



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

(於中華人民共和國註冊成立的股份有限公司)  
(A joint stock company incorporated in the People's Republic of China with limited liability)

股份代號 STOCK CODE : 2419



**2024**

**中期報告**

INTERIM REPORT

# CONTENTS

Corporate Information	2
Financial Highlights	3
Definitions	4
Glossary and Technical Terms	6
Management Discussion and Analysis	7
Corporate Governance and Other Information	19
Independent Review Report	27
Consolidated Statement of Profit or Loss and Other Comprehensive Income	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Changes in Equity	32
Condensed Consolidated Cash Flow Statement	34
Notes to the Unaudited Interim Financial Report	35

# CORPORATE INFORMATION

**LEGAL NAME OF THE COMPANY:**

Dekon Food and Agriculture Group

**PLACE OF LISTING:**

Main Board of the Stock Exchange

**STOCK CODE:**

2419

**COMPANY WEBSITE:**

www.dekanggroup.com

**DIRECTORS:****Executive Directors:**

Mr. Wang Dehui

Mr. Wang Degen

Mr. Yao Hailong

Mr. Hu Wei

Mr. Zeng Min

**Non-executive Director:**

Ms. Liu Shan

**Independent Non-executive Directors:**

Mr. Pan Ying

Mr. Zhu Qing

Mr. Fung Che Wai, Anthony

**SUPERVISORS:**

Ms. Zhu Hui

Ms. Gong Shuang

Ms. Zhou Zhexu

**JOINT COMPANY SECRETARIES:**

Mr. Zeng Min

Mr. Li Kin Wai

**AUTHORISED REPRESENTATIVES:**

Mr. Zeng Min

Mr. Li Kin Wai

**AUDIT COMMITTEE:**

Mr. Fung Che Wai, Anthony (*Chairman*)

Mr. Zhu Qing

Ms. Liu Shan

**REMUNERATION COMMITTEE:**

Mr. Pan Ying (*Chairman*)

Mr. Wang Degen

Mr. Fung Che Wai, Anthony

**NOMINATION COMMITTEE:**

Mr. Zhu Qing (*Chairman*)

Mr. Pan Ying

Mr. Wang Dehui

**HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC:**

Unit 901–909, 9th Floor, Building 2

Chengdu East Aviation Centre

32 Lingang Road

Shuangliu District

Chengdu, Sichuan Province

PRC

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG:**

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

**H SHARE REGISTRAR:**

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

**AUDITOR:**

KPMG

*Certified Public Accountants*

*Public Interest Entity Auditor registered in*

*accordance with the Accounting Financial*

*Reporting Council Ordinance*

8/F, Prince's Building

10 Chater Road

Central

Hong Kong

**HONG KONG LEGAL ADVISER:**

Slaughter and May

47/F Jardine House

1 Connaught Place

Central

Hong Kong

**COMPLIANCE ADVISER:**

Maxa Capital Limited

Unit 2602, 26/F, Golden Centre

188 Des Voeux Road Central

Sheung Wan

Hong Kong

**PRINCIPAL BANK:**

Agricultural Bank of China Limited,

Chengdu Jincheng branch

# FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	9,407,081	7,504,846
Profit/(loss) before taxation	1,791,714	(2,352,631)
Income tax	(333)	(399)
<b>Profit/(loss) and total comprehensive income for the period</b>	<b>1,791,381</b>	<b>(2,353,030)</b>
Attributable to:		
Equity shareholders of the Company	1,766,453	(2,181,210)
Non-controlling interests	24,928	(171,820)
<b>Profit/(loss) and total comprehensive income for the period</b>	<b>1,791,381</b>	<b>(2,353,030)</b>
Earnings/(loss) per share <sup>1</sup>		
Basic and diluted (RMB)	4.54	(6.03)
Profit/(loss) and total comprehensive income for the period before biological assets fair value adjustments <sup>2</sup>	363,125	(1,117,560)

Notes:

- 1 The earnings/(loss) 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 period.
- 2 The earnings/(loss) and total comprehensive income for the period before biological assets fair value adjustments represents profit/(loss) and total comprehensive income net off changes in fair value of biological assets.

# DEFINITIONS

In this interim report, the following expressions shall have the following meanings unless the context otherwise requires:

“Audit Committee”	the Audit Committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“Company” or “our Company” or “the Company”	Dekon Food and Agriculture Group (四川德康農牧食品集團股份有限公司), a joint stock company incorporated under the laws of the PRC
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix C1 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Global Offering”	the offer of Shares for subscription as described in the Prospectus
“H Share(s)”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and subscribed for and traded in HK dollars
“HK\$”, “HKD” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Listing Date”	the date on which the dealing in the Shares first commences on the Stock Exchange, being 6 December 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“Nomination Committee”	the Nomination Committee of the Board
“Prospectus”	the prospectus of the Company dated 27 November 2023 in connection with the Global Offering
“Remuneration Committee”	the Remuneration Committee of the Board
“Reporting Period”	the six months ended 30 June 2024
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

# DEFINITIONS

“Share(s)”	shares in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of our Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company

# GLOSSARY AND TECHNICAL TERMS

“Family Farms”	No. 1 Family Farms, No. 2 Family Farms and Self-operating Farms
“No. 1 Family Farms”	farms operated under the model where we provide the farm(s) with weaned piglets, feed, vaccine and veterinary medicine. Such farm(s) will finish and fatten those weaned piglets into market hogs or market piglets, and return the pigs to us for an agreed fee
“No. 2 Family Farms”	farms operated under the model where we provide the farm(s) with crossbreeding sows, boar semen, feed, vaccine and veterinary medicine. Such farm(s) will raise sows and produce weaned piglets that are fattened either in the No. 2 Family Farm or nearby No. 1 Family Farms for an agreed fee
“PED”	porcine epidemic diarrhoea, which causes diarrhoea and vomiting in pigs
“Poultry Farming Base”	farms operated under the model where we build the farms and lease to farm owners for yellow-feathered broiler farming. Farm owners will raise chicks into broilers and return the broilers to us for an agreed fee
“Poultry Family Farm”	farms operated under the model where we provide the farm(s) with chicks, feed, vaccine and veterinary medicine. Such farm(s) will raise those chicks into broilers and return the broilers to us for an agreed fee
“PRRS”	porcine reproductive and respiratory syndrome, a disease that causes a decrease in reproductive performance in breeding animals and respiratory disease in pigs
“R&D”	research and development
“Self-operated Farms”	farms operated under the model where our Group build farms and employ labour force to carry out scaled farming, and are responsible for breeding, fattening, farming and other related process

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. COMPANY PROFILE

### Company Introduction

The Company is a livestock and poultry enterprise focusing on the breeding and farming of pigs and yellow-feathered broilers 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 fresh meat, feed ingredients 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 farming. 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 are pigs we hold primarily for trading and production of pork products. Our breeding pigs include purebred and crossbreeding pigs. Pigs that are not selected as breeding pig candidates will be raised and sold as market hogs and market piglets. 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 and market piglets are mainly used for internal pig farming. We also sell excess boar semen and market piglets 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 processes. 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. 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

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 fresh meat, feed ingredients and others. During the Reporting Period, our slaughterhouses, located in Yibin City and Meishan City of Sichuan Province, have officially commenced operations, each with an annual production capacity of over 2 million pigs. As a result, we successfully expanded our business into the production and sales of fresh meat. Our customers are mainly butchers in farmers' markets, distributors of school meals, fresh supermarket distributors and food processing factories. Our customers for feed ingredients are mainly trading companies and feed manufacturers.

## II. MARKET OVERVIEW

### *Pig Industry*

According to the data from the National Bureau of Statistics, hog output in China was 363.95 million heads in the first half of 2024, representing a year-on-year decrease of 3.1%, and total pork output was 29.81 million tons for the same period, representing a year-on-year decrease of 1.7%.

With respect to the market price, given the reduced hog production volume from January to June 2024 in China compared with the same period in 2023, coupled with relatively stable consumer demands, hog price has risen during the first half of 2024. The average hog price in China increased to RMB18.36/kg at the end of June 2024, representing an increase of 25.0% as compared to the end of last year. With the arrival of the peak consumption season in the second half of the year, the market for hog is expected to maintain a moderate upward trend.

With respect to the production volume, according to the National Bureau of Statistics, the stock of breeding sows in China amounted to 40.38 million heads at the end of June, decreased by 6.0% year-on-year and reached 103.5% of the control target for normal production capacity. However, it remains within the controllable range, and it is anticipated that supply may further decrease in the second half of the year.

### *Poultry Industry*

With the gradual recovery of the food and beverage industry, chicken prices showed a moderate upward trend in the first half of 2024. Additionally, the prices of key raw materials such as corn, wheat, and soybean meal as a whole have been declining since 2023, leading to costs reduction and a significant increase in profits for the poultry industry.

According to the National Bureau of Statistics, from January to June 2024, the revenue from food and beverage consumption, as part of the total retail sales in China, reached RMB2.62 trillion, representing a year-on-year increase of 7.9%, indicating that the food and beverage demand continues to recover, and the ongoing recovery in the eating-out spendings will positively impact the demand for yellow-feathered broilers. Moreover, the inventory of parent stock for yellow-feathered broilers has been on the rise since 2024, although it still remains at a relatively low level since 2018, indicating a continued decrease in the production capacity of yellow-feathered broilers, which will also support the increase in chicken prices.

# MANAGEMENT DISCUSSION AND ANALYSIS

## III. RESULTS OF OPERATION

In the first half of 2024, our profit before biological assets fair value adjustments amounted to RMB363 million, as compared with a loss before biological assets fair value adjustments of RMB1,118 million for the same period in 2023, which was mainly due to the increase in the pig price in the first half of 2024 where the average selling price increased 4.1% as compared to the same period in 2023 and the increase in the price of commodity chickens in the first half of 2024 where the average selling price increased 7.1% as compared to the same period in 2023. In the first half of 2024, the average costs of commodity pigs and commodity chickens dropped by 14.4% and 11.9% respectively, as compared to the same period in 2023, as a result of our continuous efforts for cost management and the decrease of price for feed ingredients.

During the first half of 2024, we reported a total net profit of RMB1,791 million after biological assets fair value adjustments, as compared with a total net loss of RMB2,353 million after biological assets fair value adjustments in the first half of 2023.

### Pig Segment

#### *Effective management and improved production efficiency lead to improved financial performance*

In the first half of 2024, our pig segment revenue reached RMB7,449 million, representing an increase of 27.5% year-on-year. While market conditions have shown improvement since the beginning of the year, we have remained steadfast in our commitment to enhancing our internal capabilities through refined management practices. This has involved rigorous internal benchmarking and the implementation of resident management practices aimed at bridging gaps in production outcomes. Specifically, we have undertaken the following measures: (1) we have continuously optimised our operations and management processes, and reorganised our end-to-end business processes to establish a more advanced management system; (2) we have consistently increased our investment in scientific research to improve the breeding performance of pigs; (3) we have persistently refined our feed cost control technology system, employing low-protein diet technology and low corn/low soybean meal diet technology. This enables the Company to quickly adjust its formula and procurement strategy in response to changes in market conditions; (4) we have strengthened our biosafety management system and continuously improved disease monitoring and purification technologies to prevent the occurrence and spread of major diseases, including African Swine Fever, thereby ensuring the health of our livestock. In the first half of 2024, we continued to promote the Dekon Series E in a large scale, and the cost of this new supporting lines reduced by RMB100 per head.

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

As of 30 June 2024, we had two national-level core pig breeding farms. As at the same date, we had a nucleus herd of approximately 14,979 breeding pigs (including gilts and studs) and 146,268 purebred breeding pigs. Our ample stock of nucleus and multiplication herd provides adequate resources of piglets, which provide us with our core cost competitiveness and enable us to increase profitability by swiftly ramping up production since the pork price started to rise this year.

Our breeding technology breaks the vicious cycle of “introduction — sustainment — degeneration — reintroduction”. Since the introduction of overseas quality breeding pigs to establish our own nucleus breeding herd in 2013, the performance of breeding pigs has been greatly improved.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *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 growth performance of pigs, fattening technology and feed nutrition technology to continuously improve our breeding and farming performance. 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 the first half of 2024, our poultry segment revenue amounted to RMB1,543 million, which rose by 0.9% year-on-year, which was largely attributable to the increase in the price of commodity chickens in the first half of 2024 where the average selling price increased 7.1% and the decrease in the average cost of commodity chickens by 11.9% as compared to the same period in 2023. Our continuous efforts for cost management have led to the reduction of the average cost of commodity chickens during the Reporting Period.

### **Ancillary Products Segment**

In the first half of 2024, our ancillary products segment revenue amounted to RMB414 million, which rose by 211.5% year-on-year due to the commencement of our fresh meat business. Our fresh meat business is still at its early stage, and its scale of production may further expand as we increase our market penetration, which could allow us to leverage economies of scale to reduce costs.

## **IV. FINANCIAL REVIEW**

### **Revenue**

In the first half of 2024, our revenue was RMB9,407 million, representing an increase of 25.3% as compared with RMB7,505 million for the first half of 2023. It was mainly attributable to the increase in revenue for our pig segment for reasons as described above.

### **Cost of Sales**

In the first half of 2024, our cost of sales was RMB8,241 million, representing an increase of 4.4% as compared with RMB7,892 million for the same period in 2023. It was mainly attributable to an increase in the sales volume of market hogs during the Reporting Period.

### **Gross Profit Margin**

Our overall gross profit margin increased from -5.2% for the first half of 2023 to 12.4% for the first half of 2024. It was mainly attributable to the increase in the pig price in the first half of 2024 where the average selling price increased 4.1% as compared to the same period last year and the increase in the price of commodity chickens in the first half of 2024 where the average selling price increased 7.1% as compared to the same period last year. During the Reporting Period, the average costs of commodity pigs and commodity chickens have dropped by 14.4% and 11.9% respectively, as compared to the same period last year, as a result of our continuous efforts for cost management and the decrease of price for feed ingredients.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Changes in Fair Value of Biological Assets

In the first half of 2024, we recorded gain arising from changes in fair value of biological assets of RMB1,428 million as compared to losses of RMB1,235 million in the same period in 2023. The gain recorded was mainly attributable to the increase in appraisal value of commodity pigs and commodity chickens in the first half of 2024 primarily arising from the increase in market prices.

## Other Net Income

In the first half of 2024, our other net income was RMB134 million, representing a decrease of 4.3% as compared with RMB140 million for the first half of 2023. It was mainly attributable to a small loss in the value of our derivative financial instruments during the Reporting Period.

## Selling Expenses

In the first half of 2024, our selling expenses amounted to RMB47 million, representing a decrease of 6.0% as compared with RMB50 million for the first half of 2023. It was mainly attributable to the decrease of transportation costs during the Reporting Period.

## Administrative Expenses

In the first half of 2024, our administrative expenses amounted to RMB699 million, representing an increase of 18.5% as compared with RMB590 million for the first half of 2023. It was mainly attributable to (i) the increase in our employee performance incentive expenses during the Reporting Period; and (ii) the increase in pig death and pig price insurances purchased.

## Finance Costs

In the first half of 2024, our finance costs amounted to RMB223 million, representing a decrease of 1.3% as compared with RMB226 million in the first half of 2023, mainly due to a small decrease of our total borrowings and the interest rates during the Reporting Period.

## Profit/(loss) for the Reporting Period

For the reasons above, we recorded a profit of RMB363 million before biological assets fair value adjustments during the first half of 2024, as compared with the losses of RMB1,118 million before biological assets fair value adjustments in the first half of 2023.

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

Save as disclosed in this interim report, the Group had neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries, associates and joint ventures in the first half of 2024.

## Future Plans for Material Investments or Acquisition of Capital Assets

As at 30 June 2024 and up to the date of this interim report, the Group does not have detailed future plans for material investments or acquisition of capital assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 30 June 2024, we owned cash and cash equivalents of approximately RMB3,490 million (31 December 2023: approximately RMB2,545 million). The cash and cash equivalents have increased notably in the first six months of 2024.

As at 30 June 2024, our current ratio was approximately 1.0 (31 December 2023: approximately 0.8).

### EBITDA and Cash Flow

#### *Non-IFRS Measures: Adjusted profit /(loss) and Adjusted EBITDA*

In the first half of 2024, the EBITDA of the Group (before biological assets fair value adjustments) was RMB1,034 million (For the first half of 2023: RMB-477 million).

To supplement our consolidated financial statements which are presented in accordance with IFRS Accounting Standards, we also use adjusted profit /(loss) for the period (defined below) and adjusted EBITDA for the period as additional financial measures, which are not required by, or presented in accordance with IFRS Accounting Standards. We believe that these measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS Accounting Standards. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

None of adjusted profit /(loss) for the period and adjusted EBITDA for the period is a recognised term under IFRS Accounting Standards. These non-IFRS financial measures do not have a standardised meaning prescribed by IFRS Accounting Standards and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with IFRS Standards.

We define adjusted profit /(loss) for the period as loss or profit for the period adjusted for changes in fair value of biological assets for the period.

The following tables reconcile our adjusted profit/(loss) and adjusted EBITDA for the period presented to the most directly comparable financial measures calculated and presented in accordance with IFRS Accounting Standards:

# MANAGEMENT DISCUSSION AND ANALYSIS

## Adjusted profit /(loss) for the period (non-IFRS measure)

	For the six months ended 30 June 2024 RMB'000 (Unaudited)	For the six months ended 30 June 2023 RMB'000 (Unaudited)
Profit /(loss) for the period	1,791,381	(2,353,030)
Add:		
Net changes in fair value of biological assets	(1,428,256)	1,235,470
Adjusted profit /(loss) for the period (non-IFRS measure)	<u>363,125</u>	<u>(1,117,560)</u>

## Adjusted EBITDA (non-IFRS measure)

	For the six months ended 30 June 2024 RMB'000 (Unaudited)	For the six months ended 30 June 2023 RMB'000 (Unaudited)
Profit /(loss) for the period	1,791,381	(2,353,030)
Add:		
Depreciation charge-owned property, plant and equipment	284,000	246,088
Depreciation charge-right-of-use assets	161,840	166,342
Amortisation cost of intangible assets	1,122	1,014
Finance cost	223,155	226,479
Income tax	333	399
EBITDA	2,461,831	(1,712,708)
Add:		
Changes in fair value of biological assets	(1,428,256)	1,235,470
Adjusted EBITDA (non-IFRS measure)	<u>1,033,575</u>	<u>(477,238)</u>

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 the first half of 2024, net cash generated in our operating activities was RMB1,513 million (generated during the first half of 2023: RMB32 million). Net cash used in our investment activities was RMB260 million (used during the first half of 2023: RMB256 million), including RMB259 million for the purchase of property, plant and equipment (the first half of 2023: RMB529 million). Net cash used in our financing activities was RMB315 million (used during the first half of 2023: RMB173 million). In summary, in the first half of 2024, our net increase in cash and cash equivalents was RMB937 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Structure

As at 30 June 2024, the total number of issued shares of the Company was 388,875,636 Shares, including 260,811,451 Domestic Shares and 128,064,185 H Shares.

As at 30 June 2024, the Group had bank loans and other loans of approximately RMB6,399 million (31 December 2023: approximately RMB6,099 million). The annual interest rate on bank loans ranged from 2.55% to 5.70% (31 December 2023: from 2.85% to 5.70%). Most of the bank loans were based on variable interest rates.

The interests-bearing borrowings were repayable as follows:

	30 June 2024 (RMB in million) (Unaudited)	31 December 2023 (RMB in million) (Audited)
Within 1 year	4,634	3,891
1 to 2 years	1,003	1,323
3 to 5 years	611	764
Over 5 years	151	121
<b>Total</b>	<b>6,399</b>	<b>6,099</b>

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

	30 June 2024 (RMB in million) (Unaudited)	31 December 2023 (RMB in million) (Audited)
Fixed-rate borrowings	2,836	2,507
Variable-rate borrowing	3,563	3,592
<b>Total</b>	<b>6,399</b>	<b>6,099</b>

As at 30 June 2024, the Group had loans from related parties of approximately RMB54 million (31 December 2023: approximately RMB54 million).

As at 30 June 2024, the Group had net assets of approximately RMB5,650 million (31 December 2023: net assets of approximately RMB3,855 million). Net debts<sup>(1)</sup> of the Group amounted to approximately RMB5,769 million (31 December 2023: approximately RMB6,033 million), while the net debt-to-equity ratio was approximately 102.1% (31 December 2023: approximately 156.5%).

The Company has also established relevant internal control policies and procedures for cash and treasury management and financial reporting and disclosure control, which have been operating effectively. All audit data, internal control review reports including findings and recommendations for improvement have been presented and expressed to the Board and the Audit Committee.

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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Gearing Ratio

As at 30 June 2024, the Company's net gearing ratio was 163.9%, representing a decrease of 175 percentage points as compared to 338.9% as at 30 June 2023, mainly due to an increase in total equity as a result of the proceeds from the Global Offerings as well as an increase in retained earnings during the Reporting Period. Net gearing ratio is calculated as total interest-bearing borrowings plus lease liabilities, divided by total equity at the balance sheet date and multiplied by 100%.

## Pledge of Assets

As at 30 June 2024, part of the Group's bank loan was secured by property, plant and equipment with book value of RMB265 million (31 December 2023: RMB265 million).

## Contingent Liabilities

As at 30 June 2024 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 the first half of 2024, the Group's capital expenditure was RMB259 million (for the first half of 2023: RMB529 million). The following table sets forth our capital expenditure for the periods indicated:

	For the six months ended 30 June 2024 (RMB in million) (Unaudited)	For the six months ended 30 June 2023 (RMB in million) (Unaudited)
Payments for property, plant and equipment	259	529
<b>Total</b>	<b>259</b>	<b>529</b>

In the first half of 2024, our demand for capital expenditure mainly came from construction of the slaughterhouses, 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 30 June 2024, capital commitment of the Group was RMB467 million (31 December 2023 : RMB308 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 RMB6,631 million as at 30 June 2024 and RMB4,923 million as at 31 December 2023. 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 profit of RMB1,428 million during the first half of 2024 (the first half of 2023: losses of RMB1,235 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

These biological assets are measured at fair value less costs of disposals. Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which it arises. Our biological assets were independently valued by Jones Lang LaSalle (Beijing) Consultants, Inc. (“JLL”), which is an independent professional appraiser not connected with us and has extensive experience in valuation of biological assets. The key appraiser of the JLL team is Mr. Simon M.K. Chan. Based on market reputation, track record in biological asset valuation and relevant background research, our Directors are satisfied that JLL is independent from us and is competent in conducting a valuation on our biological assets.

## 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 30 June 2024, the Group had HKD1.2 million cash in bank which was generated from the Global Offering.

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

## V. HUMAN RESOURCES

As of 30 June 2024, we had 9,978 employees (30 June 2023: 8,854 employees), all of which were located in the PRC. Remuneration for employees was determined based on their work scope, performance and the market trends. We have formulated a Remuneration Committee to review and determine employees’ salaries in accordance with industry standards, job requirements and performance. None of our employees is paid below the minimum wage standard set forth by the government. In the first half of 2024, total remuneration of our employees amounted to approximately RMB675.9 million (the first half of 2023: approximately RMB542.9 million).

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

## 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 avian influenza) or any outbreak of other serious animal diseases or epidemics, might adversely impact consumers’ confidence in our production capabilities and facilities. In the first half of 2024, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 epidemiological investigations, 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 farm house to stabilise air quality and temperature in the farm 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 reserve 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. In terms of costs, we are significantly affected by fluctuations in international commodity prices. 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 and hog market are expected to maintain a stable and positive trend. 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. We will continue to expand the Family Farms, build an industrial ecosystem and enlarge the company's scale. Through increased technology investment and improved breeding efficiency, we continuously improve our market position and cost advantages and build our core competitiveness. At the same time, we will expand the production of yellow-feathered broilers and achieve the dual-drivers of our business of the pig segment and the poultry segment;
- 2) We will continue to benchmark against international advanced standards and promote further cost reduction. Through nutrition improvement project, feed ingredient recipe optimisation and precision feeding, we will be able to reduce feeding costs while satisfying 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;

## MANAGEMENT DISCUSSION AND ANALYSIS

- 3) We will continue to strengthen bio-security measures to ensure production safety and effective operations. We will continue to incorporate the preventative measures for major epidemics such as the African Swine Fever as part of our day-to-day operation, forming a long-term and effective preventative mechanism and normalised management system. By implementing measures such as purifying the breeding source to prevent vertical transmission of diseases, managing livestock intestinal health, and adopting appropriate animal health practice, we aim to strengthen our biosafety management system and further enhance precision management, which then help us to narrow the efficiency gap within our animal farms and strengthen our core competitive advantages; and
- 4) We will continue to invest in ESG initiatives. Through the establishment of the “Hundred Villages and Million Pigs (百村百萬)” project which are a cyclical system of cultivation and breeding, and an industrial ecosystem, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices.

The Board is of the view that during the Reporting Period and up to the date of this interim report, the Company has complied with all the applicable code provisions as set out in the CG Code. The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

## SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted 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 rules under the Model Code during the Reporting Period and up to the date of this interim report. No incident of non-compliance of the Model Code by the employees was noted by the Company up to the date of this interim report.

## SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

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.

As of the date of this interim report, the Group does not have any significant subsequent events after the Reporting Period.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and 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 as defined in Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or to be entered in the register to be kept pursuant to section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules are as follows:

Name of Directors/ Supervisors	Nature of interest	Description of Shares	Number of Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the relevant Shares (%) <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of our Company (%) <sup>(3)</sup>
Mr. Wang Degen	Beneficial Owner	Domestic Shares	11,915,198 (L)	4.57	3.06
	Interest of controlled corporations	Domestic Shares	119,400,900 (L)	45.78	30.70
		H Shares	11,666,269 (L)	9.11	3.00
Mr. Wang Dehui <sup>(4)</sup>	Beneficial Owner	Domestic Shares	5,957,599 (L)	2.28	1.53
	Interests of controlled corporations	Domestic Shares	5,596,242 (L)	2.15	1.44
		H Shares	5,596,243 (L)	4.37	1.44
Mr. Yao Hailong <sup>(5) (6)</sup>	Beneficial Owner	Domestic Shares	2,978,799 (L)	1.14	0.77
	Interests in the Employee Shareholding Platforms	Domestic Shares	977,879 (L)	0.37	0.25
		H Shares	977,879 (L)	0.76	0.25
Mr. Hu Wei	Beneficial Owner	Domestic Shares	8,936,398 (L)	3.43	2.30
Mr. Zeng Min <sup>(5) (6)</sup>	Interests in the Employee Shareholding Platforms	Domestic Shares	105,184 (L)	0.04	0.03
		H Shares	105,185 (L)	0.08	0.03
Ms. Zhu Hui <sup>(5) (6)</sup>	Interests in the Employee Shareholding Platforms	Domestic Shares	46,748 (L)	0.02	0.01
		H Shares	46,749 (L)	0.04	0.01
Ms. Gong Shuang <sup>(5) (6)</sup>	Interests in the Employee Shareholding Platforms	Domestic Shares	99,648 (L)	0.04	0.03
		H Shares	99,649 (L)	0.08	0.03
Ms. Zhou Zhexu <sup>(5) (6)</sup>	Interests in the Employee Shareholding Platforms	Domestic Shares	55,360 (L)	0.02	0.01
		H Shares	55,361 (L)	0.04	0.01

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Notes:

- # Numbers have been subject to rounding. Any discrepancy between the total and the sum of the amounts listed is due to rounding.
- (1) The letter “L” denotes the person’s long position in our Shares.
  - (2) The calculation is based on the percentage of shareholding in the relevant Shares as at 30 June 2024.
  - (3) The calculation is based on the total number of 388,875,636 Shares in issue as at 30 June 2024.
  - (4) Sichuan Dinghui Ronghe Enterprise Management Co., Ltd. (四川鼎輝榮和企業管理有限公司), which is wholly-owned by Mr. Wang Dehui, is the general partner of the Employee Shareholding Platforms Zhongcheng Jinyi and Tongchuang Deheng, which held 9,469,072 Shares and 1,723,413 Shares, respectively, as at 30 June 2024, and he exercises his voting rights uniformly to exercise the voting rights of the shares of the Company.
  - (5) Mr. Yao Hailong, Mr. Zeng Min, Ms. Zhu Hui, Ms. Gong Shuang and Ms. Zhou Zhexu held economic interest in the Employee Shareholding Platforms, Zhongcheng Jinyi and/or Tongchuang Deheng. They are deemed to be interested in the issued share capital of the Company for the Shares underlying the awards which have been granted to them pursuant to Part XV of the SFO.
  - (6) Pursuant to the completion of the H Share Full Circulation on 30 January 2024, 4,734,536 Domestic Shares and 861,707 Domestic Shares held by Zhongcheng Jinyi and Tongchuang Deheng respectively were converted into H Shares, which represents approximately 50% of the total Shares held by each of Zhongcheng Jinyi and Tongchuang Deheng. The number of Domestic Shares and H Shares underlying the awards is calculated on a pro-rata basis.

Save as disclosed above, as at 30 June 2024, none of the Directors, Supervisors or chief executives or their associates have or are deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning as defined in Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, required to be entered in the register referred therein, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

To the best knowledge of the Company, as of 30 June 2024, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which are required to be entered in the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our share capital:

Shareholder	Nature of interest	Description of Shares	Number of Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the relevant Shares (%) <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of our Company (%) <sup>(3)</sup>
Desheng Ronghe <sup>(4)</sup>	Beneficial Owner	Domestic Shares	119,400,900 (L)	45.78	30.70
		H Shares	11,666,269 (L)	9.11	3.00
Ms. Zhang Qiang <sup>(5)</sup>	Interest of spouse	Domestic Shares	131,316,098 (L)	50.35	33.77
		H Shares	11,666,269 (L)	9.11	3.00
Mr. Chen Yuxin	Beneficial Owner	H Shares	44,681,989 (L)	34.89	11.49
Ms. Zhao Guiqin <sup>(6)</sup>	Interest of spouse	H Shares	44,681,989 (L)	34.89	11.49
CEL Maiming (光控麥鳴) <sup>(7)(9)</sup>	Beneficial Owner	Domestic Shares	37,570,873 (L)	14.41	9.66
CEL Huiling Investment (Shanghai) Limited (光控匯領投資(上海) 有限公司) ("CEL Huiling") <sup>(7)</sup>	Interest of controlled corporations	Domestic Shares	40,277,640 (L)	15.44	10.36
CEL Venture Capital (Shenzhen) Limited ("CEL Shenzhen") <sup>(7)</sup>	Interest of controlled corporations	Domestic Shares	52,556,983 (L)	20.15	13.52
China Everbright Limited ("CEL") <sup>(7)(8)</sup>	Interest of controlled corporations	Domestic Shares	52,556,983 (L)	20.15	13.52
Honorich Holdings Limited ("Honorich") <sup>(8)</sup>	Interest of controlled corporations	Domestic Shares	52,556,983 (L)	20.15	13.52
China Everbright Holdings Company Limited (中國光大 集團有限公司) ("CE Hong Kong") <sup>(8)</sup>	Interest of controlled corporations	Domestic Shares	52,556,983 (L)	20.15	13.52
China Everbright Group Ltd. ("China Everbright Group") <sup>(8)</sup>	Interest of controlled corporations	Domestic Shares	52,556,983 (L)	20.15	13.52
Central Huijin Investment Ltd. ("Huijin") <sup>(8)</sup>	Interest of controlled corporations	Domestic Shares	52,556,983 (L)	20.15	13.52

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Shareholder	Nature of interest	Description of Shares	Number of Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the relevant Shares (%) <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of our Company (%) <sup>(3)</sup>
Beijing CEL Anya Investment Centre (Limited Partnership) (北京光控安雅投資中心(有限合夥)) (“CEL Anya”) <sup>(9)</sup>	Interest of controlled corporations	Domestic Shares	37,570,873 (L)	14.41	9.66
Shanghai CEL Jiaxin Equity Investment Management Limited (上海光控嘉鑫股權投資管理有限公司) (“Shanghai CEL”) <sup>(9)</sup>	Interest of controlled corporations	Domestic Shares	37,570,873 (L)	14.41	9.66
CEL Capital Prestige Asset Management Co., Ltd. (首譽光控資產管理有限公司) (“CEL Capital”) <sup>(9)</sup>	Investment manager	Domestic Shares	37,570,873 (L)	14.41	9.66
Chongqing CEL Equity Investment Management Limited (重慶光控股權投資管理有限公司) (“Chongqing CEL”) <sup>(9)</sup>	Interest of controlled corporations	Domestic Shares	37,570,873 (L)	14.41	9.66
Yixing CEL <sup>(7)(9)</sup>	Beneficial Owner	Domestic Shares	12,279,343 (L)	4.71	3.16
	Interest of controlled corporations	Domestic Shares	37,570,873 (L)	14.41	9.66
Mr. Peng Bengang <sup>(10)</sup>	Beneficial Owner	Domestic Shares	1,816,412 (L)	0.70	0.47
		H Shares	10,098,785 (L)	7.89	2.60
	Interest of spouse	Domestic Shares	8,936,398 (L)	3.43	2.30
Ms. Song Yuanfang <sup>(10)</sup>	Interest of controlled corporations	Domestic Shares	8,936,398 (L)	3.43	2.30
	Interest of spouse	Domestic Shares	1,816,412 (L)	0.70	0.47
		H Shares	10,098,785 (L)	7.89	2.60
Mr. Song Fuxian	Beneficial Owner	Domestic Shares	8,868,781 (L)	3.40	2.28
		H Shares	9,004,015 (L)	7.03	2.32
Mr. Tang Jianyuan	Beneficial Owner	Domestic Shares	7,674,360 (L)	2.94	1.97
		H Shares	7,219,636 (L)	5.64	1.86



# CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- # Numbers have been subject to rounding. Any discrepancy between the total and the sum of the amounts listed is due to rounding.
- (1) The letter “L” denotes the person’s long position in our Shares.
  - (2) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares respectively as at 30 June 2024.
  - (3) The calculation is based on the total number of 388,875,636 Shares in issue as at 30 June 2024.
  - (4) Desheng Ronghe is wholly owned by Mr. Wang Degen. By virtue of the SFO, Mr. Wang Degen is deemed to be interested in the Shares held by Desheng Ronghe.
  - (5) Ms. Zhang Qiang (張強) is the spouse of Mr. Wang Degen. By virtue of the SFO, Ms. Zhang Qiang is deemed to be interested in the same number of Shares held by Mr. Wang Degen.
  - (6) Ms. Zhao Guiqin (趙桂琴) is the spouse of Mr. Chen Yuxin (陳育新). By virtue of the SFO, Ms. Zhao Guiqin is deemed to be interested in the same number of Shares held by Mr. Chen Yuxin.
  - (7) CEL Huiling is the general partner of CEL Maiming and the general partner of Changzhou Mailun, which held 2,706,767 shares, representing approximately 0.75% of the issued share capital of the Company. CEL Huiling was wholly-owned by CEL Shenzhen, which was in turn wholly-owned by CEL. Yixing CEL, which held 12,279,343 Shares, representing approximately 3.39% of the issued share capital of the Company, was wholly-owned by CEL Shenzhen, which was in turn wholly-owned by CEL. Accordingly, CEL Huiling is deemed to be interested in the Shares held by each of CEL Maiming and Changzhou Mailun, whereas each of CEL Shenzhen and CEL is deemed to be interested in the Shares held by each of CEL Maiming, Yixing CEL and Changzhou Mailun under the SFO.
  - (8) CEL was owned as to approximately 49.38% by Honorich and 0.36% by Everbright Investment & Management Limited, which were in turn wholly-owned by CE Hong Kong. As such, CEL was owned as to approximately 49.74% by CE Hong Kong, which was in turn wholly-owned by China Everbright Group. China Everbright Group was owned as to approximately 63.16% by Huijin, which was indirectly wholly-owned by the State Council of the People’s Republic of China. Accordingly, each of CEL, Honorich, CE Hong Kong, China Everbright Group and Huijin is deemed to be interested in the Shares held by each of related controlled corporation under the SFO.
  - (9) CEL Anya is a limited partnership holding approximately 40.82% of the limited partnership interest in CEL Maiming. The general partner of CEL Anya is Shanghai CEL, holding approximately 0.02% of the interest. CEL Capital is a special asset management company and a limited partner of CEL Anya, holding approximately 99.98% of its limited partnership interest. Shanghai CEL was wholly-owned by Chongqing CEL, which was in turn wholly-owned by Yixing CEL. Accordingly, each of CEL Anya, CEL Capital, Shanghai CEL, Chongqing CEL and Yixing CEL is deemed to be interested in the Shares held by CEL Maiming under the SFO.
  - (10) Chengdu Jiakun is owned as to 97.38% by Ms. Song Yuanfang as a limited partner. Ms. Song Yuanfang is the spouse of Mr. Peng Bengang. By virtue of the SFO, Ms. Song Yuanfang is deemed to be interested in the Shares held by Chengdu Jiakun; and each of Ms. Song Yuanfang and Mr. Pengang is deemed to be interested in the Shares held by each other.

Save as disclosed above, as at 30 June 2024, the Company has not been notified by any persons who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares). During the Reporting Period, the Company did not hold any of treasure shares.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION

The Company established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the CG Code. As at the date of this interim report, the Audit Committee comprises three members, namely Mr. Fung Che Wai, Anthony, Ms. Liu Shan and Mr. Zhu Qing. The Audit Committee consists of two independent non-executive Directors, namely Mr. Fung Che Wai, Anthony and Mr. Zhu Qing, and one non-executive Director, namely Ms. Liu Shan. Mr. Fung Che Wai, Anthony is the chairman of the Audit Committee.

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the six months ended 30 June 2024, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim financial report for the six months ended 30 June 2024 is unaudited, but has been reviewed by KPMG, the independent auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

## 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%.

Pursuant to the completion of the H Share Full Circulation on 30 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 1 January 2024 and up to the date of this interim report.

## CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The changes in information of Directors, Supervisors and senior management since the date of the Company's 2023 annual report are set out below:

1. Mr. Pan Ying ceased to be an independent director of Chengdu Okay Pharmaceutical Co., Ltd. (成都歐康醫藥股份有限公司) (stock code: 833230.BJ) on 15 April 2024. He has served as an independent director of Fulin Precision Co., Ltd. (富臨精工股份有限公司) (stock code: 300432.SZ) since 20 July 2023.

Save as disclosed in this interim report, there were no changes in information of Directors, Supervisors and senior management of the Company that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

Save as disclosed in this interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## USE OF PROCEEDS FROM THE LISTING

From the Listing Date to 30 June 2024, the Group has gradually used the proceeds from the initial public offering for the intended purposes set out in the Prospectus. The net proceeds from the Global Offering were approximately HK\$952.5 million after deducting underwriting commissions and other offering expenses. As of 30 June 2024, the Group has utilised approximately HK\$601.9 million of the proceeds for the intended purposes set out in the Prospectus published by the Company, accounting for 63.2% of all raised funds, and the remaining unutilised proceeds is approximately HK\$350.6 million. The balance of the proceeds from the Listing will continue to be utilised 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 30 June 2024 (HK\$ million)	Remaining net proceeds as of 30 June 2024 (HK\$ million)	Expected timeline for fully utilising unutilised net amount
Expanding the existing pigs and yellow-feathered broilers farming business	50.0	476.3	381.0	95.3	by end of 2026
Developing the food processing business	15.0	142.9	56.6	86.3	by end of 2025
Investment in the R&D and information technology system	10.0	95.3	50.7	44.6	by end of 2026
Strategic investments or potential acquisitions	10.0	95.3	—	95.3	N/A
Repaying certain outstanding bank loans	5.0	47.6	47.6	—	N/A
Working capital and general corporate purposes	10.0	95.1	66.0	29.1	N/A
<b>Total</b>	<b>100.0</b>	<b>952.5</b>	<b>601.9</b>	<b>350.6</b>	

Note:

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

# INDEPENDENT REVIEW REPORT



Review report to the Board of Directors of  
Dekon Food and Agriculture Group  
(Incorporated in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the interim financial report set out on pages 29 to 54 which comprise the consolidated statement of financial position of Dekon Food and Agriculture Group (“the Company”) and its subsidiaries (together, “the Group”) as at 30 June 2024 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

# INDEPENDENT REVIEW REPORT

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

23 August 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024 — UNAUDITED (EXPRESSED IN RENMINBI (“RMB”))

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	4	9,407,081	7,504,846
Cost of sales		(8,241,133)	(7,892,452)
<b>Gross profit/(loss)</b>		<b>1,165,948</b>	<b>(387,606)</b>
Changes in fair value of biological assets	10	1,428,256	(1,235,470)
Gain arising from biological assets at fair value less costs to sell at the point of harvest		40,473	—
Other net income	5	133,726	140,460
Selling expense		(47,441)	(50,246)
Administrative expenses		(699,347)	(590,040)
Provision for expected credit loss of trade and other receivables		(6,347)	(3,250)
<b>Profit/(loss) from operations</b>		<b>2,015,268</b>	<b>(2,126,152)</b>
Finance cost	6(a)	(223,155)	(226,479)
Share of losses of associates		(399)	—
<b>Profit/(loss) before taxation</b>		<b>1,791,714</b>	<b>(2,352,631)</b>
Income tax	7	(333)	(399)
<b>Profit/(loss) and total comprehensive income for the period</b>		<b>1,791,381</b>	<b>(2,353,030)</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		1,766,453	(2,181,210)
Non-controlling interests		24,928	(171,820)
<b>Profit/(loss) and total comprehensive income for the period</b>		<b>1,791,381</b>	<b>(2,353,030)</b>
<b>Earnings/(loss) per share</b>	8		
Basic and diluted (RMB)		4.54	(6.03)

The notes on pages 35 to 54 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024 — UNAUDITED (EXPRESSED IN RMB)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	9,937,798	9,687,160
Non-current biological assets	10	1,255,901	1,076,445
Intangible assets		5,007	2,918
Goodwill		14,730	14,730
Interests in associates		4,755	5,154
Deferred tax assets	20	5	14
Other non-current assets		17,336	21,211
		<u>11,235,532</u>	<u>10,807,632</u>
<b>Current assets</b>			
Inventories	11	736,705	706,532
Current biological assets	10	5,374,938	3,846,424
Trade receivables	12	5,939	7,304
Prepayments, deposits and other receivables	13	353,013	427,258
Financial assets at fair value through profit or loss ("FVPL")		30,314	665
Derivative financial instruments	14	45,247	93,793
Restricted deposits		576,167	499,794
Cash and cash equivalents	15	3,489,545	2,544,830
		<u>10,611,868</u>	<u>8,126,600</u>
<b>Current liabilities</b>			
Trade and bills payables	16	1,983,959	1,890,967
Accruals and other payables	17	4,059,422	3,802,249
Interest-bearing borrowings	18	4,634,254	3,891,422
Lease liabilities	19	100,029	95,235
Derivative financial instruments	14	38,691	10,028
Current taxation		924	719
		<u>10,817,279</u>	<u>9,690,620</u>
<b>Net current liabilities</b>		<u>(205,411)</u>	<u>(1,564,020)</u>
<b>Total assets less current liabilities</b>		<u>11,030,121</u>	<u>9,243,612</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024 — UNAUDITED (EXPRESSED IN RMB)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	18	1,765,117	2,207,667
Lease liabilities	19	2,759,220	2,383,322
Deferred income	21	855,840	797,560
		<u>5,380,177</u>	<u>5,388,549</u>
<b>NET ASSETS</b>		<u>5,649,944</u>	<u>3,855,063</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	22	388,876	388,876
Reserves		<u>5,329,185</u>	<u>3,562,732</u>
<b>Total equity attributable to equity shareholders of the Company</b>		5,718,061	3,951,608
<b>Non-controlling interests</b>		<u>(68,117)</u>	<u>(96,545)</u>
<b>TOTAL EQUITY</b>		<u>5,649,944</u>	<u>3,855,063</u>

Approved and authorised for issue by the board of directors on 23 August 2024.

Wang Dehui  
Director

Yao Hailong  
Director

The notes on pages 35 to 54 form part of this interim financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024 — UNAUDITED (EXPRESSED IN RMB)

	Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Capital reserve RMB'000	PRC			Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000			
Balance at 1 January 2023		361,964	993,124	126,196	(2,223)	3,490,576	4,969,637	94,165	5,063,802
Changes in equity for the six months ended									
30 June 2023:									
Loss and total comprehensive income for the period		—	—	—	—	(2,181,210)	(2,181,210)	(171,820)	(2,353,030)
Capital contribution from non-controlling interests		—	—	—	—	—	—	10,500	10,500
Deemed disposal of interests in subsidiaries		—	—	—	7,311	—	7,311	18,689	26,000
Acquisition of non-controlling interest		—	—	—	2,889	—	2,889	(2,889)	—
Balance at 30 June 2023 and 1 July 2023		361,964	993,124	126,196	7,977	1,309,366	2,798,627	(51,355)	2,747,272
Changes in equity for the six months ended									
31 December 2023:									
Profit/(loss) and total comprehensive income for the period		—	—	—	—	406,084	406,084	(45,190)	360,894
Issuance of ordinary shares	22	26,912	819,985	—	—	—	846,897	—	846,897
Appropriation to reserve		—	—	8,939	—	(8,939)	—	—	—
Dividends declared during the period		—	—	—	—	(100,000)	(100,000)	—	(100,000)
Balance at 31 December 2023		388,876	1,813,109	135,135	7,977	1,606,511	3,951,608	(96,545)	3,855,063

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024 — UNAUDITED (EXPRESSED IN RMB)

Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	PRC statutory reserve	Other reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2024	388,876	1,813,109	135,135	7,977	1,606,511	3,951,608	(96,545)	3,855,063
Changes in equity for the six months ended 30 June 2024:								
Profit and total comprehensive income for the period	—	—	—	—	1,766,453	1,766,453	24,928	1,791,381
Capital contribution from non-controlling interests	—	—	—	—	—	—	3,500	3,500
Balance at 30 June 2024	388,876	1,813,109	135,135	7,977	3,372,964	5,718,061	(68,117)	5,649,944

The notes on pages 35 to 54 form part of this interim financial statements.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2024 — UNAUDITED (EXPRESSED IN RMB)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Operating activities</b>			
Cash generated from operations		1,512,794	33,614
Tax paid		(119)	(1,784)
<b>Net cash generated from operating activities</b>		<b>1,512,675</b>	<b>31,830</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(259,356)	(528,706)
Payment for purchase of breeding livestock		(89,746)	(107,215)
Payment for purchase of intangible assets		(3,211)	(806)
Government grants received		119,289	51,783
Proceeds from disposal of property, plant and equipment		1,319	11,765
Payment for the purchase of financial assets at FVPL		(780,000)	(990,000)
Proceeds from disposal of financial assets at FVPL		751,243	1,306,888
<b>Net cash used in investing activities</b>		<b>(260,462)</b>	<b>(256,291)</b>
<b>Financing activities</b>			
Proceeds from interest-bearing borrowings		3,148,535	3,378,060
Repayment of non-interest-bearing government loans		—	(4,200)
Repayment of interest-bearing borrowings		(2,848,253)	(3,273,482)
Increase in restricted deposits		(300,000)	—
Capital contribution from non-controlling equity owners of subsidiaries		3,500	10,500
Proceeds from deemed disposal of interests in subsidiaries		—	26,000
Capital element of lease rentals paid		(86,934)	(70,211)
Interest element of lease rentals paid		(92,691)	(73,017)
Other interests paid		(139,075)	(166,693)
<b>Net cash used in financing activities</b>		<b>(314,918)</b>	<b>(173,043)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>937,295</b>	<b>(397,504)</b>
Cash and cash equivalents at 1 January	15	2,544,830	2,843,255
Effect of foreign exchange rate changes		7,420	—
<b>Cash and cash equivalents at 30 June</b>	<b>15</b>	<b>3,489,545</b>	<b>2,445,751</b>

The notes on pages 35 to 54 form part of this interim financial statements.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 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 Company and its subsidiaries (the “Group”) 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 fresh meat, feed ingredients and others.

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 23 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standard (“IFRS”) Accounting Standards issued by the IASB.

As at 30 June 2024, the Group had net current liabilities of RMB205,411,000. The interim financial report 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 30 June 2024. Meanwhile, the Group has maintained long-term 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 interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG’s independent review report to the board of directors is included on pages 27 to 28.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants*
- Amendments to IAS 7 *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures — supplier finance arrangements*
- Amendments to IFRS 16, *Leases: Lease liability in a Sale and Leaseback*

None of these developments have had a material effect on how the Group's results and financial position for the current period have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4 REVENUE AND SEGMENT REPORTING

### (a) Disaggregation of revenue

The principal activities of the Group are (i) providing market hogs, breeding pigs, market piglets and boar semen; (ii) providing yellow-feathered broilers, chicks and eggs; and (iii) providing ancillary products such as fresh meat, feed ingredients and others. Further details regarding the Group's principal activities are disclosed in Note 4(b).

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by product line:		
— Sales of pigs and related products	7,449,257	5,842,287
— Sales of poultry and related products	1,543,403	1,529,529
— Sales of ancillary products	414,421	133,030
	<u>9,407,081</u>	<u>7,504,846</u>

Revenue from contracts with customers is recognised at a point in time when the customers obtain control of promised goods. For the six months ended 30 June 2024, no revenue from a single external customer accounts for 10% or more of the Group's revenue (For the six months ended 30 June 2023: 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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 4 REVENUE AND SEGMENT REPORTING — *continued*

### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sales of pigs: sales of market hogs, breeding pigs, market piglets and boar semen;
- Sales of poultry: sales of yellow-feathered broilers, chicks and eggs;
- Sales of ancillary products: sales of fresh meat, feed ingredients and others.

### (i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

The Group's other operating income and expenses, such as other income and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2024 and 2023 is set out below.

	Six months ended 30 June 2024			
	Sales of pigs	Sales of poultry	Sales of ancillary products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	7,449,257	1,543,403	414,421	9,407,081
Inter-segment revenue	346,260	28	2,711,906	3,058,194
Reportable segment revenue	<u>7,795,517</u>	<u>1,543,431</u>	<u>3,126,327</u>	<u>12,465,275</u>
Reportable segment gross profit	<u>1,023,486</u>	<u>192,100</u>	<u>137,083</u>	<u>1,352,669</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 4 REVENUE AND SEGMENT REPORTING — *continued*

### (b) Segment reporting — *continued*

#### (i) Segment results — *continued*

	Six months ended 30 June 2023			Total RMB'000
	Sales of pigs RMB'000	Sales of poultry RMB'000	Sales of ancillary products RMB'000	
Revenue from external customers	5,842,287	1,529,529	133,030	7,504,846
Inter-segment revenue	66,194	33	2,387,569	2,453,796
Reportable segment revenue	<u>5,908,481</u>	<u>1,529,562</u>	<u>2,520,599</u>	<u>9,958,642</u>
Reportable segment gross (loss)/profit	<u>(303,746)</u>	<u>(88,529)</u>	<u>95,166</u>	<u>(297,109)</u>

#### (ii) Reconciliations of reportable profit/(loss) before taxation

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Revenue</b>		
Reportable segment revenue	12,465,275	9,958,642
Elimination of inter-segment revenue	<u>(3,058,194)</u>	<u>(2,453,796)</u>
Consolidated revenue (Note 4(a))	<u>9,407,081</u>	<u>7,504,846</u>
<b>Profit</b>		
Reportable segment profit/(loss)	1,352,669	(297,109)
Elimination of inter-segment loss before taxation	<u>(186,721)</u>	<u>(90,497)</u>
Reportable segment profit/(loss) derived from Group's external customers	1,165,948	(387,606)
Changes in fair value of biological assets	1,428,256	(1,235,470)
Gain arising from biological assets at fair value less costs to sell at the point of harvest	40,473	—
Other net income	133,726	140,460
Selling expense	(47,441)	(50,246)
Administrative expenses	(699,347)	(590,040)
Provision for expected credit loss of trade and other receivables	(6,347)	(3,250)
Finance cost	(223,155)	(226,479)
Share of losses of associates	<u>(399)</u>	<u>—</u>
Consolidated profit/(loss) before taxation	<u>1,791,714</u>	<u>(2,352,631)</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 4 REVENUE AND SEGMENT REPORTING — *continued*

The Group's revenue is substantially generated from the sales of pigs, chicken and ancillary products in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

## 5 OTHER NET INCOME

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest income	21,436	25,272
Government grants	61,009	35,493
Gain/(loss) on disposal of property, plant and equipment	665	(595)
Net gain on disposal of biological assets, net of insurance compensation recovered during the period	77,580	63,084
Change in fair value of financial assets at FVPL	1,255	5,762
Change in fair value of unlisted equity investments	(363)	(396)
Change in fair value of derivative financial instruments	(37,479)	15,815
Net foreign exchange gain	7,420	—
Others	2,203	(3,975)
	<u>133,726</u>	<u>140,460</u>

## 6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

### (a) Finance costs

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest on interest-bearing borrowings	138,463	167,078
Interest on lease liabilities	92,691	73,017
	231,154	240,095
Less: interest expense capitalised*	(7,999)	(13,616)
	<u>223,155</u>	<u>226,479</u>

\* The borrowing costs have been capitalised at a rate of 3.9% to 4.1% per annum for the six months ended 30 June 2024 (six months ended 30 June 2023: 4.00% to 4.65%).



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 6 PROFIT/(LOSS) BEFORE TAXATION — *continued*

### (b) Staff costs

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits	629,375	503,163
Contributions to defined contribution retirement plan	46,563	39,712
	<u>675,938</u>	<u>542,875</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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Amortisation cost of intangible assets	1,122	1,014
Depreciation charge		
— owned property, plant and equipment	284,000	246,088
— right-of-use assets	161,840	166,342
Research and development expense	111,760	114,944
Cost of sale of biological assets <sup>#</sup>	7,805,937	7,750,529
Cost of inventories <sup>#</sup>	435,196	141,923

<sup>#</sup> Cost of sale of biological assets and inventories relating to staff costs and depreciation are also included in the respective total amounts disclosed separately above.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 7 INCOME TAX

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Current taxation:</b>		
— Provision for the period	324	409
<b>Deferred taxation:</b>		
— Origination and reversed of temporary differences	9	(10)
	<u>333</u>	<u>399</u>

## 8 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB1,766,453,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: loss of RMB2,181,210,000) and the weighted average number of ordinary shares in issue for the six months ended 30 June 2024 of 388,876,000 shares (six months ended 30 June 2023: 361,964,000 shares).

The Company did not have any potential dilutive shares for the six months ended 30 June 2024 and 2023. Accordingly, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

## 9 PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2024, the Group entered into a number of lease agreements for land, farms and machinery, and therefore recognized the additions to right-of-use assets of RMB476,099,000 (six months ended 30 June 2023: RMB337,001,000).

For the six months ended 30 June 2024, the Group acquired other property, plant and equipment with a cost of RMB223,603,000 (six months ended 30 June 2023: RMB374,864,000). Items of property, plant and equipment with net book value of RMB3,224,000 were disposed of for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB50,738,000), resulting in a gain on disposal of RMB665,000 (six months ended 30 June 2023: loss on disposal of RMB595,000).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 10 BIOLOGICAL ASSETS

	Breeding stocks — Hog breeders RMB'000	Breeding stocks — Chicken breeders RMB'000	Commodity stocks — Live swine RMB'000	Commodity stocks — Broilers and broiler eggs RMB'000	Total RMB'000
At 1 January 2023	946,361	80,788	3,906,774	475,190	5,409,113
Increase due to purchasing/raising/transfer	1,377,887	158,799	12,664,759	3,518,203	17,719,648
Decrease due to sales/disposal/transfer	(1,014,330)	(160,113)	(12,505,534)	(3,631,659)	(17,311,636)
Transfer to cost at the point of harvest	—	—	(180,640)	—	(180,640)
Changes in fair value	(233,473)	(5,822)	(493,179)	18,858	(713,616)
At 31 December 2023 and 1 January 2024	1,076,445	73,652	3,392,180	380,592	4,922,869
Increase due to purchasing/raising/transfer	717,448	71,575	6,938,346	1,530,155	9,257,524
Decrease due to sales/disposal/transfer	(731,202)	(77,753)	(6,359,125)	(1,482,111)	(8,650,191)
Transfer to cost at the point of harvest	—	—	(327,619)	—	(327,619)
Changes in fair value	193,210	7,637	1,260,587	(33,178)	1,428,256
At 30 June 2024	1,255,901	75,111	4,904,369	395,458	6,630,839

Notes:

- (i) Breeding stocks represent hogs and chicken of required qualities that are selected as breeding stock held for own use, including boars, sows, gilts, studs, immature and mature chicken breeders. Boars are male hogs for mating purpose, sows are female hogs which have farrowed and mature chicken breeders are chicken which have mated. Boars, sows and mature chicken breeders held for the production of piglets and eggs for sale and/or further raising to become swine parent stock/chicken breeders or market hogs/chicken. Gilts, studs and immature chicken breeders are pigs/chicken that are selected to be transferred into boars, sows and mature chicken breeders but have not been mated or farrowed. Since there was no active market for boars, sows, immature and mature chicken breeders at specific age, the replacement cost approach has been adopted. Market prices for different species of boars, sows, immature and mature chicken breeders have been obtained as a basis for the replacement cost, and adjusted for the reduction/consumption of economic useful life by applying the respective metrics to estimate the fair value of breeding stock in different species. The fair value of the gilts and studs were derived by multiplying the market prices of the gilts and studs for different species by their corresponding quantities.

Breeding stocks may be transferred to commodity stocks when the pigs/chicken held for own use were expected to be sold as market hogs/chicken.

- (ii) Commodity stocks include pigs (piglets, nursery pigs, growers) and chickens (eggs, commodity chicks and broilers). Piglets are new born pigs between birth and weaning between zero to three weeks of age. Nursery pigs are young hogs of around 22–73 days old that have been weaned off and consuming feeding stuff. Growers are hogs that age around 74 to 183 days. Eggs are the fertile eggs laid by chicken breeders which are incubated for around 21 days and hatched into chicken breeds, chicken breeds will be raised for around 90–120 days to broilers or chicken breeders.

The replacement cost approach was adopted for valuing piglets as they are only around three-week old and there is insignificant biological transformation that takes place since the initial cost incurrence.

Nursery pigs, growers, eggs, chicken breeds, broilers were assumed to (1) be sold live or slaughtered when they become mature, or (2) become breeding stock. The fair value of nursery pigs, growers, fertile eggs, chicken breeds and broilers is derived by assuming the market prices of the commodity stocks, fertile eggs or broilers as the estimated price receivable upon sale or slaughtering, multiplying the unit price for different categories or species by the corresponding quantities, less the expected costs required to raise the hogs or chickens, adjusting with mortality rate and the respective profit margin.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 10 BIOLOGICAL ASSETS — *continued*

Notes: — *continued*

(ii) — *continued*

Commodity stocks may be transferred to breeding stocks, when the pigs/chickens are selected as breeding stock held for own use after growers.

(iii) The quantities of biological assets owned by the Group at the end of the reporting period are as follows:

		At 30 June 2024 (Units)	At 31 December 2023 (Units)
Breeding stocks — Hogs			
— Sows and boars	(Heads)	411,174	370,566
— Gilts and studs	(Heads)	75,824	73,537
Breeding stocks — Poultry			
— Mature breeders	(Birds)	1,105,924	912,906
— Immature breeders	(Birds)	630,499	827,465
Commodity stocks — Hogs			
— Piglets	(Heads)	731,047	612,678
— Nursery pigs	(Heads)	247,416	254,708
— Growers	(Heads)	3,899,138	3,360,271
Commodity stocks — Poultry			
— Eggs	(Pieces)	13,626,710	10,158,823
— Broilers	(Birds)	28,996,155	23,402,650

(iv) Fair value measurement of biological assets

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

For the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period and in which they occur.

The valuations of the Group's biological assets as at 30 June 2024 were carried out by Jones Lang LaSalle (Beijing) Consultants, Inc. ("JLL"). The Group's finance manager and the chief financial officer have discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting date.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 10 BIOLOGICAL ASSETS — *continued*

### Information about Level 3 fair value measurements

	Significant unobservable inputs	30 June 2024	31 December 2023
Breeding stocks			
— Sows and boars	Replacement cost	RMB3,050 to RMB13,951 per head	RMB2,850 to RMB11,490 per head
— Gilts and studs	Market price	RMB1,600 to RMB9,700 per head	RMB1,400 to RMB9,700 per head
— Mature breeders	Replacement cost	RMB29 to RMB79 per bird	RMB15 to RMB81 per bird
— Immature breeders	Replacement cost	RMB3.36 to RMB73.54 per bird	RMB3.16 to RMB63.98 per bird
Commodity stocks			
— Piglets	Replacement cost	RMB217 to RMB272 per head	RMB261 to RMB333 per head
— Nursery pigs and growers	Market price	RMB17 to RMB19 per kilogram	RMB14 to RMB15 per kilogram
— Fertile eggs	Market price	RMB1.40 per piece	RMB1.40 per piece
— Broilers	Market price	RMB10 to RMB21 per kilogram	RMB11 to RMB22 per kilogram

A significant increase/decrease in the estimated market price and replacement cost in isolation would result in a significant increase/decrease in the fair value of the biological assets.

As at 30 June 2024, if market price of nursery pigs, growers, gilts, studs, eggs, commodity chicks and broilers and replacement cost of piglets, sows, boars, mature and immature chicken breeders held for own use increases by 10%, the estimated fair value of biological assets would have increased RMB655,882,000 (31 December 2023: RMB499,715,000) and if market price and replacement cost decreases by 10%, the estimated fair value of biological assets would have decreased by RMB668,619,000 (31 December 2023: RMB628,384,000).

Changes in fair value of biological assets are presented separately in the consolidated statement of profit or loss and other comprehensive income.

## 11 INVENTORIES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Raw materials	616,753	591,743
Finished goods	27,751	15,234
Spare parts and consumables	92,201	99,555
	<u>736,705</u>	<u>706,532</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 12 TRADE RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables due from:		
— related parties	—	32
— third parties	5,942	7,280
	5,942	7,312
Less: expected credit loss	(3)	(8)
Total	5,939	7,304

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:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	5,420	6,156
1 to 2 years	509	895
2 to 3 years	10	253
	5,939	7,304

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Advances to contract farmers	38,925	38,025
Deposits	81,693	57,250
Loans and advances to local government	6,293	6,135
Prepayments for purchase of inventories	109,885	202,203
Prepaid expense	25,903	39,197
Value-added-tax recoverable	70,881	58,087
Others	19,433	26,361
<b>Total</b>	<b>353,013</b>	<b>427,258</b>

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

## 14 DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
<b>Derivative financial assets</b>		
Commodity futures contracts	45,099	93,793
Options on futures	148	—
<b>Total</b>	<b>45,247</b>	<b>93,793</b>
<b>Derivative financial liabilities</b>		
Commodity futures contracts	(29,555)	(3,329)
Options contracts	(9,136)	(6,699)
<b>Total</b>	<b>(38,691)</b>	<b>(10,028)</b>

The Group has entered into live hog and soybean meal future contracts and live hog options contracts to manage the future price risk in live hog and soybean meal. These futures and options contracts are measured at FVPL.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash on hand	8	—
Cash at bank	4,065,704	3,044,625
Cash and cash equivalents in the consolidated statements of financial position	4,065,712	3,044,625
Less: restricted deposits	(576,167)	(499,795)
Cash and cash equivalents in the cash flow statement	<u>3,489,545</u>	<u>2,544,830</u>

## 16 TRADE AND BILLS PAYABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables due to:		
— related parties	96,293	45,749
— third parties	1,822,787	1,696,210
Bills payables	1,919,080	1,741,959
	64,879	149,008
	<u>1,983,959</u>	<u>1,890,967</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:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	1,950,015	1,858,722
1–2 years	19,964	18,607
2–3 years	6,851	9,163
Over 3 years	7,129	4,475
	<u>1,983,959</u>	<u>1,890,967</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.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 17 ACCRUALS AND OTHER PAYABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Payables for staff related cost	197,919	252,830
Deposits received	3,578,114	3,193,247
Other taxes payable	10,913	16,633
Interest payable	5,727	6,339
Payables relating to purchase of property, plant and equipment	142,294	180,144
Contract liabilities	69,064	58,610
Interest-free loans	1,329	8,329
Others	54,062	86,117
<b>Total</b>	<b>4,059,422</b>	<b>3,802,249</b>

Notes:

- (a) All of the accruals and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.
- (b) Movements in contract liabilities

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
At 1 January	58,610	68,505
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the period	(58,610)	(68,505)
Increase in contract liabilities as a result of receipt in advance of transferring goods	69,064	58,610
<b>At 30 June/31 December</b>	<b>69,064</b>	<b>58,610</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 18 INTEREST-BEARING BORROWINGS

(a) The interest-bearing borrowings comprise:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bank loans		
— Secured by property, plant and equipment	247,127	126,000
— Unsecured and unguaranteed	4,533,941	4,700,311
Total bank loans	4,781,068	4,826,311
Government loan		
— Unsecured and unguaranteed	15,300	15,300
Loans from discounted bills		
— Secured by restricted deposits	300,000	—
— Unsecured and unguaranteed	617,000	457,000
Loans from other financial institutions		
— Unsecured and unguaranteed	632,003	746,478
Loans from non-controlling shareholders of subsidiaries		
— Unsecured and unguaranteed	54,000	54,000
Total other loans	1,618,303	1,272,778
	6,399,371	6,099,089

(b) The interest-bearing borrowings were repayable as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year or on demand	4,634,254	3,891,422
After 1 year but within 2 years	1,002,914	1,322,873
After 2 years but within 5 years	610,702	763,629
After 5 years	151,501	121,165
Total non-current loans	1,765,117	2,207,667
	6,399,371	6,099,089

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 18 INTEREST-BEARING BORROWINGS — *continued*

(c) The interest-bearing borrowings were secured by assets of the Group as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Property, plant and equipment	265,013	265,013
Restricted deposits	300,000	—
	<u>565,013</u>	<u>265,013</u>

## 19 LEASE LIABILITIES

The lease liabilities of the Group were repayable as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	100,029	95,235
After 1 year but within 2 years	96,255	89,545
After 2 years but within 5 years	246,885	212,052
After 5 years	2,416,080	2,081,725
	<u>2,759,220</u>	<u>2,383,322</u>
	<u>2,859,249</u>	<u>2,478,557</u>

## 20 DEFERRED TAX ASSETS

### Movement of deferred tax assets

Deferred tax arising from:	Right-of-use assets RMB'000	Lease liabilities RMB'000	Credit loss allowance RMB'000	Total RMB'000
At 1 January 2023	(2,454)	2,454	2	2
Charge/(credited) to profit or loss	362	(362)	12	12
At 31 December 2023 and 1 January 2024	(2,092)	2,092	14	14
(Credited)/charge to profit or loss	(647)	647	(9)	(9)
At 30 June 2024	<u>(2,739)</u>	<u>2,739</u>	<u>5</u>	<u>5</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 21 DEFERRED INCOME

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
At 1 January	797,560	660,738
New grant	119,289	219,087
Credit to profit or loss	(61,009)	(82,265)
At 30 June/31 December	<u>855,840</u>	<u>797,560</u>

Deferred income mainly represents government grants relating to construction of property, plant and equipment, which are recognised as income on a straight-line basis over the expected useful life of relevant assets.

## 22 CAPITAL, RESERVES AND DIVIDENDS

### Share capital

	At 30 June 2024		At 31 December 2023	
	Number of ordinary shares '000	Amount RMB'000	Number of ordinary shares '000	Amount RMB'000
<b>Issued and fully paid:</b>				
At 1 January	388,876	388,876	361,964	361,964
Issuance of ordinary shares	—	—	26,912	26,912
At 30 June/31 December	<u>388,876</u>	<u>388,876</u>	<u>388,876</u>	<u>388,876</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.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 23 FAIR VALUES OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

#### *Fair value hierarchy*

The fair value measurement of derivative financial instruments fall into level 1 of the fair value hierarchy and the fair values of derivative financial instruments are determined by quoted prices in active markets. The fair value measurement of RMB wealth management products and unlisted equity investment fall into level 3 of the fair value hierarchy.

For the six months ended 30 June 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### *Information about Level 3 fair value measurements*

The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method. The main level 3 inputs used by the Group for RMB wealth management products are the expected rates of return. At 30 June 2024, if the expected rate of return of the investment in RMB wealth management products held by the Group had been one percentage point higher/lower, the Group's profit for the year and retained profits would have been RMB4,932 higher/lower.

The movements during the period in the balance of Level 3 fair value measurements are as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
RMB wealth management products		
At 1 January	—	351,341
Additions in investments	780,000	990,000
Change in fair value recognised in profit or loss during the period	1,255	5,762
Disposal of financial assets	(751,243)	(1,306,888)
At 30 June	<u>30,012</u>	<u>40,215</u>

The Group's change in the fair value of the unlisted equity investment held is measured on the basis of the profit and loss and shareholding ratio of the investee company's financial statements.

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Unlisted equity investment:		
At 1 January	665	1,380
Change in fair value recognised in profit or loss during the period	(363)	(396)
At 30 June	<u>302</u>	<u>984</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 23 FAIR VALUES OF FINANCIAL INSTRUMENTS — *continued*

### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2024 and 2023.

## 24 COMMITMENTS

Commitments outstanding at 30 June 2024 not provided for in the interim financial report were as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for	466,741	308,366

## 25 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, representing the amounts paid to the Company's directors and supervisors is as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Directors' fees	180	—
Salaries and other emoluments	3,219	2,868
Discretionary bonuses	1,954	22
Retirement scheme contributions	160	126
	5,513	3,016

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN RMB UNLESS OTHERWISE INDICATED)

## 25 MATERIAL RELATED PARTY TRANSACTIONS — *continued*

### (b) Significant transactions with related parties

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Sales of goods to a company controlled by one of the shareholders	1,938	3,564
Sales of goods to an associate	286	10,491
Sales of goods to companies controlled by the ultimate controlling party	11	14
Purchase of goods from companies controlled by one of the shareholders	95,230	65,764
Purchase of goods from an associate of the ultimate controlling party	—	29
Purchase of goods from companies controlled by the ultimate controlling party	295,741	244,041
Proceeds of interest-bearing borrowings from non-controlling shareholders of subsidiaries	—	2,000
Interest payables to non-controlling shareholders of subsidiaries	1,495	2,238

### (c) Balances with related parties

The balances with related parties as at the end of each reporting period are as follows:

	At 30 June	At 31 December
	2024 RMB'000	2023 RMB'000
Trade in nature:		
— Trade receivables	—	32
— Trade and bills payables	96,293	45,749
Interest-bearing borrowings from certain non-controlling shareholders of subsidiaries*	54,000	54,000

\* The interest-bearing borrowings from certain non-controlling shareholders of subsidiaries are repayable on demand and will be settled on receiving repayment notice from non-controlling shareholders.



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