ. Guangdong Hengqin is a limited partnership established in the PRC on 13 April 2015 which is indirectly held as to 50.00% by Mr. Liu ZG and 50.00% by Mr. Liu ZM. Xinfengxiang Guangming, which is owned as to 50% by Mr. Liu ZG and 50% by Mr. Liu ZM, is the general partner of Guangdong Hengqin, and each of Mr. Liu ZG and Mr. Liu ZM is deemed to be interested in the Shares held by Guangdong Hengqin. By virtue of the SFO, Mr. Liu XJ is deemed to be interested in the Shares directly and indirectly held by GMK Holdings.

(4) Guangdong Hengqin is a limited partnership established in the PRC on 13 April 2015 which is indirectly held as to 50% by Mr. Liu ZG and 50% by Mr. Liu ZM. Xinfengxiang Guangming, which is owned as to 50% by Mr. Liu ZG and 50% by Mr. Liu ZM, is the general partner of Guangdong Hengqin. By virtue of the SFO, Mr. Liu ZG is deemed to be interested in the Shares held by Guangdong Hengqin. For details, see "History and Development — Group Structure".

(5) Mr. Xiao Dongsheng, Mr. Ow Weng Cheong, Mr. Wang Jinsheng and Mr. Lian Xianmin have been granted the Awarded Shares under the Share Award Scheme, none of which have been vested as at the Latest Practicable Date. Therefore, they are deemed to be interested in the issued share capital of the Company for the Awarded Shares which have been granted to them pursuant to Part XV of the SFO.

(b) Associated Corporation

Director	Nature of interest	Associated corporation	Percentage of shareholding in associated corporation
Mr. Liu ZG	Beneficial owner	GMK Holdings	20.00%
Mr. Liu XJ	Beneficial owner	GMK Holdings	51.00%
	Interest in controlled corporation (L)[(Note)]	Fengxiang Investment	100.00%
	Interest in controlled corporation (L)	Fengxiang Group	100.00%

Note: Fengxiang Investment and Fengxiang Group are wholly-owned by GMK Holdings.

2. Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

Save as disclosed in "Substantial Shareholders", the Directors are not aware of any other person who will, immediately following the Global Offering, have an interest or short position in the Shares or underlying shares which are 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 the general meetings of the Company.

3. Agency Fees or Commissions Paid or Payable

Save as disclosed in "Underwriting", no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of the subsidiaries within the two years ended on the date of this prospectus.

4. Related Party Transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in "Connected Transactions" and in Note 35 to "Appendix I — Accountants' Report".

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors or any of the parties listed in "— G. Other Information — 9. Consent of Experts" below is interested in the promotion of the Company, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, the Company, or are proposed to be acquired or disposed of by or leased to the Company;

(b) none of the Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business taken as a whole;

(c) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties in the aforesaid paragraph:

(i) is interested legally or beneficially in any of the Shares or any shares in any of the subsidiary; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities;

(d) none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange;

(e) as at the Latest Practicable Date, none of the Directors, Supervisors, their respective associates, or any of the Shareholders (who to the knowledge of the Directors owns more than 5% of the issued share capital), had any interest in any of the top five suppliers and top five customers in respect of each of the business segments;

(f) none of the Directors, Supervisors and chief executives of the Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the H Shares are listed on the Stock Exchange;

(g) no amount, securities or benefit has been paid, allotted or given within the two years preceding the date of this prospectus to the promoter nor is any such amount, securities or benefit intended to be paid, allotted or give. None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business; and

(h) none of the Directors or Supervisors has been paid in cash or shares or otherwise by any person in respect of the Track Record Period as an inducement to join or upon joining the Company, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

F. SHARE AWARD SCHEME

The following is a summary of the principal terms of the Share Award Scheme conditionally adopted by resolutions passed at the Company's extraordinary general meeting held on 4 June 2020, and effective from the Listing Date. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. On 22 June 2020, the Company has established a trust in connection with the Share Award Scheme ("**Trust**") and has appointed Bank of Communications Trustee Limited as trustee ("**Trustee**") to administer the Trust. Pursuant to the Share Award Scheme, the grant of award (an "**Award**") by the Board to the selected participants may vest in the form of H Shares ("**Awarded Shares**") or the net sale proceeds of the Awarded Shares in cash in accordance with the Share Award Scheme.

On 26 June 2020, the Board has granted to 18 selected participants 2,050,000 Awarded Shares under the Share Award Scheme. For further details, please refer to "(q) Details of the Awards granted under the Share Award Scheme" below.

Subject to the compliance with applicable PRC laws and regulations and the relevant restrictions of the terms of the Share Award Scheme and the Listing Rules, the Company intends to instruct the Trustee to purchase 2,050,000 H Shares from the open market to satisfy Awards granted by the Board on 26 June 2020 for the Share Award Scheme at any time after the completion of the Global Offering until 29 September 2020.

(a) Eligible Participants for the Share Award Scheme

Pursuant to the Share Award Scheme, any full-time or part-time employees of the Group (including any Director) (an "**Eligible Participant**") are eligible participants of the Share Award Scheme. However, an Eligible Participant who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place, or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Eligible Participant (an "**Excluded Participant**") shall not be entitled to participate in the Share Award Scheme.

For the avoidance of doubt, in respect of any place where vesting or transfer of Awarded Shares pursuant to the Share Award Scheme is not legally permissible but the alternative cash payment for the vesting or transfer of Awarded Shares is legally permissible, then the relevant Eligible Participant shall not be excluded to participate in the Share Award Scheme by reason of the vesting or transfer of Awarded Shares not being permitted.

(b) Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are to recognise the contribution by the Group's personnel and to provide them with incentives in order to retain them for the continual operation and development of the Group, to stimulate further development of the Group, and to provide retirement protection to the Group's personnel.

(c) Operation of the Share Award Scheme

The H Shares to be awarded under the Share Award Scheme shall be purchased by the Trustee from the open market out of cash contributed by the Group (such cash contribution by the Company shall comply with the relevant PRC laws and regulations including SAFE approval(s) (if required)) or subscribed by the Trustee when allotted and issued by the Company under a general mandate for the purpose of the Trust and be held on trust for the Eligible Participants (other than Excluded Participants) until such H Shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme.

(d) Award

An Award gives a selected participant a conditional right to be vested with the Awarded Shares upon fulfilment of all vesting conditions as set out in the grant notice of the Award or, if in the absolute discretion of the Board, it is not legally permissible to vest the Awarded Shares with the selected participant, to receive the net sale proceeds of the Awarded Shares (after deducting the related selling expenses and such other necessary expenses required for the completion of the sale of the Awarded Shares) as cash award.

The Board may at its absolute discretion, with or without further conditions, grant additional H Shares (but shall not be obliged to) out of the Trust fund representing all or part of the distributions (including but not limited to bonus H Shares and scrip dividends) declared by the Company or derived from such Awarded Shares during the period from the date of Award to the date on which the Awarded Shares (or part thereof) is to vest with the relevant selected participant as set out in the vesting schedule of in the grant notice in accordance with the Share Award Scheme (the "**Vesting Date**").

(e) Grant of Award

(i) Making the Grant

Subject to the provisions of the Share Award Scheme, prior to the Listing, the Board may grant such number of Awarded Shares or the total purchase price for such number of Awarded Shares to selected participants on and subject to such terms and conditions as the Board may in its absolute discretion determine provided that any such grant shall be made conditional upon the satisfaction of the conditions referred to in "(p) Conditions of the Share Award Scheme". Subject to the provisions of the Share Award Scheme, from the time of the Listing, the remuneration committee of the Company (the "**Remuneration Committee**") may from time to time, at is absolute discretion, recommend for selection any Eligible Participant (other than the Excluded Participant) for participation in the Share Award Scheme as a selected participant and recommend such number of Awarded Shares to be granted to such selected participant and on and subject to such terms and conditions as the Remuneration Committee may consider appropriate. The Board may approve with or without modifications or disapprove any recommendation made by the Remuneration Committee.

In determining the number of Awarded Shares to be granted to any selected participant (excluding any Excluded Participant), the Board shall take into consideration factors including, but without limitation to, the financial performance of the Group, and the performance of the relevant selected participant to be measured against the key performance indicators established by the Group from time to time in relation to the relevant selected participant.

After the Board has decided to make a grant of Awarded Shares to any selected participant, the Board shall send a grant notice to such selected participant. The grant notice will specify the date of Award, the number of Awarded Shares underlying the Award (or the total purchase price for such number of Awarded Shares), the vesting conditions, the Vesting Date and such other details as the Board may consider necessary. At the time of the grant of the Award, the Board may either (i) determine the exact number of Awarded Shares to be granted to a selected participant, or (ii) determine the total purchase price which may be used by the Trustee as the maximum amount of funds for purchase or subscription of Awarded Shares to be granted to a selected participant, in the latter case the range of prices at which such H Shares are to be purchased or subscribed by the Trustee shall be notified by the Board to the Trustee as and when the Board considers appropriate. If applicable, the Board shall send a confirmatory notice to such selected participants advising the exact number of Awarded Shares as soon as possible after completion by the Trustee of purchase or subscription of H Shares awarded to the relevant selected participants.

Where any grant of Awarded Shares is proposed to be made to any selected participant who is a Director (including an independent non-executive Director) from the time of the Listing, such grant must first be approved by the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee.

Where any grant of Awarded Shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules from the time of the Listing, the

Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

The Directors confirm that the Board will not approve to make a grant of Awarded Shares if as a result of which the Company will not be able to comply with the public float requirements under the Listing Rules.

(ii) Restrictions on Grants and Timing of Grants

The Board shall not make any Award to any selected participant and shall not give the Trustee any instructions to acquire any H Shares in any of the following circumstances:

(A) where dealings in the H Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time;

(B) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the application laws and the Listing Rules;

(C) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;

(D) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half year period of the financial period up to the publication date of the results; or

(E) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

(f) Scheme Limit

The Board shall not make any further award of Awarded Shares which will result in (i) the maximum number of new H Shares that can be allotted and issued for the purpose of the Share Award Scheme in any financial year is 3% of the total number of issued share capital in the H Shares at the relevant time; and (ii) the maximum number of new H Shares that can be allotted and issued to a Selected Participant in any 12-month period is 1% of the total number of issued share capital in the H Shares at the relevant time.

(g) Rights attached to the Award

Neither the selected participant nor the Trustee may exercise any voting rights in respect of any Awarded Shares that have not yet vested.

(h) Rights attached to the Awarded Shares

Any Awarded Shares transferred to a selected participant in respect of any Awards will have the rights attached thereto under the provisions of the Articles of Association.

(i) Contribution of funds to the Trust

Subject to the compliance with the relevant PRC laws and regulations (including SAFE approval(s), if required), the Board may from time to time cause to be paid or made available cash to the Trust by way of settlement or otherwise contributed by the Company or any of its subsidiary as directed by the Board which shall constitute part of the Trust fund for the purchase or subscription (as the case may be) of H Shares and other purposes set out in the Share Award Scheme. The Company shall (i) instruct the Trustee to purchase H Shares on the Stock Exchange and specify in the instruction the maximum amount of funds to be used and the range of prices at which such H Shares are to be purchased, or (ii) cause an amount equal to the subscription price (which should be not less than 80% or such other percentage as the lowest issue price per H Share under general mandate as permissible under the Listing Rules of the benchmarked price (as referred to in Rule 13.36(5) of the Listing Rules) of such new H Shares to be allotted and issued) be transferred from the Company's resources as subscription monies for the new H Shares and cause to issue and allot such new H Shares to the Trustee.

(j) Assignment of Awards

Prior to the Vesting Date, any Award (or part thereof) made hereunder shall be personal to the selected participant to whom it is made and shall not be assignable and no selected participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Awarded Shares (or part thereof) referable to him pursuant to such Award.

(k) Vesting of Awards

Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions on such selected participant as specified in the Share Award Scheme and the relevant grant notice, the respective Awarded Shares held by the Trustee on behalf of the selected participant shall vest in such selected participant in accordance with the vesting schedule as set out in the grant notice, and the Trustee shall cause the Awarded Shares to be transferred to such selected participant on the Vesting Date.

If in the absolute discretion of the Board that it is not legally permissible to vest the Awarded Shares with a selected participant, the Board shall instruct the Trustee to dispose on the market of the Awarded Shares (to the extent they are to be vested on the Vesting Date in accordance with the vesting schedule (if any) as set out in the grant notice) and transfer the net sale proceeds thereof (after deducting the related selling expenses and such other necessary expenses required for the completion of the sale of the Awarded Shares) as cash award to such selected participant.

If there is an event of change in control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise prior to the Vesting Date, the Board shall determine at its discretion whether such Awarded Shares shall vest in a selected participant and the time at which such Awarded Shares shall vest.

If notice is duly given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering a resolution for the voluntary winding up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company) or an order of winding up of the Company is made, the Board shall determine at its discretion whether such Awarded Shares shall vest in the selected participants and the time at which such the Awarded Shares shall vest.

(l) Consolidation, subdivision, bonus issue and other distribution

In the event the Company undertakes a subdivision or consolidation of the H Shares, a selected participant shall be entitled to those Awarded Shares as so subdivided or consolidated and the Board shall as soon as reasonably practicable after such subdivision or consolidation has been effected, notify such selected participant with a copy to the Trustee of the number of Awarded Shares that he has become entitled to on vesting after such subdivision or consolidation (as the case may be).

In the event the Company undertakes an open offer of new securities in respect of any H Shares which are held by the Trustee under the Share Award Scheme, the Trustee shall not subscribe for any new H Shares. In the event of a rights issue, the Trustee shall sell such amount of the nil paid rights allotted to it on the market as is appropriate and, subject to the Share Award Scheme, the net proceeds of sale of such rights shall be held as part of the Trust fund.

In the event the Company issues bonus warrants in respect of any H Shares which are held by the Trustee, the Trustee shall not subscribe for any new H Shares by exercising any of the subscription rights attached to the bonus warrants and shall sell the bonus warrants created and granted to it on the market, subject to the Share Award Scheme, the net proceeds of sale of such bonus warrants shall be held as part of the Trust fund.

In the event that the Company undertakes an issue of bonus H Shares, the bonus H Shares allotted with respect to any H Shares which are held by the Trustee shall be held as part of the Trust fund.

In the event the Company undertakes a scrip dividend scheme, the Trustee shall elect to receive scrip H Shares and, subject to the Share Award Scheme, scrip H Shares allotted with respect to any H Shares which are held by the Trustee shall be held as part of the Trust fund.

In the event of other non-cash and non-scrip distribution made by the Company in respect of H Shares held upon the Trust, the Trustee shall dispose of such distribution and, subject to the Share Award Scheme, the net sale proceeds thereof shall be deemed as cash income of H Share held as part of the Trust fund.

(m) Lapse of Award

In the event that prior to or on the Vesting Date, a selected participant is found to be an Excluded Participant, ceases to be an Eligible Participant for any reason other than severe illness or permanent physical or mental disability or death or retired by agreement with a member of the Group, or is deemed to cease to be an Eligible Participant pursuant to the Share Award Scheme (such as criminal conviction and bankruptcy), the unvested Award made to such selected participant shall automatically lapse forthwith and the relevant unvested Awarded Shares shall not vest on the relevant Vesting Date but shall remain as part of the Trust fund.

(n) Alteration of the Share Award Scheme

The Share Award Scheme may be amended in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any selected participant. Written notice of any amendment to the Share Award Scheme shall be given to all selected participants and the Trustee.

(o) Termination

The Share Award Scheme shall terminate on the earlier of:

(i) tenth (10^{th}) anniversary date of the Listing Date; and

(ii) such date of early termination as determined by the Board by a resolution of the Board;

provided that such termination shall not affect any subsisting rights of any selected participant hereunder.

Upon termination of the Share Award Scheme, no further grant of Awarded Shares may be made under the Share Award Scheme and all the Awarded Shares of the selected participants granted under the Share Award Scheme shall continue to be held by the Trustee and become vested in the selected participants according to the conditions of the Award. Upon expiration of the Trust period, all H Shares (except for any Awarded Shares subject to vesting on the selected participants) remaining in the Trust fund shall be sold by the Trustee within 28 business days or such longer period as the Trustee and the Board may otherwise determine and all net proceeds of sale and such other funds and properties remaining in the Trust fund managed by the Trustee (after deducting the relevant expenses) will be remitted to the Company forthwith. For the avoidance of doubt, the Trustee may not transfer any H Shares to the Company nor may the Company otherwise hold any H Shares whatsoever.

(p) Conditions of the Share Award Scheme

The Share Award Scheme shall come into effect on the date on which the following conditions are fulfilled:

(i) the Trustee's receipt of the Company's written confirmation on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the H Shares;

(ii) the passing of the necessary resolutions by the Shareholders to approve and adopt the Share Award Scheme; and

(iii) the commencement of dealings in H Shares on the Stock Exchange.

As advised by the PRC legal Advisers, the Share Award Scheme has been validly approved by the Company's Shareholders' meeting, and that the approved Share Award Scheme of the Company does not contravene applicable PRC laws and regulations, and the validity of the Share Award Scheme will not be subject to any PRC governmental approval or registration.

(q) Details of the Awards granted under the Share Award Scheme

On 26 June 2020, the Board has granted to 18 selected participants 2,050,000 Awarded Shares, representing approximately 0.578% of issued H Shares immediately following the Global Offering, assuming the Over-allotment Option is not exercised, to recognise their contributions to the growth of the Group and to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

All the 18 selected participants of the Awarded Shares are directors, supervisors or employees of the Group. Six of them are connected persons of the Company who were granted 930,000 Awarded Shares, representing approximately 0.262% of issued H Shares immediately following the Global Offering, assuming the Over-allotment Option is not exercised. The remaining 12 of them who are employees of the Group but not connected persons of the Company were granted 1,120,000 Awarded Shares, representing approximately 0.316% of issued H Shares immediately following the Global Offering, assuming the Over-allotment Option is not exercised. Out of the remaining 12 selected participants who are employees of the Group but not connected persons of the Company, six of them are members of the senior management of the Company as set out in "Directors, Supervisors and Senior Management".

The Awarded Shares granted to each of these selected participants shall be vested in accordance with the vesting schedule as follows:

(i) as to 40% of the Awarded Shares on 30 September 2020;

(ii) as to 20% of the Awarded Shares on 30 June 2021;

(iii) as to 20% of the Awarded Shares on 30 June 2022; and

(iv) as to 20% of the Awarded Shares on 30 June 2023.

The selected participants of Awarded Shares are not required to pay for the grant of any Awarded Shares under the Share Award Scheme, nor are they required to pay upon vesting of any Awarded Shares.

Details of the Awarded Shares granted to the connected persons under the Share Award Scheme as at the Latest Practicable Date are set out in the table below:

Name of grantees of the Awarded Shares	Positions held with the Group	Address	Number of Awarded Shares	Approximate percentage of interest in H Shares of the Company immediately following the Global Offering[(1)]
Directors of the Company and/or its subsidiaries				
Mr. Xiao Dongsheng (肖東生)	Executive Director	E6-2-202, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	300,000	0.085%
Mr. Ow Weng Cheong (區永昌)	Executive Director	Room 301, No. 11, Lane 600 Huangjincheng Road, Gubei Changning District Shanghai PRC	200,000	0.056%
Mr. Wang Jinsheng (王進聖)	Executive Director	F5-1-101, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	200,000	0.056%
Supervisors of the Company and/or its subsidiaries				
Mr. Lian Xianmin (廉憲敏)	Supervisor	Room 505, Unit 3, Block 11 Fengqiwan Fengqiwan 3 Xiangguang Road Shandong Province PRC	50,000	0.014%
Mr. Shi Lei (石磊)	Joint Company Secretary and Supervisor of Xingwen Tianyang and Yucheng Fengming	8th Floor, GMK Building Xiangguang ECO-Industrial Park Yanggu County Liaocheng City Shandong Province PRC	100,000	0.028%
A person who was a director of the Company's subsidiary in the last 12 months				
Mr. Wang Zhixian (汪之現)	Previous director of Xingwen Tianyang	F23-1-102, Fengqiwan Community Shifo Town, Yanggu County Liaocheng City Shandong Province PRC	80,000	0.023%
			930,000	**0.262%**

Note: The calculation is based on the approximate percentage of shareholding in H Shares immediately following the Global Offering, assuming the Over-allotment Option is not exercised.

G. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall upon any member of the Group.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to the Directors to be pending or threatened against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor, namely, Southwest Securities (HK) Capital Limited, has declared their independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on the Company's behalf to the Listing Committee for listing of, and permission to deal in, the H Shares. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

The Sole Sponsor's fees in connection with the Listing payable by the Company are estimated to amount to USD0.8 million subject to the terms of the engagement.

4. Compliance Adviser

The Company appointed Southwest Securities (HK) Capital Limited as the compliance adviser effective upon the Listing in compliance with Rules 3A.19 and 19A.05 of the Listing Rules.

5. Preliminary Expenses

We have not incurred any material preliminary expenses.

6. Qualifications of Experts

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

Name	Qualification
Southwest Securities (HK) Capital Limited	Licenced to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities under the SFO
JunHe LLP	Legal advisers to the Company as to PRC laws
Mori Hamada & Matsumoto	Legal advisers to the Company as to Japanese laws
BDO Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Biological assets valuer and property valuer
PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. Beijing Branch	Food safety consultant
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

7. Tax and Other Indemnities

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of the Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix IV — Taxation and Foreign Exchange".

The Controlling Shareholders have entered into the Undertaking of Indemnity with and in favour of the Group (being the contract referred to in "— C. Further Information about The Business — 1. Summary of Material Contracts" above) to provide indemnities on a joint and several basis in respect of, among other matters,

(a) any taxation or fees falling on any members of the Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the Listing Date;

(b) any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

(c) non-compliances of any of the members of the Group which has occurred on or before the Listing Date.

Under Undertaking of Indemnity, the Controlling Shareholders have also agreed and undertaken to each members of the Group on a joint and several basis that they would indemnify and at all times keep the same indemnified on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties and expenses incurred or suffered by the Company or any members of the Group resulting from any and all of the non-compliances of any of the members of the Group with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance or other applicable laws, rules or regulations in their respective place of incorporations or operation which has occurred at any time during the Track Record Period and on the Listing Date.

However, the indemnities given by the Controlling Shareholders under the Undertaking of Indemnity do not cover, and the Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

(a) to the extent that provision has been made therefor in the consolidated audited accounts of the Group or the audited accounts of any of the members of the Group for the four years ended 31 December 2016, 2017, 2018 and 2019;

(b) falling on any members of the Group on or after 31 December 2019 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, the Controlling Shareholders or any members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:

    (i) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the Listing Date; or

    (ii) pursuant to a legally binding commitment created on or before the date of the deed of indemnity or pursuant to any statement of intention made in this prospectus;

(c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong, the PRC or elsewhere), including without limitation the Inland Revenue Department and the tax bureau of the PRC, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect;

(d) to the extent that such liability is discharged by another person who is not a member of the Group and that none of the member of the Group is required to reimburse such person in respect of the discharge of such liability; or

(e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in Clause (a) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the liability of the Controlling Shareholders in their capacity as the Controlling Shareholders in respect of such liability shall not be available in respect of any such liability arising thereafter.

8. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2019 (being the date to which the latest audited combined financial statements of the Group were prepared).

9. Consent of Experts

Each of the Sole Sponsor, JunHe LLP, Mori Hamada & Matsumoto, BDO Limited, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. Beijing Branch and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion and/or legal memorandum and/or findings and assessments (as the case may be) and references to its name included in the form and context in which it respectively appears. None of the experts named above has any shareholding interests in the Company or any of the subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of the subsidiaries as at the Latest Practicable Date.

10. Binding Effect

This prospectus 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.

11. Miscellaneous

(a) Save as disclosed in “History and Development”, “Share Capital”, “Structure of the Global Offering” and in this prospectus, within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founders, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) Save as disclosed in this prospectus, none of the equity and debt securities of the Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) The Company has no outstanding convertible debt securities or debentures.

(f) None of the Sole Sponsor, JunHe LLP, Mori Hamada & Matsumoto, BDO Limited, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. Beijing Branch and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.:

   (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

   (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Hong Kong Underwriting Agreement.

(g) Save as disclosed in this prospectus, no company within the Group is presently listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought.

(h) The English text of the Application Forms shall prevail over their respective Chinese text.

(i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

12. Promoters

The Promoters of the Company are GMK Holdings and Fengxiang Investment.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

13. Personal Guarantees

Save as disclosed in this prospectus, as at the Latest Practicable Date, the Directors and Supervisors had not provided personal guarantees in favour of lenders in connection with banking facilities granted to us. See “Relationship with Controlling Shareholders — Independence from the Controlling Shareholders — Financial Independence” for details.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of

Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This prospectus is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language of this prospectus and the Chinese translation, the English language version of this prospectus shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in "Appendix VII — Statutory and General Information — C. Further Information About the Business — 1. Summary of Material Contracts"; and

(c) the written consents referred to in "Appendix VII — Statutory and General Information — G. Other Information — 9. Consents of Experts".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Fangda Partners at 26th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which are 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report on financial information of the Group for the four years ended 31 December 2016, 2017, 2018 and 2019 prepared by BDO Limited, the texts of which is set out in "Appendix I — Accountants' Report";

(c) the consolidated audited financial statements of the Company for the four years ended 31 December 2016, 2017, 2018 and 2019;

(d) the independent reporting accountants' assurance report on the compilation of unaudited pro forma financial information of the Group prepared by BDO Limited, the texts of which are set out in "Appendix II — Unaudited Pro Forma Financial Information";

(e) the letter, summary of valuation and valuation certificates relating to the property interests of the Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts or extracts of which are set out in "Appendix III — Property Valuation" and the full Valuation Report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited set out in "Appendix III — Property Valuation";

(f) the PRC legal opinion issued by JunHe LLP, the Company's PRC Legal Advisers, in respect of, among other things, certain matters in respect of the Group under PRC laws;

(g) the Japan legal opinion issued by Mori Hamada & Matsumoto, the Company's Japan Legal Advisers, in respect of, among other things, certain matters in respect of the Group under Japanese laws;

(h) the PRC Company Law, the Special Regulations and the Mandatory Provisions, together with the unofficial English translations thereof;

(i) the service contracts referred to in "Appendix VII — Statutory and General Information — D. Further Information About the Directors and Supervisors — I. Particulars of Directors' and Supervisors' Contracts";

(j) the material contracts referred to in "Appendix VII — Statutory and General Information — C. Further Information About the Business — 1. Summary of Material Contracts";

(k) the written consents referred to in "Appendix VII — Statutory and General Information — G. Other Information — 9. Consents of Experts";

(l) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in "Industry Overview";

(m) the valuation report relating to biological assets and agricultural produce prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited referred to in "Financial Information"; and

(n) the food safety management insight report prepared by PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. Beijing Branch referred to in "Business".

凤祥食品

山東鳳祥股份有限公司
Shandong Fengxiang Co., Ltd.*