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DEKON FOOD AND AGRICULTURE GROUP

四川德康農牧食品集團股份有限公司

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

(Stock Code: 2419)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

	For the six months ended 30 June			
	2024		2023	
	Sales volume (heads)	Average selling price ¹ (RMB)	Sales volume (heads)	Average selling price ¹ (RMB)
Sales of pigs				
Market hogs	3,925,495 ²	1,964.1	3,111,692	1,820.4
Breeding pigs	10,917	2,362.3	14,287	2,245.9
Market piglets	89,725	426.8	309,771	456.6
Sales of poultry	<i>(birds or eggs)</i>		<i>(birds or eggs)</i>	
Yellow-feathered broilers	39,839,536	37.7	42,156,771	35.3
Chicks and eggs	51,619,494	0.8	51,376,193	0.8

Notes:

- 1 Average selling price represents the revenue for the period divided by the external sales volume of the product category for the respective period.
- 2 In the first six months of 2024, we sold 3,925,495 heads of market hogs in total, among which 3,754,808 heads of market hogs were sold to external customers, and 170,687 heads were first sold internally to our slaughterhouses for processing and then sold to external customers.

	For the six months ended 30 June	
	2024	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	9,407,081	7,504,846
Profit/(loss) before taxation	1,791,714	(2,352,631)
<i>Income tax</i>	<u>(333)</u>	<u>(399)</u>
Profit/(loss) and total comprehensive income for the period	<u>1,791,381</u>	<u>(2,353,030)</u>
Attributable to:		
Equity shareholders of the Company	1,766,453	(2,181,210)
Non-controlling interests	<u>24,928</u>	<u>(171,820)</u>
Profit/(loss) and total comprehensive income for the period	<u>1,791,381</u>	<u>(2,353,030)</u>
Earnings/(loss) per share³		
Basic and diluted (<i>RMB</i>)	4.54	(6.03)
Profit/(loss) and total comprehensive income for the period before biological assets fair value adjustments ⁴	<u>363,125</u>	<u>(1,117,560)</u>

The board (the “**Board**”) of directors (the “**Directors**”) of Dekon Food and Agriculture Group (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) together with the unaudited figures for the six months ended 30 June 2023 for comparison. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated 27 November 2023 issued by the Company (the “**Prospectus**”).

Notes:

- 3 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.
- 4 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.

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

*for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi (“RMB”))*

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	4	9,407,081	7,504,846
Cost of sales		(8,241,133)	(7,892,452)
Gross profit/(loss)		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)
Profit/(loss) from operations		2,015,268	(2,126,152)
Finance cost	5(a)	(223,155)	(226,479)
Share of losses of associates		(399)	—
Profit/(loss) before taxation		1,791,714	(2,352,631)
Income tax	6	(333)	(399)
Profit/(loss) and total comprehensive income for the period		<u>1,791,381</u>	<u>(2,353,030)</u>
Attributable to:			
Equity shareholders of the Company		1,766,453	(2,181,210)
Non-controlling interests		24,928	(171,820)
Profit/(loss) and total comprehensive income for the period		<u>1,791,381</u>	<u>(2,353,030)</u>
Earnings/(loss) per share	7		
Basic and diluted (RMB)		<u>4.54</u>	<u>(6.03)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 — unaudited

(Expressed in RMB)

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

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

NOTES

(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

The interim financial information has been extracted from the unaudited interim financial report, which 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 information 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 information 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.

As at 30 June 2024, the Group had net current liabilities of RMB205,411,000. The interim financial information has been prepared on a going concern basis, because the directors of the Company are of the opinion that based on a cash flow forecast of the Group prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 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.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to International Financial Reporting Standard (“IFRS”) Accounting Standards issued by the IASB to this interim financial information 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 information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE

Revenue

	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
Revenue from contracts with customers within the scope of IFRS 15		
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.

5 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

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

(b) Staff costs

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
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	2023
	<i>RMB'000</i>	<i>RMB'000</i>
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 [#]	7,805,937	7,750,529
Cost of inventories [#]	435,196	141,923

[#] 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.

6 INCOME TAX

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

7 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.

8 TRADE RECEIVABLES

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

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

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

Ageing analysis

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

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

9 TRADE AND BILLS PAYABLES

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Trade payables due to:		
— related parties	96,293	45,749
— third parties	<u>1,822,787</u>	<u>1,696,210</u>
	1,919,080	1,741,959
Bills payables	<u>64,879</u>	<u>149,008</u>
	<u><u>1,983,959</u></u>	<u><u>1,890,967</u></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 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
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	<u>7,129</u>	<u>4,475</u>
	<u><u>1,983,959</u></u>	<u><u>1,890,967</u></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.

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.

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.

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.

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.

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 result announcement, 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.

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 interim financial results, 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 periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS Accounting Standards:

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	<u>(1,428,256)</u>	<u>1,235,470</u>
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	<u>333</u>	<u>399</u>
EBITDA	2,461,831	(1,712,708)
Add:		
Changes in fair value of biological assets	<u>(1,428,256)</u>	<u>1,235,470</u>
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.

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
Total	6,399	6,099

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

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

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⁽¹⁾ 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.

Gearing Ratio

As at 30 June 2024, the Company's net gearing ratio was 163.9%, representing an 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%.

Note:

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

Pledge of Assets

As at 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	<u>259</u>	<u>529</u>
Total	<u>259</u>	<u>529</u>

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 (30 June 2023: RMB580 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).

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.

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;
- 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.

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 announcement, the Group does not have any significant subsequent events after the Reporting Period.

INTERIM DIVIDEND

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

USE OF PROCEEDS FROM THE LISTING

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

Purpose	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering (HK\$ million)	Net proceeds utilised as of 30 June 2024 (HK\$ million)	Remaining net proceeds as of 30 June 2024 ⁽¹⁾ (HK\$ million)	Expected timeline for fully utilising unutilised net amount
Expanding the existing pigs and yellow-feathered broilers farming business	50.00%	476.3	381.0	95.3	by end of 2026
Developing the food processing business	15.00%	142.9	56.6	86.3	by end of 2025
Investment in the R&D and information technology system	10.00%	95.3	50.7	44.6	by end of 2026
Strategic investments or potential acquisitions	10.00%	95.3	—	95.3	N/A
Repaying certain outstanding bank loans	5.00%	47.6	47.6	—	N/A
Working capital and general corporate purposes	10.00%	95.1	66.0	29.1	N/A
Total	100.00%	952.5	601.9	350.6	

Note:

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strengthen accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Group has complied with the code provisions contained in the CG Code during the six months ended 30 June 2024. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as a code of conduct for securities transactions by the directors and supervisors. The Company has made specific enquiries with each Director and Supervisor and each of them confirmed that he or she had complied with all required standards under the Model Code for the six months ended 30 June 2024. No incident of non-compliance of the Model Code by the employees was noted by the Company for the Reporting Period.

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

During the six months ended 30 June 2024, 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). As of 30 June 2024, the Company did not hold any of treasury shares.

Audit Committee and Review of interim results

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

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024. The Audit Committee has reviewed and discussed matters with respect to the accounting policies, practices adopted by the Company and internal control and considered such systems in place to be effective and adequate.

Review of interim results by KPMG

The interim financial results have been extracted from the unaudited interim financial report for the six months ended 30 June 2024 which have 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, whose unmodified review report is included in the interim report to be sent to Shareholders.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2024 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.dekanggroup.com. The interim report for the six months ended 30 June 2024 will be published on the aforesaid websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Chairman of the Board and Executive Director

People’s Republic of China, 23 August 2024

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