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DEKON FOOD AND AGRICULTURE GROUP

四川德康農牧食品集團股份有限公司

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

(Stock Code: 2419)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

	For the year ended 31 December			
	2023	Average selling price ⁽²⁾	2022	Average selling price ⁽²⁾
Key operating data	Sales volume (heads)	(RMB)	Sales volume (heads)	(RMB)
Sales of pigs				
Market hogs	6,659,735 ⁽¹⁾	1,832	4,972,795	2,317
Breeding pigs	21,407	2,341	32,643	2,124
Market piglets	402,477	415	426,993	354
Sales of poultry	(birds or eggs)		(birds or eggs)	
Yellow-feathered broilers	88,733,327	36.6	78,599,963	39.6
Chicks and eggs	99,086,155	0.9	97,371,773	1.1

Key financial data	2023	2022
	RMB'000	RMB'000
Revenue	16,155,412	15,037,027
(Loss)/profit before taxation	(1,991,781)	910,435
<i>Income tax</i>	<u>(355)</u>	<u>(680)</u>
(Loss)/profit and total comprehensive income for the year	<u>(1,992,136)</u>	<u>909,755</u>
Attributable to:		
Equity shareholders of the Company	(1,775,126)	992,866
Non-controlling interests	<u>(217,010)</u>	<u>(83,111)</u>
(Loss)/profit and total comprehensive income for the year	<u>(1,992,136)</u>	<u>909,755</u>
(Loss)/earnings per share⁽³⁾		
Basic and diluted (<i>RMB</i>)	(4.88)	2.74
(Loss)/profit and total comprehensive income for the year before biological assets fair value adjustments⁽⁴⁾	<u>(1,278,520)</u>	<u>604,960</u>
<i>Notes:</i>		
(1) In 2023, we sold 6,659,735 heads of market hogs in total, among which 6,565,280 heads of market hogs were sold to external customers, and 94,455 heads were first sold internally to our slaughterhouses for processing and then sold to external customers.		
(2) Average selling price represents the revenue for the year divided by the external sales volume of the product category for the respective year.		
(3) The (loss)/earnings per share represents the profit/(loss) attributable to the equity shareholders of the Company divided by the weighted average number of ordinary shares for the year.		
(4) The (loss)/profit and total comprehensive income for the year before biological assets fair value adjustments represents (loss)/profit and total comprehensive income net off changes in fair value of biological assets.		

The board (the “**Board**”) of directors (the “**Directors**”) of Dekon Food and Agriculture Group (the “**Company**”) is pleased to announce the consolidated results and the financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”) prepared in accordance with IFRS, together with the consolidated results and financial position for the year of 2022 for comparison. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated 27 November 2023 issued by the Company (the “**Prospectus**”).

The audited financial statements of the Group as of 31 December 2023 have been reviewed by the independent auditor of the Company, the Board and the audit committee of the Company.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 31 December 2023

(Expressed in Renminbi (“RMB”))

	<i>Note</i>	2023 RMB’000	2022 <i>RMB’000</i>
Revenue	3	16,155,412	15,037,027
Cost of sales		<u>(16,035,739)</u>	<u>(12,968,848)</u>
Gross profit		119,673	2,068,179
Changes in fair value of biological assets		(713,616)	304,795
Gain arising from biological assets at fair value less costs to sell at the point of harvest		4,782	—
Other net income	4	454,299	110,894
Selling expense		(109,896)	(80,275)
Administrative expenses		(1,288,119)	(1,058,172)
Provision for expected credit loss of trade and other receivables		<u>(17,287)</u>	<u>(13,332)</u>
(Loss)/profit from operations		(1,550,164)	1,332,089
Finance cost	5(a)	(441,521)	(405,272)
Share of losses of associates		<u>(96)</u>	<u>(16,382)</u>
(Loss)/profit before taxation		(1,991,781)	910,435
Income tax	6	<u>(355)</u>	<u>(680)</u>
(Loss)/profit and total comprehensive income for the year		<u>(1,992,136)</u>	<u>909,755</u>
Attributable to:			
Equity shareholders of the Company		(1,775,126)	992,866
Non-controlling interests		<u>(217,010)</u>	<u>(83,111)</u>
(Loss)/profit and total comprehensive income for the year		<u>(1,992,136)</u>	<u>909,755</u>
(Loss)/earnings per share	7		
Basic and diluted (RMB)		<u>(4.88)</u>	<u>2.74</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		9,687,160	9,095,923
Non-current biological assets		1,076,445	946,361
Intangible assets		2,918	3,166
Goodwill		14,730	14,730
Interests in associates		5,154	—
Deferred tax assets		14	2
Other non-current assets		21,211	25,662
		<u>10,807,632</u>	<u>10,085,844</u>
Current assets			
Inventories		706,532	707,180
Current biological assets		3,846,424	4,462,752
Trade receivables	8	7,304	13,434
Prepayments, deposits and other receivables	9	427,258	413,418
Financial assets at fair value through profit or loss (“FVPL”)		665	352,721
Derivative financial instruments		93,793	—
Restricted deposits		499,794	421,853
Cash and cash equivalents		2,544,830	2,843,255
		<u>8,126,600</u>	<u>9,214,613</u>
Current liabilities			
Trade and bills payables	10	1,890,967	1,488,010
Accruals and other payables		3,802,249	3,060,906
Interest-bearing borrowings		3,891,422	4,455,510
Lease liabilities		95,235	76,925
Derivative financial instruments		10,028	2,485
Current taxation		719	560
		<u>9,690,620</u>	<u>9,084,396</u>
Net current (liabilities)/assets		<u>(1,564,020)</u>	<u>130,217</u>
Total assets less current liabilities		<u>9,243,612</u>	<u>10,216,061</u>

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current liabilities			
Interest-bearing borrowings		2,207,667	2,440,271
Lease liabilities		2,383,322	2,047,050
Deferred income		797,560	660,738
Other non-current liabilities		—	4,200
		<u>5,388,549</u>	<u>5,152,259</u>
NET ASSETS		<u>3,855,063</u>	<u>5,063,802</u>
CAPITAL AND RESERVES			
Share capital	11(b)	388,876	361,964
Reserves		<u>3,562,732</u>	<u>4,607,673</u>
Total equity attributable to equity shareholders of the Company		3,951,608	4,969,637
Non-controlling interests		<u>(96,545)</u>	<u>94,165</u>
TOTAL EQUITY		<u>3,855,063</u>	<u>5,063,802</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB)

1 CORPORATE INFORMATION

四川德康農牧食品集團股份有限公司 (Dekon Food and Agriculture Group) (the “**Company**”) was established in the People’s Republic of China (the “**PRC**”) on 11 April 2014 as a private-owned enterprise with limited liability. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 December 2023 (the “**Listing Date**”).

The Company and its subsidiaries are principally engaged in: (i) providing market hogs, breeding pigs, market piglets and boar semen; (ii) providing yellow-feathered broilers, chicks and eggs; and (iii) providing ancillary products such as ingredients, fresh meat and others.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has adopted all applicable new and revised accounting standards except for any amendments that are not yet effective for the accounting period beginning on 1 January 2023.

(b) Basis of preparation of financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in associates.

As at 31 December 2023, the Group had net current liabilities of RMB1,564,020,000. The financial statements has been prepared on a going concern basis, because the directors of the Company are of the opinion that based on a cash flow forecast of the Group prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 31 December 2023. Meanwhile, the Group has maintained long-term strong business relationship with its major banks and financial institutions to get enough bank facilities and continuing support. Accordingly, the directors of the Company consider it appropriate to prepare the financial statements on a going concern basis.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that are stated at their fair value.

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

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

3 REVENUE

Revenue

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by product line:		
Sales of pigs and related products	12,254,966	11,745,056
Sales of poultry and related products	3,332,979	3,215,336
Sales of ancillary products	567,467	76,635
	<u>16,155,412</u>	<u>15,037,027</u>

Revenue from contracts with customers is recognised at a point in time when the customers obtain control of promised goods. During the years ended 31 December 2023, no revenue from a single external customer accounts for 10% or more of the Group's revenue (2022: nil).

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised.

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group's sales contracts have an original expected duration of less than one year.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component as the period between when the Group transfers a promised goods to a customer and when the customer pays for that goods will be one year or less.

4 OTHER NET INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	47,071	30,455
Government grants	82,265	74,042
Net loss on disposal of interests in subsidiaries	—	(852)
Loss on disposal of property, plant and equipment and intangible assets	(8,945)	(215)
Net gain on disposal of biological assets, net of insurance compensation recovered during the year	132,123	66,274
Change in fair value of financial assets at FVPL	6,751	6,063
Change in fair value of unlisted equity investments	(715)	(120)
Change in fair value of derivative financial instruments	196,962	(53,973)
Others	(1,213)	(10,780)
	<u>454,299</u>	<u>110,894</u>

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on interest-bearing borrowings	307,573	294,236
Interest on lease liabilities	160,566	149,780
	<u>468,139</u>	<u>444,016</u>
Less: interest expense capitalised*	(26,618)	(38,744)
	<u>441,521</u>	<u>405,272</u>

* The borrowing costs have been capitalised at a rate of 4.00%–4.85% per annum in 2023 (2022: 4.65%–4.75%).

(b) Staff costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and other benefits	1,092,711	910,600
Contributions to defined contribution retirement plan	81,532	67,116
Equity-settled share-based payment expenses	—	3,579
	<u>1,174,243</u>	<u>981,295</u>

The employees of the entities comprising the Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these entities are required to contribute to the scheme at a rate of 14%–16% of the minimum local base of retirement schemes. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement scheme at their normal retirement age.

Contributions to the retirement benefit scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution. The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amortisation cost of intangible assets [#]	1,877	797
Depreciation charge [#]		
— owned property, plant and equipment	581,887	492,816
— right-of-use assets	263,509	231,072
	<u>845,396</u>	<u>723,888</u>
Listing expenses	37,707	4,811
Auditors' remuneration		
— audit services	3,600	100
— other services*	11,950	5,684
Research and development expense	219,111	196,648
Cost of sale of biological assets [#]	15,454,004	12,899,678
Cost of inventories [#]	581,735	69,170

[#] Cost of sale of biological assets and inventories includes RMB1,244,611,000 (2022: RMB982,996,000) relating to staff costs, depreciation and amortisation expenses which are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

* Other services included RMB7,041,000 (2022: RMB1,059,000) which is also included in the listing expenses disclosed separately above.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
Provision for the year	367	681
Deferred tax		
Origination and reversed of temporary differences	<u>(12)</u>	<u>(1)</u>
	<u>355</u>	<u>680</u>

Notes:

- (i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% during the years ended 31 December 2023 (2022: 25%).
- (ii) Pursuant to the article 27 of Law of the People's Republic of China on Enterprise Income Tax (No. 63 Order of the President of the People's Republic of China), certain subsidiaries are entitled to full income tax exemptions on their animal husbandry business. Effect of tax losses incurred for agricultural business is the tax losses for those subsidiaries which are entitled to full income tax exemptions.

7 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company of RMB(1,775,126,000) for the year ended 31 December 2023 (2022: RMB992,866,000) and the weighted average number of ordinary shares in issue during the year of 363,881,000 shares (2022: 361,964,000 shares).

(a) **Weighted average number of shares**

Weighted average number of ordinary shares

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Ordinary shares at 1 January	361,964	361,964
Effect of ordinary shares issued	<u>1,917</u>	<u>—</u>
Weighted average number of ordinary shares	<u>363,881</u>	<u>361,964</u>

The Company did not have any potential dilutive shares throughout the years ended 31 December 2023 and 2022. Accordingly, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

8 TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables due from:		
— related parties	32	—
— third parties	<u>7,280</u>	<u>13,442</u>
	7,312	13,442
Less: expected credit loss	<u>(8)</u>	<u>(8)</u>
Total	<u><u>7,304</u></u>	<u><u>13,434</u></u>

All of the trade receivables, net of allowance for doubtful debts (if any), are expected to be recovered within one year.

All of the trade receivables were due upon issuing the invoices.

Ageing analysis

As of the end of reporting period, the ageing analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	6,156	9,959
1 to 2 years	895	3,473
2 to 3 years	<u>253</u>	<u>2</u>
	<u><u>7,304</u></u>	<u><u>13,434</u></u>

9 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Advances to contract farmers	38,025	43,451
Deposits	57,250	55,335
Loans and advances to local government	6,135	16,852
Prepayments for purchase of inventories	202,203	231,890
Prepaid expense	39,197	27,131
Prepayments for costs incurred in connection with the proposed initial public offering of the Company's shares (<i>Note (i)</i>)	—	15,681
Value-added-tax recoverable	58,087	14,411
Others	26,361	8,667
	<u>427,258</u>	<u>413,418</u>
Total	<u>427,258</u>	<u>413,418</u>

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

Note:

- (i) The balance at 31 December 2022 has been transferred to the capital reserve account within equity as the date of the listing of the Company's shares on the Stock Exchange.

10 TRADE AND BILLS PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables due to:		
— related parties	45,749	34,823
— third parties	1,696,210	1,453,187
	<u>1,741,959</u>	1,488,010
Bills payables	149,008	—
	<u>1,890,967</u>	<u>1,488,010</u>

As of the end of reporting period, the ageing analysis of trade and bills payables of the Group, based on the invoice date, is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,858,722	1,457,579
1–2 years	18,607	21,610
2–3 years	9,163	6,850
Over 3 years	4,475	1,971
	<u>1,890,967</u>	<u>1,488,010</u>

All of the trade and bills payables of the Group are or expected to be settled within one year or are payable on demand.

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year	<u>100,000</u>	<u>—</u>

(b) Share capital

	2023		2022	
	<i>Number of ordinary shares '000</i>	<i>Amount RMB'000</i>	<i>Number of ordinary shares '000</i>	<i>Amount RMB'000</i>
Issued and fully paid:				
At 1 January	361,964	361,964	361,964	361,964
Issuance of ordinary shares	<u>26,912</u>	<u>26,912</u>	<u>—</u>	<u>—</u>
At 31 December	<u>388,876</u>	<u>388,876</u>	<u>361,964</u>	<u>361,964</u>

On 6 December 2023, the Company issued an aggregation of 26,912,000 H shares with a par value of RMB1.00 each, at a price of HKD36.95 per each H share.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Company Profile

Company Introduction

The Company is a livestock and poultry breeding and farming enterprise and was listed on the main board of the Stock Exchange on 6 December 2023 (stock code: 2419).

Our business consists of three segments, namely pig, poultry, and ancillary products. Products of our pig segment mainly include market hogs, breeding pigs, market piglets and boar semen. Products of our poultry segment mainly include yellow-feathered broilers and chicks. Products of our ancillary segment mainly include feed ingredients, fresh meat and others. In addition to breeding and farming of pigs and yellow-feathered broilers at our own facilities, we also cooperate with farm owners in pig and poultry production. Our vertically integrated business model covers the industry value chain from feed production, breeding, multiplication, farming to sales of pigs and yellow-feathered broilers, which gives us a high degree of control over food quality and safety.

Segments Introduction

Pig Segment

Our pig products mainly include market hogs, breeding pigs, market piglets and boar semen. Market hogs and market piglets are pigs primarily held for trading and production of pork products, with market piglets being small market hogs. Pigs that are not selected as breeding pig candidates will be raised and sold as market hogs and market piglets. Our breeding pigs include purebred and crossbreeding pigs. As a result of our continuous effort to enhance our breeding stocks, the genetic performance of our breeding pigs has improved rapidly over the years. Boar semen is produced by breeding boars at our nucleus breeding farms. We produce boar semen for our internal pig breeding and production purposes. We also sell excess boar semen on the market.

Our pig farming is conducted under the No. 1 Family Farm, No. 2 Family Farm and Self-operated Farm models. No. 1 Family Farm model is a model under which farm owners fatten our weaned piglets. No. 2 Family Farm model is a model under which we cooperate with farm owners to raise sows, and to produce weaned piglets that are fattened either in the No. 2 Family Farm or nearby No. 1 Family Farms. The family farm models lower our overall capital investment and enhance our investment returns, thereby facilitating our scale expansion. Self-operated Farm model is a model under which we build the farm and employ labour force to carry out scaled breeding, fattening and other related process. This model has the advantage of high level of centralisation and standardisation, which allows us to implement an efficient management system.

Poultry Segment

The main products of our poultry segment include yellow-feathered broilers and chicks. We sell yellow-feathered broilers, which are mainly used for the production of chicken products. Our well-recognised brands mainly include “Lingnanhuang” (嶺南黃[®]), “Yupinfeng (御品鳳[®])”, “Xiangyuema (香粵麻[®])” and “Dexiang (德鄉[®])”. Among others, our Lingnanhuang (嶺南黃[®]) chickens have been recognised by the Ministry of Agriculture and Rural Affairs of the People’s Republic of China (中華人民共和國農業農村部) as the National Agricultural Leading Variety. We have a wide range of varieties that allow us to satisfy the diversifying market demand. In respect of yellow-feathered chicks, we sell parent stock day-old chick and commodity day-old chick, with wide range of varieties that allow us to satisfy the diversifying market demand.

We breed and select chicken breeders, and hatch fertile eggs in our own poultry farms and hatcheries. For broiler farming, we adopt the Poultry Family Farm model and Poultry Farming Base model. Poultry Family Farm model is a model under which family farms provide the land and facilities and raise the yellow-feathered broilers according to our standards, while we provide chicks, feed, medicines and technical support. Poultry Farming Base model is a model under which we build facilities by ourselves and lease the land and facilities to farm owners while the farm owners raise the yellow-feathered broilers.

Ancillary Products Segment

We also sell ancillary products that are generated in the course of our production, which mainly include feed ingredients, fresh meat and others. In October 2023, our slaughterhouses commenced operations, and we expanded our business to production and sales of fresh meat. The price of feed ingredients is determined in accordance with the market condition, while we set the price of fresh meat daily for each sales region based on the market conditions in such region on that day. Our customers for feed ingredients are mainly trading companies and feed manufacturers, and our customers for fresh meat are mainly butchers in farmers' markets, distributors of school meals, fresh supermarket distributors and food processing factories.

II. Market Overview

China has enjoyed steady economic growth over the past five years. One of the changes has been the sustained growth in meat consumption. Despite the impacts of COVID-19 and African Swine Fever, China's overall meat consumption is growing steadily, and the meat consumption momentum is expected to continue as disposable income increases. Driven by the solid growth of China's economy and disposable income, Chinese people's per capita annual expenditure on meat products increased from RMB24,538 in 2022 to RMB26,796 in 2023.

China has the world's largest pork production and consumption in 2023, accounting for approximately 50% of each of the world's pork production and consumption. Pork is currently the most consumed meat in China, with approximately 30.5 kilograms per capita in 2023, and poultry is the second most commonly consumed meat. According to the National Bureau of Statistics, pig production volume in China was 727 million heads in 2023, representing a year-on-year increase of 3.8%, and total pork output was 57.9 million tons, representing a year-on-year increase of 4.6%. This was attributable to steady consumer demand for pork and the gradual waning of impacts of the African Swine Fever.

Due to the sufficient supply of market hogs and lower-than-expected demands, the average selling price of market hogs across the industry remained low in 2023. The average selling price of market hogs in China in 2023 was RMB15.24/kg, representing a year-on-year decrease of 19.4% from 2022.

III. Results of Operation

In 2023, our loss before biological assets fair value adjustments amounted to RMB1,279 million, as compared with a profit before biological assets fair value adjustments of RMB605 million in 2022, which was mainly due to a slump in the pig price in 2023 where the average selling price decreased 19.4% compared to the same period in 2022, and a decrease of approximately 10% in the average selling price of commodity chickens compared to 2022.

However, we managed to mitigate our losses by staying committed to (i) production management through implementing cost reduction and efficiency measures such as the use of advanced breeding technologies and facilities and putting more breeding pigs with better production performance into production which reduced the cost of feed per head of market hog, (ii) ramping up production efficiency and production capacity utilisation which was also in line with the relevant industry trend of scaled pig farming companies gaining greater market shares and (iii) elevating our brand recognition and reputation through marketing strategies.

During the reporting period, we reported a total net loss of RMB1,992 million after biological assets fair value adjustments, as compared with a total net profit of RMB910 million after biological assets fair value adjustments in 2022.

Pig Segment

Prioritising Effective Management and Production Efficiency

In 2023, our pig segment revenue reached RMB12,255 million, representing an increase of 4.3% year-on-year. In light of various external challenges, we remained committed to enhancing our internal capabilities. This involved rigorous internal benchmarking and the implementation of resident management practices to bridge the gap in breeding outcomes. Additionally, we strategically optimised our management team and introduced precise incentive measures to harness the enthusiasm and accountability of front-line employees. Furthermore, we intensified efforts in market research and raw material analysis for procurement, with the goal of achieving efficient cost control of our feed.

Ample stock of nucleus and multiplication herd allow us to ramp up production in line with changes in market demands

As of the end of 2023, we had two national-level core pig breeding farms. As at the same date, we had a nucleus herd of approximately 14,800 breeding pigs (including gilts and studs) and 148,100 purebred breeding pigs. Our ample stock of nucleus and multiplication herd provides adequate resources of piglets and DOCs, which afford us our core cost competitiveness and enable us to increase profitability by swiftly ramping up production when pork and chicken prices rise.

Mature and standardised farming models continue to increase our market penetration within China

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

system developed in our self-operated farms can be applied across our family farms. As a result, new farm owners continue to join and cooperate with us, thereby facilitating our penetration and expansion in rural areas in China.

Poultry Segment

In 2023, our poultry segment revenue amounted to RMB3,333 million, which rose by 3.7% year-on-year, which was largely attributable to our increase in sales volume of yellow-feathered broilers. During the reporting period, our total sales volume of our yellow-feathered broilers increased in line with an increase in our overall production scale as we ramped up production in response to rising market prices of our poultry products.

Ancillary Products Segment

In 2023, our ancillary products segment revenue amounted to RMB567 million, which rose by 640.5% year-on-year due to the increase in sales of feed ingredients and the commencement of our fresh meat business. We continue to adopt a centralised procurement strategy with the majority of our raw materials are purchased in bulk by the headquarters through centralised procurement, which allows us to leverage economies of scale, reduce overall procurement cost and achieve greater efficiency with respect to the sales of our ancillary products.

IV. Financial Review

Revenue

In 2023, our revenue was RMB16,155 million, representing an increase of 7.4% as compared with RMB15,037 million for 2022. It was mainly attributable to the increase in revenue for our pig segment for reasons as described above.

Cost of Sales

In 2023, our cost of sales was RMB16,036 million, representing an increase of 23.6% as compared with RMB12,969 million for 2022. It was mainly attributable to an increase in the sales volume of market hogs and poultry during the year.

Gross Profit Margin

Our overall gross profit margin decreased from 13.8% for 2022 to 0.7% for the year 2023. It was mainly attributable to the decrease in the average selling price of pigs from RMB18.31 per kilogram in 2022 to RMB14.75 per kilogram in 2023, representing a decrease of 19.5%, and the decrease in the average selling price of commodity chickens, which declined by approximately 10% as compared with that in 2022.

Changes in Fair Value of Biological Assets

In 2023, we recorded losses arising from changes in fair value of biological assets of RMB714 million as compared to gains of RMB305 million in 2022. The losses recorded were mainly attributable to the decrease in appraisal value of pigs in 2023 primarily arising from the decrease in market price.

Other Net Income

In 2023, our other net income was RMB454 million, representing an increase of 309.7% as compared with RMB111 million for 2022. It was mainly attributable to (i) a net gain on disposal of biological assets, net of insurance compensation; (ii) an increase in interest income from deposit of bank acceptance and bank deposits; and (iii) an increase in the income from futures and options products as hedge against the fluctuations in spot prices for market hog.

Selling Expenses

In 2023, our selling expenses amounted to RMB110 million, representing an increase of 36.9% as compared with RMB80 million for 2022. It was mainly attributable to an increase in transportation costs caused by an increase in sales volume of our pig and poultry products.

Administrative Expenses

In 2023, our administrative expenses amounted to RMB1,288 million, representing an increase of 21.7% as compared with RMB1,058 million for 2022. It was mainly attributable to (i) the increase in our depreciation and amortisation in connection with our office buildings and equipment; (ii) the increase in pig death and pig price insurance purchased and accordingly, the total cost of insurance premium as we anticipated greater net price fluctuations of our pigs, and greater overall number of pig deaths in line with an increase in the scale of our production; and (iii) the increase in our R&D costs as we carried out more R&D activities in connection with our breeding and feed production.

Finance Costs

In 2023, our finance costs amounted to RMB442 million, representing an increase of 8.9% as compared with RMB405 million in 2022, mainly due to the increase in our borrowing as a result of the expansion of our breeding and farming scale.

(Loss)/Profit for the Year

For the reasons above, we recorded a loss of RMB1,279 million before biological assets fair value adjustments during 2023, as compared with the profit of RMB605 million before biological assets fair value adjustments in 2022.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this announcement, the Group had neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries, associates and joint ventures in 2023.

Major Financial Ratios

The financial ratios of the Group as at 31 December 2023 and 31 December 2022 are set forth below:

	31 December 2023	31 December 2022
Return on equity ⁽¹⁾	(51.7)%	18.0%
Return on total assets ⁽²⁾	(10.5)%	4.7%
Current ratio ⁽³⁾	0.8	1.0
Quick ratio ⁽⁴⁾	0.8	0.9
Gearing ratio ⁽⁵⁾	222.5%	178.1%
Debt-to-equity ratio ⁽⁶⁾	143.5%	113.6%
Interest coverage ⁽⁷⁾	(3.5)	3.2

Notes:

- (1) Equals profit/loss for the year divided by the closing balance of total equity as at the balance sheet date and multiplied by 100%.
- (2) Equals profit/loss for the year divided by the closing balance of total assets as at the balance sheet date and multiplied by 100%.
- (3) Equals current assets divided by current liabilities as at the balance sheet date.
- (4) Equals current assets minus inventories, then divided by current liabilities as at the balance sheet date.

- (5) Equals total interest-bearing borrowings plus lease liabilities, divided by total equity at the balance sheet date.
- (6) Equals net debts divided by total equity as at the balance sheet date and multiplied by 100%. The net debts are defined as the sum of interest-bearing borrowings and lease liabilities net of cash and cash equivalents.
- (7) Equals profit/loss before interest and tax divided by interest.

Analysis on Capital Resources

Liquidity and Capital Resources

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

As at 31 December 2023, we owned cash and cash equivalents of approximately RMB2,545 million (31 December 2022: approximately RMB2,843 million). The cash and cash equivalents remained largely stable.

As at 31 December 2023, our current ratio was 0.8 (31 December 2022: 1.0). As at 31 December 2023, our unused bank credit facilities were RMB4,775 million.

EBITDA and Cash Flow

Our operation capital mainly came from cash generated from operation activities, investing activities, bank borrowings and shareholders' capital contributions. Our cash demand was mainly borne on production and operation activities, capital expenditure, repayment of matured liabilities, repayment of lease rentals, interest payment and dividend payment.

In 2023, the EBITDA of the Group (before biological assets fair value adjustments)⁽¹⁾ was RMB9 million (2022: RMB1,734 million).

In 2023, net cash generated in our operating activities was RMB742 million (generated during 2022: RMB2,192 million). Net cash used in our investment activities was RMB692 million (used during 2022: RMB1,246 million), including RMB1,125 million for the purchase of property, plant and equipment (2022: RMB1,014 million). Net cash used in our financing activities was RMB346 million (generated during 2022: RMB89 million). In summary, in 2023, our net decrease in cash and cash equivalents was RMB296 million.

Capital Structure

As at 31 December 2023, the total number of issued shares of the Company is 388,875,636 Shares, including 322,755,952 Domestic Shares and 66,119,684 H Shares.

As at 31 December 2023, the Group had bank loans and other loans of approximately RMB6,099 million (31 December 2022: approximately RMB6,896 million). The annual interest rate on bank loans ranged from 2.85% to 5.70% (31 December 2022: from 2.10% to 5.98%). Most of the bank loans were based on variable interest rates.

Notes:

- (1) The EBITDA of the Group (before biological assets fair value adjustments) refers to the aggregate amount of profit/loss for the period (before biological assets fair value adjustments), income tax expenses, finance costs and depreciation and amortisation, among which depreciation and amortisation refer to the total amount of depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortisation of intangible assets.

The interests-bearing borrowings were repayable as follows:

	31 December 2023 (RMB in million)	31 December 2022 (RMB in million)
Within 1 year	3,891	4,456
1 to 2 years	1,323	1,187
3 to 5 years	764	1,168
Over 5 years	121	85
Total	<u>6,099</u>	<u>6,896</u>

Details of the fixed-rate borrowings and variable-rate borrowings are as follows:

	31 December 2023 (RMB in million)	31 December 2022 (RMB in million)
Fixed-rate borrowings	2,507	3,133
Variable-rate borrowing	3,592	3,763
Total	<u>6,099</u>	<u>6,896</u>

As at 31 December 2023, the Group had loans from related parties of approximately RMB54 million (31 December 2022: approximately RMB52 million).

As at December 31, 2023, the Group had net assets of approximately RMB3,855 million (31 December 2022: net assets of approximately RMB5,064 million). Net debts⁽¹⁾ of the Group amounted to approximately RMB5,533 million (31 December 2022: approximately RMB5,755 million), while the net debt-to-equity ratio was approximately 143.5% (31 December 2022: approximately 113.6%).

Note:

- (1) The net debts are defined as the sum of interest-bearing borrowings and lease liabilities net of cash and cash equivalents. Debt to equity ratio is calculated as net debts divided by total equity as at the respective reporting dates.

Pledge of Assets

As at 31 December 2023, part of the Group's bank loan was secured by property, plant and equipment with book value of RMB265 million (31 December 2022: nil).

Contingent Liabilities

As at 31 December 2022 and 2023, the Group had no significant contingent liabilities.

Capital Expenditure

Our capital expenditure primarily comprised of expenditures for the construction and upgrades of our production and ancillary facilities. We funded our capital expenditures primarily with shareholders' capital contributions, borrowings and operating activities. In 2023, the Group's capital expenditure was RMB1,125 million (2022: RMB1,014 million). The following table sets forth our capital expenditure for the years indicated:

	2023 (RMB in million)	2022 (RMB in million)
Payments for property, plant and equipment	<u>1,125</u>	<u>1,014</u>
Total	<u>1,125</u>	<u>1,014</u>

In 2023, our demand for capital expenditure mainly came from construction of the slaughterhouses for food business, construction of the feed mills and the project balance payable for breeding farms construction.

Capital Commitment

Capital commitment of the Group is mainly related to the purchase of property, plant and equipment in connection with our production. As at 31 December 2023, capital commitment of the Group was RMB308 million (31 December 2022: RMB873 million).

Biological Assets

Biological assets of the Group primarily consist of commodity hogs, commodity chickens, chicken breeders and breeding pigs. The fair value of our biological assets was RMB4,923 million as at 31 December 2023 and RMB5,409 million as at 31 December 2022. Our results have been and are expected to be affected by changes in fair value of biological assets. The net effect of adjustment in fair value of biological assets on profit was a loss of RMB714 million during 2023 (2022: profit of RMB305 million).

Foreign Exchange Risks

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not our functional currency.

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. As of 31 December 2023, the Group had HKD652.5 million cash in bank which was generated from the Global Offering.

The Group does not hedge against any fluctuation in foreign currencies during the year.

V. Human Resources

As of 31 December 2023, we had 9,854 employees (2022: 8,202 employees), all of which were located in the PRC. Remuneration for employees was determined based on their job nature, personal performance and the market trends. We have formulated a Remuneration Committee to establish and review the policy and structure of the remuneration of our employees, and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management in accordance with industry standards, job requirements, personal performance. None of our employees is paid below the minimum wage standard set forth by the government. In 2023, total remuneration of our employees amounted to approximately RMB1,174 million (2022: RMB981 million).

The Group provides basic social insurance and housing accumulation fund for company employees as required by the PRC law.

VI. Significant Risks and Uncertainties

The results and business operations of the Group are affected by a number of risks and uncertainties directly or indirectly related to the business of the Group. Primary risk factors known to the Group are outlined as follows:

Epidemic Risks

The major threat to the development of animal husbandry is epidemic risks. We are subject to risks relating to our ability to maintain animal health and control diseases. An occurrence of swine diseases (such as African Swine Fever and PRRS, porcine circovirus, PED, pseudorabies, porcine parvovirus and porcine eperythrozoonosis), poultry diseases (such as foot-and-mouth disease and avian influenza) or any outbreak of other serious animal diseases or epidemics, might adversely impact our production and consumers' confidence in our production facilities. In 2023, we did not suffer from any material loss resulted from such diseases. Diseases affecting pigs can reduce the number of pigs produced, hamper the growth of pigs to finishing size, result in expensive medication and vaccination costs, require quarantine or disposal of infected pigs and, in extreme cases, cull large quantities of pigs and temporarily suspend our business operations in the affected facilities, any of which could adversely affect our production or our ability to sell our products.

To mitigate epidemic risks, the Group has developed and implemented strict biosecurity specifications for pig and chicken farm site selection, including terrain, separation of roads for entry and exit, and straight-line distance from dangerous areas (other farms, slaughter plants, biosafety disposal areas, garbage dumps, public roads). We formulate corresponding purification plans for our pig farms based on local investigations of different diseases, adopt strict biological safety measures, immune preventive measures, pathogenic testing, immune antibody monitoring, and achieve disease purification by weeding out infected animals and through separate breeding of separate herds. We comprehensively upgrade the environmental control equipment of the chicken house to stabilise air quality and temperature in the chicken house and reduce the risk of disease. We formulate immunisation procedures according to different seasons and regions and strictly manage immunisation operations to ensure that vaccine immunisation is in place.

Price Risks

Our results of operations are substantially affected by cyclical fluctuations in the selling prices of pigs and poultry products, which affect our revenue, and by fluctuations in the purchase prices of feed and feed ingredients, which affect our costs. Pig and poultry product prices typically fluctuate cyclically, reflecting changes in market demand and supply. The central frozen pork reserves is a tool the government uses to stabilise pig prices. When the pig prices experience significant drop, whether due to oversupply or other market factors, the government will purchase frozen pork from the market, which increases demand and helps to stabilise prices by improving confidence in the pig market. Conversely, during periods of high pig prices, the government can release reserves to counter inflationary pressures and help manage the supply and demand balance in order to avoid excessive price increases. The fluctuations in pig prices are primarily influenced by market supply and demand dynamics, and government intervention serves as a stabilising mechanism to ensure price stability and support the interests of both producers and consumers. Any significant release of the central frozen pork reserves would increase the market supply of pig products, which would in turn decrease the selling prices of pigs, and our business, results of operations and financial condition may then be adversely affected. Soybean meal and corn, which are our primary raw materials, have experienced volatility in selling prices in the global markets.

VII. Outlook

With the gradual stabilisation of the Chinese domestic consumption, the overall Chinese economy is expected to maintain a stable and positive trend. However, as the international geopolitical situation remains challenging, the external economic environment for China stays uncertain. In 2024, we will maintain a stable strategy, closely manage various risks and continue to carry out the following work:

- 1) We will steadily expand the production capacity of our core business. While operating and expanding our self-operated farms and No. 1 Family Farm in a steady manner, we will continue to expand the No. 2 Family Farm network and the scale of our pig farms by leveraging the No. 2 Family Farm model that we created as our core competitiveness. Through increased technology investment and improved breeding efficiency, we continuously improve our market position and cost advantages. At the same time, we will expand the production of yellow-feathered broilers and build the dual-drivers of our business of the pig segment and the poultry segment;

- 2) We will continue to invest in research and development and focus on cost management. Through nutrition improvement project and feed ingredient substitution, we will be able to reduce feeding costs while maintaining the essential conditions for optimal growth of the pigs. At the same time, we will keep improving our farming standards and product quality through genetic improvement, health management and disease prevention, which will also increase our farming efficiency and cost effectiveness;
- 3) We will incorporate the preventative measures for the African Swine Fever as part of our day-to-day operation. By implementing measures such as purifying the breeding source to prevent vertical transmission of diseases, managing livestock intestinal health, and adopting animal health products, we aim to strengthen our bio-safety management system and further enhance precision management, which then helps us to narrow the efficiency gap within our animal farms and strengthen our core competitive advantages;
- 4) We will fully leverage pig futures to hedge and mitigate operational risks; and
- 5) We will continue to invest in ESG initiatives. Through the “Hundred Villages and Million Pigs (百村百萬)” project, we will follow the national action plan for fertiliser reduction, put into practice the cycling of planting and farming, and create a benchmark for sustainable agricultural development.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

H Share Full Circulation

On 25 December 2023, the Company submitted an application to the CSRC in respect of the conversion of certain of its Domestic Shares into H shares, and the Company received a filing notice (the “**Filing Notice**”) issued by the CSRC regarding the Company’s proposed implementation of the H share full circulation on 17 January 2024. According to the Filing Notice, the Company had completed the filing with the CSRC in respect of the conversion of no more than 61,944,501 Domestic Shares (representing approximately 15.93% of the total issued share capital of the Company) into H shares which would be listed and traded on the Stock Exchange. On 22 January 2024, the Stock Exchange granted approval for the listing of and permission to deal in 61,944,501 H Shares, representing the maximum number of Domestic Shares to be converted to H Shares. On 30 January 2024, the conversion of 61,944,501 Domestic Shares into H Shares had been completed, and listing of such Shares on the Stock Exchange commenced on 31 January 2024.

For more related details, please refer to the Company’s announcements dated 26 December 2023, 19 January, 23 January and 30 January 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, we had 9,854 employees, all of which are located in the PRC. Our success depends on our ability to attract, retain and motivate qualified employees. To this end, as part of our human resource strategy, we are committed to building a competitive talent team. We offer our employees competitive remuneration package. Employee remuneration package includes salary, bonus and allowance. In accordance with PRC laws and regulations, we participate in social insurance schemes operated by relevant local government authorities and maintain mandatory pension contribution schemes, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for employees. We also pay housing provident fund contributions for our employees. In addition, we provide continuous education and training courses to our employees to improve their skills and develop their potential. We have also adopted evaluation programmes based on which employees can receive feedback. We promote strong employee relationships by providing various employee benefits and personal development support.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023.

USE OF PROCEEDS FROM THE LISTING

The Company's H Shares were listed on the Main Board of the Stock Exchange on 6 December 2023. The net proceeds from the Global Offering were approximately HKD952.5 million after deducting underwriting commissions and offering expenses paid or payable as of 31 December 2023. We intend to use the proceeds from the Global Offering according to the purposes and proportions disclosed in the Prospectus. See the table below for details:

Purpose	Approximate percentage of the total net proceeds (%)	Net proceeds from the Global Offering (HK\$ million)	Net proceeds utilised as of 31 December 2023 (HK\$ million)	Remaining net proceeds as of 31 December 2023 ⁽¹⁾ (HK\$ million)	Expected timeline for fully utilising unutilised net amount
Expanding the existing pigs and yellow-feathered broilers farming business	50.00%	476.3	—	476.3	by end of 2026
Developing the food processing business	15.00%	142.9	—	142.9	by end of 2025
Investment in the R&D and information technology system	10.00%	95.3	—	95.3	by end of 2026
Strategic investments or potential acquisitions	10.00%	95.3	—	95.3	N/A
Repaying certain outstanding bank loans	5.00%	47.6	—	47.6	N/A
Working capital and general corporate purposes	10.00%	95.3	0.012	95.2	N/A
Total	100.00%	952.5	0.012	952.5	

Since the Listing Date and as at 31 December 2023, the Group has utilised approximately HKD12,000 of the proceeds for general corporate purposes. The Group will gradually utilise the proceeds from the Global Offering in accordance with the intended purposes as mentioned above.

Note:

- (1) Numbers have been subject to rounding. Any discrepancy between the total and the sum of the amounts listed is due to rounding.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strengthen accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Group has complied with the code provisions contained in the CG Code during the period from the Listing Date up to 31 December 2023.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as a code of conduct for securities transactions by the directors and supervisors. The Company has made specific enquiries with each Director and Supervisor and each of them confirmed that he or she had complied with all required standards under the Model Code since the Listing Date and up to 31 December 2023.

No incident of non-compliance of the Model Code by the employees was noted by the Company for the Reporting Period.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period from the Listing Date up to 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Sufficiency of public float

The Stock Exchange has granted the Company a waiver from strict compliance with the requirement under Rule 8.08(1) of the Listing Rules to reduce the minimum public float of our Company to 17.00%.

Upon the completion of the H Share Conversion and Listing on 31 January 2024, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the aforementioned minimum public float required by the Stock Exchange since the Listing Date and as of the date of this announcement.

Audit Committee and Review of Financial Information

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the CG Code to assist the Board by providing independent views on the effectiveness of the financial reporting system, risk management and internal control system of the Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board. The Audit Committee consists of three members, namely Mr. Fung Che Wai, Anthony, Mr. Zhu Qing and Ms. Liu Shan. Mr. Fung Che Wai, Anthony has been appointed as the chairman of the Audit Committee and is our independent non-executive Director with the appropriate professional qualifications.

The Audit Committee has reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 December 2023 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and KPMG, the auditor of the Company (the “**Auditor**”).

Scope of Work of KPMG

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary results announcement have been agreed by the Group’s auditor, KPMG, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary results announcement.

Annual General Meeting

The annual general meeting (the “**AGM**”) of the Company will be held on 10 May 2024. A notice convening the AGM will be published on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company at (www.dekanggroup.com) in due course in the manner prescribed by the Listing Rules.

Closure of Register of Members

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7 May 2024 to 10 May 2024 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders should lodge all completed transfer documents accompanied by the relevant share certificates to the H Share Registrar of the Company at Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for holders of H Shares), or to the Company's registered office, at Unit 901-909, 9th Floor, Building 2, Chengdu East Aviation Centre, 32 Lingang Road, Shuangliu District, Chengdu, Sichuan Province, PRC (for holders of Domestic Shares) no later than 4:30 p.m. 6 May 2024 for handling registration procedures.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dekanggroup.com. The annual report of the Group for the year ended 31 December 2023 will be published on the aforesaid websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its gratitude to all of our customers, suppliers, and all Shareholders for their understanding, support and trust, with which all employees of the Group will continue to work diligently as one in the long run.

By order of the Board
Dekon Food and Agriculture Group
四川德康農牧食品集團股份有限公司
Wang Dehui

Chairman of the Board and Executive Director

People's Republic of China, 25 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. Wang Dehui, Mr. Wang Degen, Mr. Yao Hailong, Mr. Hu Wei and Mr. Zeng Min; the non-executive director of the Company is Ms. Liu Shan; and the independent non-executive directors of the Company are Mr. Pan Ying, Mr. Zhu Qing and Mr. Fung Che Wai, Anthony.