2016 Annual Report

中糧肉食控股有限公司
COFCO Meat Holdings Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 01610

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Corporate Information

Legal Name of the Company
COFCO Meat Holdings Limited

Place of Listing and Stock Code
The shares of the Company were listed on the Main Board of the Stock Exchange on November 1, 2016

Stock Code: 1610

Company Website
www.cofco-joycome.com

Directors
Chairman of the Board and Non-executive Director
Mr. Ma Jianping

Executive Director
Mr. Xu Jianong

Non-executive Directors
Ms. Yang Hong
Mr. Xu Yang
Mr. Wolhardt Julian Juul
Dr. Cui Guiyong
Dr. Wu Hai
Mr. Zhou Qi

Independent Non-executive Directors
Dr. Chen Huanchun
Mr. Fu Tingmei
Mr. Li Michael Hankin
Mr. Wu Chi Keung

Joint Company Secretaries
Dr. Zhang Nan
Ms. Chau Hing Ling

Audit Committee
Mr. Wu Chi Keung (Chairman)
Mr. Fu Tingmei
Dr. Cui Guiyong

Nomination Committee
Mr. Ma Jianping (Chairman)
Dr. Chen Huanchun
Mr. Fu Tingmei

Remuneration Committee
Mr. Li Michael Hankin (Chairman)
Mr. Wu Chi Keung
Mr. Ma Jianping

Food Safety Committee
Dr. Chen Huanchun (Chairman)
Dr. Wu Hai
Mr. Xu Jianong

Auditor
Deloitte Touche Tohmatsu

Legal Advisers
As to Hong Kong law:
Clifford Chance

As to Cayman Islands law:
Maples and Calder

Principal Banks
Agricultural Bank of China Ltd
Bank of Communications Beijing Branch
Industrial and Commercial Bank of China Ltd.

Authorised Representatives
Mr. Xu Jianong
Ms. Chau Hing Ling

Share Registrar and Transfer Office
Principal
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Hong Kong Branch
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Registered Office
P.O. Box 31119
Grand Pavilion, Hibiscus Way
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Grand Cayman, KY1-1205
Cayman Islands

Principal Place of Business in Hong Kong
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Compliance Adviser
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27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Financial Highlights

	2016	2015	Change
	(RMB'000, unless otherwise stated)		(%)
Revenue from continuing operations[1]	**6,616,068**	5,055,705	30.9
Profit attributable to the owners of the Company[2]	**951,912**	150,904	530.8
Basic earnings per share[3]	**RMB0.2767**	RMB0.0379	630.1
Net assets per share[4]	**RMB1.14**	RMB0.66	72.4

Notes:

1. *Revenue from continuing operations is RMB6,616 million, representing a year-on-year increase of 30.9%, which is mainly benefited from the increase of hog prices due to the decrease in sow stock in China, and the year-on-year growth of hog production volume and sales volume of major products including fresh pork and processed meat products.*

2. *Profit attributable to the owners of the Company amounts to RMB952 million, representing a year-on-year increase of 530.8%, which is mainly benefited from the increase of hog prices, the improvement of operating efficiency, the decrease of hog production costs and the optimisation of sale structure for fresh pork, processed meat and meat import business.*

3. *The basic earnings per share means the profit attributable to the owners of the Company divided by the weighted average number of ordinary shares for the year.*

4. *Net assets per share means the total equity at the end of the period divided by the number of shares at the end of the period.*

Chairman's Statement

Dear Shareholders,

2016 was a milestone year for the development of the Company. In the first year after its listing, the Company achieved exciting results by capturing the opportunities in the structural upgrade of the hog industry in China, with a year-on-year increase of 30.9% in revenue and RMB952 million of net profit attributable to the owners of the Company. The significant increase of revenue and profit was underpinned by the growth in business scale, increase in operating efficiency, optimization in sales structure and the rapid growth of branded business.

Ma Jianping
Chairman of the Board

Chairman's Statement

China's pork industry is undergoing an unprecedented evolutionary upgrade as the advantages of large-scale farming gradually become prominent, numerous backyard farms are exiting from the market, the environmental protection requirements become more and more stringent, meat consumption is upgrading, and people are becoming increasingly aware of food safety. The Company's development strategies and path coincided with the industry development trend, thus laying a foundation for the achievement of remarkable results. In light of the huge scale of China's pork industry, its prospect is promising as Chinese preference of fresh meat has created a barrier for the frozen meat import industry, hence, pork industry developed vigorously in China and will have a bright future.

As a pioneer in large-scale hog farming in China, by making continuous efforts in respect of hog farming, the Company has developed a mature business model with reasonable sites, efficient construction, scientific feed formulas, refined production management as well as a strict epidemic prevention system. Such model leads to growing hog production efficiency and decreasing cost, ensuring the Company to achieve outstanding results in 2016.

As a role model in meat product safety in China and a supplier of the Chinese Olympic Sports Delegation and various sports teams under the General Administration of Sport of China, the Company achieved 100% passing rate in sampling inspections conducted by government authorities by adhering to its moral principles, giving a satisfactory result to the customers. Meanwhile, we are also exploring a route for branding operation, in order to transform our advantages in food safety into Shareholders' return. We strive to promote products with high premium, such as small-pack fresh pork under our brand, and expand product types based on market demand in an effort to address customers' demand in food safety, hygiene and convenience. In 2016, fresh pork business recorded growth in both volume and profit against the industry trend, such a result proved that we have made a correct decision in exploring business opportunities. The Company will devote more resources into branded business in the future with a view to achieving leapfrog growth in such business.

As an exemplary enterprise in hog farming and environmental protection in China, we strictly perform our corporate social responsibilities with vigorous development in power generation from biogas and comprehensive utilization of bioslurry to form a green and recycling economic system in order to create considerable economic and social benefits. Meanwhile, we also fully protect the well-being of animals in respect of feed, living environment, water and healthcare of hogs. The above measures has laid a solid foundation for the sustainable development of the Group.

2016 marked a new era for COFCO Meat, although the road is challenging, we are determined to explore right ways to move forward. Looking forward to 2017, the Company will continue to strengthen hog farming business by facilitating the construction of our own feed factory, improving production capacity and reducing production cost; to further increase its efforts in brand promotion by developing small-pack fresh pork products and processed meat products based on customers' needs in order to drive the growth of branded business; as well as to solidify the profit of import business by creating a new model combining the import business and domestic processing. All staffs of COFCO Meat are confident and enthusiastic about the development prospects of the Company.

The Company will continue to achieve outstanding results in return for our Shareholders' support. I, on behalf of the Board, hereby express my sincere gratitude to our management and staffs for their diligence and dedication.

Ma Jianping
Chairman of the Board

March 27, 2017

Management Discussion and Analysis

I. Business Review

Market Overview

Having an output value of more than RMB1 trillion, the pork industry in China is a huge industry with stable growth. Currently, the pork industry value chain is undergoing a structural upgrade with an accelerated trend towards large-scale farming in the upstream hog production, and increasing concerns on food safety due to the upgrade of downstream pork products. As a national famous meat operator covering the entire value chain, we saw important development opportunities from the industry transformation and upgrading.

With accelerating exit of backyard farming from hog production, the trend towards large-scale farming is irreversible

Compared with the large-scale enterprises, the backyard farming has lower production efficiency and higher cost. With the promotion of urbanization, the income received from raising hogs is comparatively lower than that from migrant work, resulting in the continuing exit of the backyard farming as an outdated production capacity. According to the statistics of the Ministry of Agriculture, from 2011 to 2015, the market share of farms with annual output less than 500 heads decreased from 63.4% to 57.3%, while the market share of the farms with over 10,000 heads increased from 7.3% to 9.7%.

With continuously stringent requirements on environmental protection, non-compliant producers were further eliminated and irregular capacity expansion was restricted

Since 2015, the state successively promulgated and implemented Amendments to Environmental Protection Law, the Action Plan to Control Water Pollution and Technical Guideline of Regional Assignment about Prohibited Breeding Areas of Livestock and Poultry (Exposure Draft), which required to make great efforts in preventing and controlling the pollution caused by breeding of livestock and poultry. Affected by the tightening environmental protection policies, hog stock in the southern-water-network areas was reduced in 2016, prohibited areas for hog production were delimited in 20 provinces with demolition of hog farms. As a result, the hog stock decreased by 52 million heads, representing 14% of hog stock at the beginning of 2016. At the end of November 2016, the State Council further issued the Notice on Protection Planning on Ecological Environmental during the "13th Five Year Plan" Period, which requires that the livestock and poultry farms (farming region) and specialized producers in prohibited areas must be closed or relocated according to the laws by end of 2017, which will further reduce the hog stock in 2017.

The shortage of sow stock is expected to provide continuous support to hog price

The hog production industry has been entering into a profitable cycle from the second half of 2015, however, due to the influence of the above industry reform, the national sow stock recorded a year-on-year decrease of 3.6% and a month-on-month decrease of 0.5% in December 2016, which still remained at an all-time low over the past eight years. The hog stock was also at a low level. Correspondingly, the average hog price recorded at a high level of approximately RMB18 per kg through the year of 2016. The low level of sow stock and hog stock at the end of 2016 is expected to provide continuous support to the hog price in 2017.

Imported pork has limited impacts on the production and consumption of domestic pork industry

In 2016, China imported 1.62 million tons of pork and 1.35 million tons of by-products, which represented 5.6% of domestic pork consumption in total. Imported pork brings limited impacts on the hog production and consumption of domestic pork; firstly, 45% of the total imported volume were pork by-products, which were catering for Chinese consumers due to national consumption habits. Secondly, there were only 25 tons of fresh pork in the 1.62 million tons of imported pork, and the rest were all frozen meat, of which front legs and hind legs accounted for 31%. As there are considerable differences between frozen meat and fresh meat in appearance and taste, the imported pork was mainly for further processing instead of household consumption which differentiates it from domestic fresh pork in terms of consumption channels.

The consumption upgrade of pork products drives increasing concerns on food safety

While the structure of domestic hog production was changing, the consumption of fresh pork was upgrading at the same time, and more and more attention was paid to food safety. There is still a severe situation of food safety in the industry as some serious problems, such as meat containing clenbuterol and expired meat, emerge one after another. According to National Food Safety Survey Report issued by China Consumers Association, "residue of pesticide or veterinary drug, excessive pollutants of heavy metal or pathogenic microorganism" were severely troubling consumers.

Food safety has drawn great attention of the Party and State leaders. On the eve of 2016 State Council Food Safety Committee Conference, the General Secretary, Xi Jinping, made an important speech, emphasizing that "supervision mechanism and system should be improved to ensure food safety". The Premier, Li Keqiang, also made specialised instruction that "No food safety problem could be tolerated and the people's health and life safety shall be effectively protected".

The change of domestic population structure also forced food enterprises to pay attention to food safety. At the end of 2015, the state implemented the "universal two-child policy", and the number of live births in hospital increased by 11.5% in 2016 as compared to that in 2015, among which households with two or more children accounted for more than 45% of the total childbirth number in 2016. For the healthy grow-up of children, Chinese families generally would like to pay more premium to purchase safe foods, and enterprises focusing on food safety will be benefited therefrom.

In general, China's pork industry is experiencing structural upgrade, bringing great potential for future development of large-scale companies focusing on food safety. The Company's directors and management teams will firmly grasp industry opportunities with a determination to forge ahead, and create more value for shareholders.

Results of Operation

The overall performance reached a new record high and all businesses achieved increased profit, resulting in the Group's net profit reaching RMB952 million

In 2016, the Group firmly grasped the market opportunity brought by structural upgrade of domestic pork industry, further improved operation and reduced costs while the business scale expanding rapidly, resulting in a new record high of the Group's performance. The revenue and net profit of the Group amounted to RMB6,616 million and RMB952 million, respectively, with a year-on-year growth of 30.9% and 530.8%, respectively. The rate of Return on Equity ("ROE") with disposal businesses[1] was 26.9%. Prior to biological assets fair value adjustments, the net profit was RMB890 million.

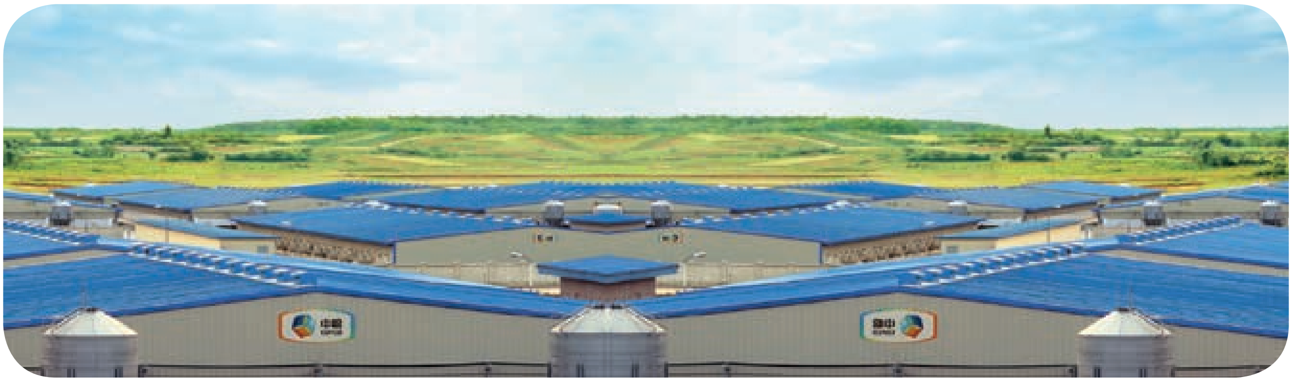
The Group has clear development strategies and explicit positioning at all aspects of the industry value chain. For upstream hog production business, the Group firmly grasped the opportunity brought by industry restructuring, further expanded capacity and continuously reduced production costs through improving operating efficiency. For fresh pork business, the Group enhanced the rate of fresh sales, expanded the sales volume of branded products and continuously increased investment on brands so as to increase the premium of products. For processed meat products business, the Group controlled the costs of raw materials, increased gross profit of products and optimised sales channel structure. For meat import business, the Group fully researched and estimated market conditions to improve the ability to control operating risks and exchange rate risks, and adjust and optimize customer base.

Hog Production Business

In 2016, our segment revenue from hog production business reached RMB3,150 million and the segment profit was RMB1,010 million. The hog production volume increased to 1,712 thousand heads, representing a year-on-year growth of 46.4%.

Improvement of Production Efficiency Resulting in Continuous Decrease of Costs

The Group continuously decreased procurement cost of raw material and improved nutrient feed formulas, enhanced breeding technique, strengthened standardized production and management, focused on talents training and team building. As a result, the operating efficiency has been improved continually. In 2016, piglets weaned per sow per year reached 23.5 heads, with a year-on-year growth of 0.9 head and the average finishing weight reached 104.4 kg, with a year-on-year increase of 2.6 kg per head. The production cost of finishing hog per kg decreased by 9.6% year-on-year.



Note:

1. *"Disposal Businesses" referred to the businesses conducted by COFCO Poultry Co., Ltd. which were disposed by the Group.*

Acceleration of Capacity Expansion

Despite the impact of factors including the highly stringent requirements regarding formalities of land registration, our hog production capacity expanded rapidly with certain projects gradually commenced operation, including Jilin Phase II, Zhangbei Phase II and Guangshui Phase I hog production projects, resulting in the increase of production capacity by 850 thousand heads to 3,140 thousand heads at the end of the year, representing a year-on-year growth of approximately 37.1%. The development of inhouse feed mills was carried out on schedule, among others, feed mills in Jilin, Chifeng, and Zhangbei with the capacity of 180 thousand tons each were successfully completed, and the advanced preparatory works for feed mills in Guangshui with the capacity of 180 thousand tons had been carried out. Hence, the self-sufficiency rate for feed will be further increased in 2017, which will create more space for cost saving.

Fresh Pork Business

In 2016, with the optimised channel and product mix, both the sales volume and profits of our fresh pork business increased, recording the segment revenue of RMB2,738 million, representing a year-on-year increase of 30.0%, and segment profit reached RMB12 million.

The Sales Volume of Fresh Pork Increased Amid Adverse Market Conditions

Under the circumstance of pork production from licensed slaughtering houses in China decreased by 2.4%, the Group made great efforts in expanding the market of our fresh pork products, especially in Shanghai and its surrounding areas. The sales of fresh pork increased amid adverse market conditions with the sales volume reaching 143 thousand tons, representing a year-on-year increase of 11.9%.

Lower Production Costs and Steadily Increased Gross Profit Margin

Against the increased purchase price of hog, the Group vigorously reduced its processing costs. The capacity utilisation rate increased by 6.5 percentage points on a year-on-year basis to 69.5% in 2016, the average labor processing efficiency increased by 3.8% on a year-on-year basis, which resulted in the production costs per kg decreased by 10.1% on a year-on-year basis. The Group also focused on optimising fine-meat-cutting model, reaching a rate up to 84% of fresh sales, which effectively mitigated the impact brought by the rising raw material costs and imported frozen meat in 2016. As a result, the average gross profit per ton of fresh pork business increased by 19.8% year-on-year to RMB933 from RMB779.

Branded Business Grew with the Development of Standardization, Packaging and Branding in Products

The Group continuously optimised the products structure, strictly monitored its productivity, boosted the standardization of the products and effectively increased the gross margin. The branded business grew significantly with the quantities of Stock Keeping Unit increased from 393 in 2015 to 482 in 2016. The Group focused on promoting the sale of functionalised small-pack products, such as shredded pork, diced pork, sliced pork, to increase product premium and provide convenience for customers. The number of sales terminals reached 4,885, representing a year-on-year growth of 13.9%, and the Group increased its sales and brand awareness by actively carrying out offline brand promotion activities at stores and in communities, and by developing e-commerce platform. Revenue from the branded business amounted to RMB524 million in 2016, representing a year-on-year growth of 68.0%.

Precision of Brand Positioning and Enhancement of Brand Awareness

The Group had an accurate brand positioning, it conducted the brand promotion of fresh pork brand "Joycome" according to "five checkpoints for product safety". By virtue of the opportunity brought by the Olympic Games in 2016, our brand formed solid grounds for the safety positioning and earned the consumer awareness of "Direct Meat Supply for Olympics" and "Very Safe". Our brand awareness in Shanghai reached 19% in 2016 from 3% in 2014.

In 2016, the Group's subsidiary COFCO Meat (Jiangsu) Co., Ltd. has organized on-site visit for 74 times, accumulatively leading 3,700 consumers to visit the hog farms and fresh pork processing plant of the Group located at Dongtai, Jiangsu Province, through which the Group's food safety was highly recognized by consumers.

Management Discussion and Analysis

Processed Meat Products Business

In 2016, our segment revenue from processed meat products business reached RMB336 million. At the same time, our segment profit reached RMB8.4 million, representing a year-on-year increase of 109.0%. The sales volume reached 9.7 thousand tons.

Controlling Costs of Raw Materials and Processing

Despite the cost pressure brought by the increased raw material prices in the domestic markets, the processed meat products business realised an efficient improvement in profitability and recorded a gross profit margin of 35.9% by optimising and controlling our costs, adjusting product mix and channel structure. The Group accurately estimated the trend of raw material prices and reasonably reserved the raw materials when the prices of meat (being the main material) were low, which effectively controlled the raw material costs. For the production management, the Group succeeded in improving the overall product yield by optimising products formula and processing techniques, strengthening the delicacy management, introducing advanced equipment and improving the accuracy of equipment processing, which reduced the loss rate, defective rate and overweight rate of processing.

Optimising Our Product Mix and Channel Structure

The Group continually assessed the product performance and squeezed out products with low gross profit. Meanwhile, the Group put efforts on promoting products with higher value such as sliced hams and high-end sausages as well as new diced meat products under differentiation strategy. The Group constantly researched and developed new products which met customers' needs. The number of new products reached 134 for the whole year, of which 51 had passed pilot-scale experiments by customers.

Meanwhile, the Group enhanced the development of food service clients with high profit margin and the revenue proportion of food service channel represented a year-on-year increase of 4.6 percentage points.

Meat Import Business

In 2016, the segment revenue and sales volume for meat import business reached RMB2,034 million and 107 thousand tons, respectively, which remained stable on a year-on-year basis. The segment profit reached RMB79 million and achieved a significant turnaround, mainly benefiting from the transformation of business model and the enhancement of risk control ability.

Transforming Business Model to Combine Processing and Trading

The Group integrated the imported raw materials with key account services and its processing capacity, successively provided certain food service clients with customised processed products made from imported raw materials and provided Womai.com of COFCO with imported steak in small packages, which achieved a good response. In 2017, the plants in Dongtai and Wuhan will conduct imported meat cutting and processing business.

Optimising the Channel Structure

In terms of the upstream procurement, the Group balanced the procurement allocation in different countries to satisfy the diversified needs of customers and control procurement costs. At the same time, the Group reached out for a deep analysis and understanding on consumption trends and the needs of terminal clients in its downstream. Also, we formulated annual sale plans for key customers as well as communicated with them monthly and routinely to grow together with our customers. The proportion of revenue in food service and retail channel in beef business was 25%, 32%, 40% and 41% in 2013, 2014, 2015 and 2016, respectively, showing a year-on-year increasing trend.

Improving Capability in Market Research and Risk Control

By fully researching and analysing the market situation, our procurement team enlarged the proportion of back-to-back contracts to over 70% for beef business in 2016, which achieved a stable and considerable gross profit margin during market downturns and efficiently reduced operation risk. The Group closely traced exchange rate trend and used the long term locking exchange rate to lock foreign exchange risk, and the amount of locking exchange was 48% of the total payment in 2016, which further increased our risk control capability.

Food Safety and Environmental Protection

Strict Control of the Residue of Pesticide and Veterinary Drugs, reaching a 100% Passing Rate for the Inspection of Meat Products

In 2016, the Group further expanded the scale of internal hog supply, improved test capability and strictly controlled the food ex-factory examination, thus achieving a 100% passing rate for over 160 batches of inspections conducted by China Food and Drug Administration and other regulatory institutions. In June 2016, COFCO Meat (Jiangsu) Co., Ltd., a subsidiary of the Company, passed the inspection and acceptance test of "The Typical Demonstration of Quality and Safety Control System for Animal-Sourced Food Processing in the Whole Industry Chain" held by Ministry of Science and Technology of the People's Republic of China (the "PRC").

Actively Developing the Pattern of Ecological Recycling with Prominent Economic and Social Benefits

The Group continuously increased the investment in environmental protection, adhere to the development of the pattern of ecological recycling, which integrates biogas electricity generation, bioslurry-to-field and harmless disposal of dead hogs.

In 2016, Jiangsu Dongtai Base adopted a variety of methods to promote the treatment of bioslurry, not only realising the "zero emission" of farming waste, but also bringing considerable economic benefits in planting to the farmers near our farms, which has gained unanimous recognition from the farmers near our hog farms, the local government and departments. The Hubei Wuhan Base accepted investigations from the Ministry of Agriculture, the National Animal Husbandry System, the Agriculture Department of Hubei Province and government departments at all levels for 42 times. Also, it was interviewed and reported by national and local television stations, newspapers and other media for 7 times. The Company had been invited to attend the accreditation meeting of main technology of livestock and poultry breeding held by the Ministry of Agriculture of the PRC in Beijing, and to participate in drafting relevant teaching materials. It is determined that the mode of combination of farming and planting of the Group, is the main approach of livestock excreta disposal, which provides a successful model for environmental protection and utilization of animal waste of large-scale farming.

II. Financial Review

Overall Performance

Revenue of the Group for continuing operations in 2016 was RMB6,616 million, representing a year-on-year increase of 30.9% (2015: RMB5,056 million). The net profit of the Group increased by 530.8% to RMB952 million from RMB151 million in 2015, of which the net profit from continuing operations increased by 352.1% to RMB948 million in 2016 from RMB210 million in 2015.

In 2016, the Group incurred listing expenses of RMB91 million, of which RMB58 million was capitalised and RMB33 million was recognised in profit or loss. Upon excluding the listing expenses that recognised in profit or loss, the net profit of the Group for the year 2016 was RMB985 million, representing an increase of 552.4% as compared to that in 2015. Prior to biological assets fair value adjustments for those two years, the net profit of the Group for the year of 2016 was RMB890 million, representing a reverse of RMB1,082 million as compared with the loss of RMB192 million in 2015.

Revenue

In 2016, revenue from continuing operations increased from RMB5,056 million to RMB6,616 million, mainly benefiting from the rise of hog prices due to the decline in sow stock in China and the year-on-year increase of 540 thousand heads of hog production operations output, as well as the sales of major products such as fresh pork and processed meat products increased year-on-year due to the vigorously opening up of the market and channel optimisation.

Gross Profit Margin

The gross profit margin of continuing operations prior to adjustment of fair value increased from 9.3% to 21.0%, mainly due to the rises of hog prices and improvement of operating efficiency of various businesses. The improvement of hog production efficiency led to the continuous decline of breeding costs, and the optimisation of sales channel structure for fresh pork, processed meat products and meat import business.

Selling and Distribution Expenses and Administrative Expenses

The total selling and distribution expenses and administrative expenses of the continuing operations amounted to RMB448 million, representing an increase of 11.5% from RMB402 million in 2015, mainly due to the energetically expanding of the market and deepening of the sales channels.

Finance Costs

The finance costs of continuing operations were RMB110 million, representing a decrease of 17.2% as compared with that of 2015, mainly due to the strengthening of centralised management of funds, promotion of efficiency of cash flow, maintenance of lower capital positions, effective control of borrowing balances, as well as strengthening of the management of receivables and inventory to reduce the capital pressure, while at the same time, negotiating with financial institutions for favorable lending rates.

Other Income, Other Gains and Losses

In 2016, other income from continuing operations of the Group were RMB56 million, representing a decrease of 3.5%, mainly due to a decrease of approximately RMB4 million from interest income of banks.

Other losses reversed from a loss of RMB128 million in 2015 to other gains of RMB42 million in 2016, mainly due to a decrease of RMB50 million in exchange losses and a gain of RMB24 million for currency forward contracts. Meanwhile, insurance proceeds of RMB37 million were received and recognized in 2016 for the damage of inventory caused by the explosion in Tianjin Port in August 2015.

Profit/(Loss) for the Year from Continuing Operations

For the above reasons, the Group recorded a profit of RMB892 million from the continuing operations of the Group prior to biological assets fair value adjustments during the year, representing a reverse of RMB1,034 million compared with the loss of RMB142 million in 2015.

Significant Investments, Acquisitions and Sales of Subsidiaries

Save as disclosed in this annual report, the Group has neither any significant investments nor significant acquisitions and disposals of the relevant subsidiaries during the year.

Major Financial Ratios

The financial ratios of the Group as at December 31, 2016 and December 31, 2015 are set forth below:

	December 31, 2016	December 31, 2015
ROE[(1)]	**26.9%**	5.9%
Return on assets[(2)]	**12.1%**	2.0%
Interest coverage ratio[(3)]	**8.37 times**	2.01 times
Current ratio[(4)]	**1.25**	0.80
Net debt-to-equity ratio[(5)]	**24.4%**	119.3%

Notes:

(1) Equals profit (inclusive of the Discontinued Operation) for the period divided by the average of the beginning and ending total equity for that period and multiplied by 100%.

(2) Equals profit (inclusive of the Discontinued Operation) for the period divided by the average of the beginning and ending total assets for that period and multiplied by 100%.

(3) Equals profit before finance costs and income tax expense for the period divided by capitalised interest (with finance costs added back) for that period, in all cases inclusive of the Discontinued Operation, and multiplied by 100%.

(4) Equals current assets divided by current liabilities as at the respective financial period-end date.

(5) Equals total interest-bearing bank and other borrowings and loans from the related parties less cash and cash equivalents, divided by total equity as at the respective period-end date and multiplied by 100%.

Analysis on Capital Resources

Liquidity

In 2016, by adhering to the steady financial policy, the Group was committed to expanding financing channels externally and strengthening financing capability establishment, as well as strengthening the cooperation with banks, obtaining adequate credit facilities, so as to ensure the capital liquidity. Internally, the Group reduced the occupancy of liquid capitals such as inventories and receivables and implemented intensive management on surplus capital to improve the turnover efficiency and generation capability for cash flow. The finance department of the Company regularly and closely examined the overall condition of cash and liabilities, and flexibly arranged financing plans based on finance costs and expiry conditions.

In order to allocate and utilise capitals more effectively, the Group entered into the financial services agreements and entrusted loans framework agreement through our fellow subsidiary COFCO Finance Company Limited. At the same time, the Group also used the capital pool in mainland China, so as to be more effective in utilising the cash, reducing average borrowing costs of the Group, and accelerating clearing services between companies under the Group.

As at December 31, 2016, the cash and cash equivalents owned by the Group amounted to approximately RMB1,588 million (December 31, 2015: approximately RMB176 million). The increase in amount was attributable to the raised funds (before deducting related listing expenses) of approximately RMB1,704 million in this year, meanwhile the operating cash flow was strong.

As at December 31, 2016, the current ratio was 1.25 (2015: 0.8). As at December 31, 2016, our unused bank credit facilities were RMB6,225 million.

EBITDA and Cash Flow

Our operation capital mainly came from cash generated from operation activities, bank borrowings and shareholders' capital contributions. Our cash demand was mainly borne on production and operation activities, capital expenditure, repayment of matured liabilities, interest payment and unexpected capital needs as well.

In 2016, the EBITDA (prior to biological assets fair value adjustments) of the Group's continuing operations was RMB1,263 million (2015: RMB205 million). Net cash generated from our operating activities remained strong at RMB1,352 million (2015: RMB381 million). The net cash generated from our investment activities due to (amongst others) the disposal of our poultry business in 2016 was RMB21 million (net cash used in 2015: RMB1,252 million), including RMB1,044 million (2015: RMB782 million) for (amongst others) the purchase of property, plant and equipment. The net cash generated from our financing activities in 2016 was RMB33 million (net cash used in 2015: RMB1,098 million). In summary, our net increase in cash in 2016 was RMB1,406 million, compared with net losses in cash of RMB1,969 million in 2015.

Capital Structure

As at December 31, 2016, the total number of issued shares of the Group were 3,901,998,323 shares.

As at December 31, 2016, the Group had interest-bearing bank loans of approximately RMB2,586 million (December 31, 2015: approximately RMB1,924 million). The annual interest rate on bank loans ranged from 1.33% to 5.15% (December 31, 2015: from 1.69% to 6.00%). Most of the bank loans were based on floating interest rates. As at December 31, 2016, the Group had no loans from other financial institutions (December 31, 2015: the loan balance from COFCO Finance was approximately RMB500 million, with loan interest rate ranging from 3.92% to 4.37%).

Details of the maturity of interest-bearing bank loans and other loans are as follows:

Unit: RMB in million	**December 31, 2016**	December 31, 2015
Within one year	**1,737**	2,053
One to two years	**195**	100
Three to five years	**593**	254
More than five years	**61**	17
Total	**2,586**	2,424

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

Unit: RMB in million	**December 31, 2016**	December 31, 2015
Fixed-rate borrowings	**300**	1,092
Variable-rate borrowings	**2,286**	1,332
Total	**2,586**	2,424

As at December 31, 2016, the Group had approximately RMB87 million loans from related parties (December 31, 2015: approximately RMB907 million).

As at December 31, 2016, the Group had net assets of approximately RMB4,438 million (December 31, 2015: approximately RMB2,644 million). The net debts of the Group[1] amounted to approximately RMB1,085 million (December 31, 2015: approximately RMB3,156 million), while the net debt to equity ratio was approximately 24.4% (December 31, 2015: approximately 119.3%).

Note:

1. *The net debts of the Group referred to interest-bearing bank and other borrowings and loans from the related parties less cash and cash equivalents.*

Contingent Liabilities and Pledge of Assets

As at December 31, 2016, the Group had no significant contingent liabilities.

As at December 31, 2016, the Group had no bank loans pledged with buildings, land use rights and time deposits of the Group as mortgages (December 31, 2015: receivables of approximately RMB8 million). The Group's bills payable and letters of credit were pledged by the Group's bank deposits with an aggregate amount of RMB50 million as at December 31, 2016 (December 31, 2015: RMB40 million).

Capital Expenditure

The capital expenditure of the Group was mainly expenditures for our hog farms, as well as our other production and ancillary facilities. We funded our capital expenditures primarily with shareholders' capital contributions, borrowings and our internal funds.

Capital expenditure in 2016 was RMB1,064 million (2015: RMB798 million). The following table set forth the capital expenditure for the year indicated:

Unit: RMB in million	**2016**	2015
Payments for property, plant and equipment	**1,044**	782
Payment for prepayment for lease payments	**19**	15
Payments for other intangible assets	**1**	1
Total	**1,064**	798

Our capital expenditure increased RMB266 million from 2015 to 2016, mainly due to the construction of new hog farms in Hubei Province, Jilin Province and Hebei Province. As of December 31, 2016, our demand for capital expenditure mainly came from the construction of hog farms and feed mills in the in such provinces Inner Mongolia Autonomous Region, Jilin Province, Hebei Province and Hubei Province.

Capital Commitment

The capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities and investments in joint ventures. The capital commitment in 2016 is RMB359 million (2015: RMB289 million).

Biological Assets (Continuing Operations)

Biological assets of the Group consist primarily of commodity pigs at various stages of development and breeding hogs used to create future animals, and broilers and chicken breeders before we completed the disposal of our poultry business or the Discontinued Operation on April 22, 2016. As of December 31, 2016, we owned 1,171 thousand live hogs, which included 1,058 thousand commodity pigs and 113 thousand breeding hogs, while we did not own any live chicken. It represented an increase of 31.7% as compared to 889 thousand heads as at December 31, 2015. The fair value of our biological assets as at December 31, 2016 was RMB1,468 million and RMB1,193 million as at December 31, 2015, respectively. Our results have been and are expected to be affected by changes in fair value of biological assets.

The fair value of our biological assets is determined with reference to market prices, breeds, growth status, cost incurred and professional valuation. Our management have engaged Savills Valuation and Professional Services Limited, an independent valuer, to determine the relevant fair value of the Group every year.

Our cost of sales is adjusted for changes in fair values of biological assets, with fair value gains increasing our costs of sales and fair value losses decreasing our costs of sales, although the timing of these adjustments to our cost of sales is not necessarily the same as the related gains or losses. We have adjusted the cost of sales for each period based on (i) changes of fair value of live hogs for that period less cost of sales; and (ii) changes of fair value less cost of sales of biological assets recognized in the previous period.

In 2016 and 2015, such adjustments have increased our cost of sales by RMB1,339 million and RMB354 million respectively. Additionally, in 2016 gains arising from agricultural products at fair value less costs to sell at the point of harvest and from changes in fair value less costs to sell of biological assets resulted in earnings of RMB882 million and RMB512 million respectively (2015: RMB250 million and RMB456 million respectively). In general, net effect of biological assets fair value adjustment on profit was gains of RMB56 million in 2016 and gains of RMB352 million in 2015 respectively.

III. Human Resources

The continuing operations of the Group hired 5,161 employees as of December 31, 2016 (As of December 31, 2015: 4,413 employees). Remuneration for employees were determined according to job nature, personal performance and market trends. For the year ended December 31, 2016, total remuneration amounted to approximately RMB443 million (2015: RMB365 million).

The Group adopted the Former Share Incentive Scheme (as defined in the Prospectus) on March 27, 2015 to provide incentives for its directors and eligible employees, aiming to stimulate them to work for the cause of increasing the value of the Company and its shares. On March 27, 2017, the Board approved to revise the Share Incentive Scheme under the consensus reached by MIY Corporation, Promise Meat Investment II Ltd., Baring Private Equity Asia V Holding (16) Limited, TLS Beta Pte. Ltd. and Shiny Joyful Limited after negotiation. For details, please refer to the Prospectus, the announcement of the Company dated March 27, 2017 and the section headed "Share Incentive Scheme and its Amendments" under the "Directors' Report" of this annual report.

Apart from the above, we encouraged all employees to become well-rounded and enhance their knowledge and abilities related to their career through continuous training, seminars and online learning in order to unearth their own potentials.

IV. 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:

Fluctuations in Commodity Prices

We operate in a highly fragmented and competitive industry, where the primary raw materials and finished products are commodities, all of which have been subject to significant price fluctuations. In our pork business, we are exposed to fluctuations of commodity prices, including prices of corn and soybean meals (which are our primary feed ingredients), live hogs and pork in China. In our meat import business, we are exposed to fluctuations in the price differentials between the Chinese and overseas markets of frozen meat products such as pork, beef, poultry, mutton and lamb. Fluctuations in these commodity prices, in particular the prices of live hogs, has had and is expected to continue to have a significant effect on our profitability. Commodity prices generally fluctuate with market conditions, including supply and demand, outbreaks of diseases, government policies and weather conditions in major farming regions.

Changes in Fair Value of Biological Assets

The results of operations of the Group are significantly affected by changes in fair values of our biological assets. Our biological assets include breeding hogs, commodity pigs and (before we completed the disposal of the Discontinued Operation on April 22, 2016) chicken breeders and broilers. As of 2016, such changes added up to an increase of RMB56 million in profit for the period of our continuing operations. For a presentation of our full results of operations both before and after biological assets fair value adjustments and showing the amounts of these three types of adjustments, see the Consolidated Statements of Profit or Loss and Other Comprehensive Income in this annual report.

Currency Risk

The Group collect most of the revenue in RMB and pay most of our expenditures, including costs incurred for sales of goods and capital expenditures, in RMB. However, several of our subsidiaries that are engaged in import of frozen meat products or that have foreign currency borrowings expose us to foreign currency risk. In 2016, more than 90% of our sales and more than 60% of the cost of sales were denominated in RMB, our functional currency. A substantial portion of our cost of sales denominated in currencies other than RMB were related to our meat import business and were denominated in U.S. dollars. Foreign currency risk arises when commercial sales and purchases transactions or recognized assets or liabilities are denominated in a currency that is not our relevant subsidiaries' functional currency. We are exposed to foreign currency risk primarily with respect to the U.S. dollar and the Hong Kong dollar, which is pegged with the U.S. dollar.

The Group had assets of RMB1,995 million and liabilities of RMB565 million denominated in foreign currencies (including the U.S. dollar and the Hong Kong dollar) as of 2016. The management of the Company has paid closer attention to our foreign currency risk after the RMB experienced significant fluctuations against the U.S. dollar in August 2015, and we have communicated timely on foreign exchange rates and forward prices with COFCO Finance and with those commercial banks that we have business relationships with. We entered into currency forward contracts to cover the majority of our foreign exchange risk for our purchases in the meat import business, and we review the contracts and monitored risks on a monthly or semi-monthly basis according to the conditions of the foreign exchange market. In addition, we also fix an foreign exchange rate in advance for the imported meat purchase price with our domestic customer according to market conditions. We update our foreign exchange risk and internal records on a weekly basis and, before making a major foreign exchange decision (including whether to use currency forward contracts to manage our foreign currency risk), we conduct a sensitivity analysis and stress test.

Interest Rate Risk

The Group's exposure to the risk of changes in interest rates relates primarily to our interest-bearing bank and other borrowings that have a floating interest rate. Our borrowings are primarily interest-bearing at a floating interest rate. The management regularly and closely examined the overall condition of cash and liabilities, flexibly arranged financing plans based on financing costs and expiry, and also attached importance to the cooperation with banks to obtain adequate credit facilities and to create favorable financing conditions.

Credit Risk

Our credit risk arises from the carrying amount of our recognized financial assets in our consolidated statements of financial position. The Group's credit risk is primarily attributable to our accounts receivable; other receivables; amounts due from fellow subsidiaries, ultimate holding companies, intermediate holding companies and related companies and loans to fellow subsidiaries; pledged and restricted bank deposits; and cash and cash equivalents.

We monitor our exposure to credit risk on an ongoing basis and perform credit evaluations on customers who require credit in excess of a certain amount. We monitor receivable balances on an ongoing basis to ensure that our exposure to bad debts is not significant. We have monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. We review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group does not have any significant concentration of credit risk.

V. The Outlook

Seize the industry opportunity to further expand in hog production capacity, reinforce the investment technology and continue to reduce the production cost

Looking forward to 2017, the structural upgrade of the domestic pork industry will be further deepened. With the strict execution of environmental protection regulations, non-compliant hog production capacity will continue to be eliminated and substandard capacity expansion will be restricted, and the hog price is expected to be supported by the low level of sow stock and hog stock, which will create a new round of opportunities for large-scale farming enterprises. The Group will firmly seize the industry opportunities to expand hog production capacity, reinforce the investment in technology and continue to reduce the production cost.

Promote branded fresh pork business and drive it to achieve a leapfrog growth

With the excellent momentum obtained in the branded fresh pork business, the Group will continue to vigorously promote the standardization, packaging and branding of fresh pork products, constantly optimise product mix, improve product premium and profitability, cater more to customers' requirements and drive the branded business of fresh pork to achieve a leapfrog growth.

Further improve vertical integration of the business, to reinforce the stability of the company's profitability

After years of exploration and development, we have established a mature business model in the upstream business. In 2017 and coming years, the Group will improve vertical integration of the business, devote more resources to the downstream business, including the fresh pork and the processed meat products businesses, increase the downstream capacity, revenue and profit level, to strengthen the ability to resist market fluctuations and improve the stability of the Group's profitability.

Strengthen talent training and optimise the incentive mechanism

The Group will further improve and optimise the incentive system, combine the training of internal backbone talents and the recruitment of external excellent persons to build an excellent team of sophisticated technology and to provide a sustainable talent base for our future development.

As COFCO's meat production platform, the Group will continue to take "Leading the Safety Standards in the Industry and Assuring the Safety of Meat for the Consumers" as its responsibility, and provide safer and higher quality meat products to consumers. Looking forward to the future, the Group is confident to continue to create impressive performance, establish a national renowned brand and become a role model in China's meat industry.

Biographies of Directors and Senior Management

Board of Directors

The Board consists of twelve Directors, of whom one is an executive Director, seven are non-executive Directors and the remaining four are independent non-executive Directors.

MA Jianping

Chairman of the Board and Non-executive Director

Mr. MA Jianping (馬建平), aged 53, was appointed as a Director on April 17, 2014 and was designated as a non-executive Director on May 23, 2016. Mr. Ma is the Chairman of the Board.

Mr. Ma joined COFCO in 1986 and is currently a vice president of COFCO. Mr. Ma holds several directorships in certain subsidiaries of COFCO, including the deputy managing director of COFCO (HK) and chairman of COFCO Meat Investments. Mr. Ma also serves as a non-executive director and the chairman of the board of China Foods Limited (中國食品有限公司) (a company listed on the Stock Exchange, stock code: 506) and China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (a company listed on the Stock Exchange, stock code: 2319). Mr. Ma served as a director of COFCO Property (Group) CO., Ltd. (中糧地產(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000031) from May 2005 to December 2016 and a non-executive director of Joy City Property Limited (大悅城地產有限公司) (a company listed on the Stock Exchange, stock code: 207) from December 2013 to January 2017.

Mr. Ma graduated from University of International Business and Economics (對外經濟貿易大學) in the PRC in July 1986 and later obtained a degree of executive master of business administration in December 2005 from the same university and he has extensive experience in strategic planning, corporate financing, investment and M&A, and business management.

XU Jianong

Executive Director

Mr. XU Jianong (徐稼農), aged 52, was appointed as a Director on April 17, 2014 and was designated as a managing director on April 27, 2016 and an executive Director on May 23, 2016. Mr. Xu is also the general manager of the Company. The primary responsibilities of Mr. Xu include implementing the Board's decisions, formulating the Company's corporate and business strategies, monitoring the daily operations of our Group, and making decisions and advising on issues relating to the appointments of the senior management.

Mr. Xu has been the general manager of COFCO Meat Investments since September 2013. Mr. Xu has more than 25 years of experience in agricultural commodities and foods processing in the PRC. Mr. Xu first joined COFCO in August 1987 and has carried out managerial functions in several members of COFCO Group since October 1994. Prior to joining our Group, Mr. Xu was the deputy general manager, the executive deputy general manager and the general manager of the brewing materials division of China Agri from August 2000 to September 2008, from September 2008 to May 2010 and from May 2010 to September 2013, respectively.

Mr. Xu obtained his bachelor's degree in economics from the Shanghai University of International Business and Economics (上海對外經貿大學) (formerly known as Shanghai Institute of Foreign Trade (上海對外貿易學院)) in the PRC in July 1987, and obtained his executive master of business administration from China Europe International Business School (中歐國際工商學院) in the PRC in October 2011.

YANG Hong[1]
Non-executive Director

Ms. YANG Hong (楊紅), aged 50, was designated as a non-executive Director on December 9, 2016. Ms. Yang is primarily responsible for assisting the Chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company. Ms. Yang is also currently a director of COFCO Meat Investments.

Ms. Yang joined COFCO in 1989 and currently serves as a director of COFCO Sugar Limited (中糧糖業有限公司), a director of China Foods Trading Limited (中國食品貿易有限公司) and the chairman of Tully Sugar Limited (塔裡糖業有限公司). Ms. Yang held positions as vice president and the general manager of sugar division at COFCO Tunhe Co., Ltd. (中糧屯河股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600737, currently known as COFCO Tunhe Sugar Co., Ltd. (中糧屯河糖業股份有限公司)), and served as a director from June 2013 to November 2016. She has over 25 years' experience in sugar business and has extensive experience in enterprise management.

Ms. Yang graduated from University of International Business and Economics in Beijing and obtained a master degree of arts. She is also a senior international business operator.

XU Yang
Non-executive Director

Mr. XU Yang (徐陽), aged 37, was appointed as a Director on February 22, 2016 and was designated as a non-executive Director on May 23, 2016. Mr. Xu is primarily responsible for assisting the Chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company. Mr. Xu is also currently a director of COFCO Meat Investments.

Mr. Xu served as a manager at the feed and meat products department of Mitsubishi from October 2011 to August 2015. Since August 2015, Mr. Xu was assigned to Mitsubishi Corporation (China) Commerce Co., Ltd. (三菱商事(中國)商業有限公司) as a manager. Prior to joining Mitsubishi, Mr. Xu served at Marubeni Corporation (丸紅株式會社) at the overseas strategy & coordination department from May 2006 to May 2008, at the packaging paper & board department from June 2008 to July 2009 and from August 2010 to September 2010 and at the paper & paperboard department from October 2010 to September 2011, respectively.

Mr. Xu received his bachelor's degree in Japanese from Dalian University of Foreign Languages (大連外國語學院) in the PRC in July 2002. Mr. Xu obtained his master's degree in economics from Kyoto University in Japan in March 2006.

WOLHARDT Julian Juul
Non-executive Director

Mr. WOLHARDT Julian Juul, aged 43, was appointed as a Director on May 28, 2014 and was designated as a non-executive Director on May 23, 2016. Mr. Wolhardt is primarily responsible for assisting the Chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company. Mr. Wolhardt is also currently a director of COFCO Meat Investments.

Note:

1 *As at December 9, 2016, Mr. Wang Zhiying resigned as a non-executive Director due to work arrangement, and Ms. Yang Hong was appointed as a non-executive Director. For details, please refer to the announcement of the Company dated December 9, 2016.*

Mr. Wolhardt is currently the CEO of Dehope Capital Group (德弘資本集團) focusing on private equity transactions in the Greater China region. Prior to founding Dehope Capital Group, Mr. Wolhardt served as a partner of KKR Asia Limited, during which he was actively involved in advising on investments in Yageo Corporation (國巨公司) (a company listed on the Taiwan Stock Exchange, stock code: 2327), Far East Horizon Limited (遠東宏信有限公司) (a company listed on the Stock Exchange, stock code: 3360), Fujian Sunner Development Co., Ltd. (福建聖農發展股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002299) and COFCO Meat Investments. Before joining KKR Asia Limited, Mr. Wolhardt was with Morgan Stanley Private Equity from 1998 to 2006 and was responsible for its private equity business in China. Mr. Wolhardt is currently a non-executive director of China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司) (a company listed on the Stock Exchange, stock code: 1117) and an independent non-executive director of China Mengniu Dairy Company Limited (a company listed on the Stock Exchange, stock code: 2319). Mr. Wolhardt was an independent non-executive director of China Cord Blood Corporation (中國臍帶血庫企業集團), (a company listed on the New York Stock Exchange, ticker CO) from April 2012 to May 2015. He was a non-executive director of United Envirotech Ltd (a company listed in Singapore, stock code: CEE.SG, currently known as CITIC Envirotech Ltd.) from October 2011 to August 2012.

Mr. Wolhardt has been a certified public accountant since August 1995. He received a bachelor's degree in accounting from the University of Illinois (Urbana-Champaign) in the United States in May 1995.

CUI Guiyong

Non-executive Director

Dr. CUI Guiyong (崔 桂 勇), aged 54, was appointed as a Director on May 28, 2014 and was designated as a non-executive Director on May 23, 2016. Dr. Cui is primarily responsible for reviewing and supervising the financial reporting process and internal control system of our Group. Dr. Cui is also currently a director of COFCO Meat Investments.

Dr. Cui has been a managing director of Baring Private Equity Asia Co., Limited since January 2012 and is primarily responsible for investments in greater China Region. Prior to joining Baring Private Equity Asia Co., Limited, he worked as a managing director at HOPU Investment Management Co., Ltd. (厚樸投資管理有限公司) from May 2008 to September 2009 and became a partner since October 2009. He worked at Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司) from April 2007 to April 2008 and acted as a managing director of the investment banking department. From March 2004 to April 2007, he worked with HSBC Group (滙豐集團) as a managing director of Global Investment Banking Asia Pacific – Resources and Energy at HSBC Markets (Asia) Limited. From June 2002 to August 2003, he was head of the investment banking division at ICEA Capital Limited. From September 1994 to June 2002 Dr. Cui held various positions in N M Rothschild & Sons including managing director of the investment banking division and the chief representative in N M Rothschild & Sons' Beijing Office. Dr. Cui has been a non-executive director of AAG Energy Holdings Limited (亞美能源控股有限公司) (a company listed on the Stock Exchange, stock code: 2686) since January 2015 and China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司) (a company listed on the Stock Exchange, stock code: 1432) since March 2014, respectively. He also served as a non-executive director of Winsway Enterprises Holdings Limited (永暉實業控股股份有限公司) (a company listed on the Stock Exchange, stock code: 1733) from June 2010 to January 2012.

Dr. Cui obtained his bachelor's degree in engineering and master's degree in engineering from the University of Science and Technology Beijing (北京科技大學) (formerly known as Beijing Iron and Steel College (北京鋼鐵學院)) in the PRC in April 1982 and June 1987, respectively, and his doctoral degree in philosophy from the University of Oxford in the United Kingdom in May 1995.

WU Hai

Non-executive Director

Dr. WU Hai (吳海), aged 48, was appointed as a Director on September 30, 2015 and was designated as a non-executive Director on May 23, 2016. Dr. Wu is primarily responsible for reviewing the food safety policies, assessing the food safety control mechanisms and making recommendations to the Board on matters relating to food safety. Dr. Wu is also currently a director of COFCO Meat Investments.

Dr. Wu has been a managing director of China at Temasek Holdings Advisors (Beijing) Co., Ltd. (淡馬錫投資諮詢（北京）有限公司) since May 2014. He has extensive experience in investments and management. Prior to joining Temasek Holdings Advisors (Beijing) Co., Ltd., Dr. Wu was the chief executive officer at Ramaxel Technology (Shenzhen) Limited (記憶科技(深圳)有限公司), a DRAM module manufacturer in China from April 2012 to February 2014, and a managing director at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司), a private equity firm in China from March 2010 to May 2012. Dr. Wu served as a consultant and later as a global partner at McKinsey & Company, a global management consulting firm from August 1999 to February 2010.

Dr. Wu obtained a master's degree in business administration from Cornell University in the United States in May 1999. Dr. Wu also received a doctoral degree in neuroscience and cell biology from Rutgers University in the United States in October 1997.

ZHOU Qi

Non-executive Director

Mr. ZHOU Qi (周奇), aged 35, was appointed as a Director on May 28, 2014 and was designated as a non-executive Director on May 23, 2016. Mr. Zhou is primarily responsible for assisting the Chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company. Mr. Zhou is also currently a director of COFCO Meat Investments.

Mr. Zhou joined Boyu Capital in 2011 and is currently a managing director at Boyu Capital. Prior to joining Boyu Capital, Mr. Zhou was an investment professional at Principal Investment Area of Goldman Sachs from 2007 to 2011. Mr. Zhou also served as an analyst at the Global Investment Research Division of Beijing GaoHua Securities Company Limited (北京高華證券有限責任公司) from 2005 to 2007.

Mr. Zhou obtained his bachelor's degree in accounting from Tsinghua University (清華大學) in the PRC in July 2003. Mr. Zhou also received his master's degree in accounting from Tsinghua University in July 2005.

CHEN Huanchun

Independent Non-Executive Directors

Dr. CHEN Huanchun (陳煥春), aged 63, was appointed as an independent non-executive Director on May 23, 2016. Dr. Chen holds the position of the director and has been a professor in State Key Laboratory of Agricultural Microbiology at Huazhong Agriculture University (華中農業大學農業微生物學國家重點實驗室) since November 1994, and the chairman of the academic committee in State Key Laboratory of Virology at Wuhan University (武漢大學病毒學國家重點實驗室) since June 2012. His fields of expertise include epizootiology, anthropozoonosis, molecular biology, genetic-engineered vaccine and molecular diagnostic reagent. Dr. Chen's major achievements include confirmation of the outbreak of porcine pseudorabies in China, separation and identification of the porcine pseudorabies virus, development of various diagnostic methods, as well as systematical illustration of five forms of manifestations clinically in China. Dr. Chen has won the Second Prize of National Advance of Science and Technology (國家科技進步二等獎) in China in 2001, 2007 and 2011, respectively.

Dr. Chen graduated with his doctoral degree in veterinary medicine from the University of Munich, Germany in February 1988. He has now been an academician at the Chinese Academy of Engineering (中國工程院) since June 2006, the advisory committee member of the Ministry of Agriculture from January 2008 to present, and the president of Chinese Association of Animal Science and Veterinary Medicine (中國畜牧獸醫學會) from October 2006 to present.

FU Tingmei
Independent Non-Executive Directors

Mr. FU Tingmei (傅 廷 美), aged 50, was appointed as an independent non-executive Director on May 23, 2016. Mr. Fu has over 20 years of experience in investment, finance, law and business management. From 1992 to 2003, he completed numerous corporate finance transactions and held directorships in several investment banking firms based in Hong Kong, including a director of Peregrine Capital Limited (百富勤融資有限公司), and a managing director of BNP Paribas Peregrine Capital Limited (法國巴黎百富勤融資有限公司). Mr. Fu is currently an independent non-executive director of CPMC Holdings Limited (中糧包裝控股有限公司) (a company listed on the Stock Exchange, stock code: 906), Beijing Enterprises Holdings Limited（北京控股有限公司）(a company listed on the Stock Exchange, stock code: 392), Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) (a company listed on the Stock Exchange, stock code: 1788) and Postal Savings Bank of China Co., Ltd. (中國郵政儲蓄銀行股份有限公司) (a company listed on the Stock Exchange, stock code: 1658).

Mr. Fu graduated from the University of London, the United Kingdom with a master's degree in Law and a doctoral degree in Law in November 1989 and March 1993, respectively.

LI Michael Hankin
Independent Non-Executive Directors

Mr. LI Michael Hankin (李恆健), aged 52, was appointed as an independent non-executive Director on May 23, 2016. He has more than 20 years' experience in financial and accounting matters, fundraising, mergers and acquisitions, restructuring and international business development. Mr. Li worked at several listed companies as head of corporate finance, general manager of investor relations and mergers and acquisitions including as head of corporate finance of GCL-Poly Energy Holdings Limited (保利協鑫能源控股有限公司) (a company listed on the Stock Exchange, stock code: 3800) since July 2014 and as general manager of investor relations & mergers and acquisitions of Newton Resources Limited (新礦資源有限公司) (a company listed on the Stock Exchange, stock code: 1231) in 2013. From August 2016 to February 2017, Mr. Li has been the head of financial planning at Hsin Chong Group Holdings Limited (新昌集團控股有限公司) (a company listed on the Stock Exchange, stock code: 0404). Mr. Li also worked at several international banks where he had led numerous fund raising exercises in Hong Kong and the United States. During the period from March 1994 to June 2004, Mr. Li was the executive director (Corporate Finance) at BNP Paribas Capital (Asia Pacific) Limited (法國巴黎資本（亞太）有限公司). During the period from July 2004 to December 2005, Mr. Li was employed at GoldBond Capital (Asia) Limited (金榜融資(亞洲)有限公司) and was a managing director (investment banking) of Rothschild (Hong Kong) Limited (洛希爾(香港)有限公司) during the period from March 2007 to May 2011.

Mr. Li obtained a bachelor's degree in accountancy from University of California at Los Angeles in June 1985, and a master of business administration degree from Columbia University, New York in May 1992.

WU Chi Keung
Independent Non-Executive Directors

Mr. WU Chi Keung (胡志強), aged 59, was appointed as an independent non-executive Director of our Company on June 23, 2016. Mr. Wu has more than 30 years of experience in financial audit and specializes in providing auditing and verification services, financial due diligence reviews, support services for merger and acquisitions, corporate restructuring and fund raising engagements. Mr. Wu was a partner of Deloitte Touche Tohmatsu until he retired in December 2008. Mr. Wu is currently a director of a family-owned private company, Born Best Company Limited, engaging in property investment and provision of consultancy services.

Mr. Wu is currently an independent non-executive director of the following companies listed on Main Board of the Stock Exchange:

Company Name (English)	Company Name (Chinese)	Stock Code	Appointment Date
China Medical System Holdings Limited	康哲藥業控股有限公司	00867	June 25, 2010
Huabao International Holdings Limited	華寶國際控股有限公司	00336	August 8, 2013
Huajin International Holdings Limited	華津國際控股有限公司	02738	March 23, 2016
Jinchuan Group International Resources Co. Ltd	金川集團國際資源有限公司	02362	January 12, 2011
YuanShengTai Dairy Farm Limited	原生態牧業有限公司	01431	November 7, 2013
Zhong Fa Zhan Holdings Limited	中發展控股有限公司	00475	November 29, 2011
Zhou Hei Ya International Holdings Company Limited	周黑鴨國際控股有限公司	01458	October 24, 2016

Mr. Wu was an independent non-executive director of the following companies listed on the Stock Exchange:

Company Name (English)	Company Name (Chinese)	Stock Code	Period of Service
China Wah Yan Healthcare Limited	中國華仁醫療有限公司	00648	January 3, 2012 to July 15, 2014
GreaterChina Professional Services Limited	漢華專業服務有限公司	08193	May 18, 2011 to July 2, 2014
JF Household Furnishings Limited	捷豐家居用品有限公司	00776	August 16, 2011 to October 5, 2012
Link Holdings Limited	華星控股有限公司	08237	June 20, 2014 to October 3, 2014

Mr. Wu obtained a high diploma in accountancy from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1980. He is a member of the Hong Kong Institute of Certified Public Accountants and a senior fellow of the Association of Chartered Certified Accountants.

Senior Management

Our senior management is responsible for the day-to-day management of our business.

XU Jianong

Mr. XU Jianong (徐稼農), aged 52, is an executive Director, the managing director and the general manager of the Company. Please see his biographical details in the paragraph headed "Board of Directors" in this section.

SHEN Yunxiang

Dr. SHEN Yunxiang (沈雲祥), aged 52, was appointed as a deputy general manager of the Company and general manager of the hog production division on April 27, 2016. Dr. Shen has served as the deputy general manager and the general manager of the hog production division of COFCO Meat Investments since June 2009 and December 2010, respectively. He is primarily responsible for the general management of operations, and formulating and implementing annual plans of the hog production division of the Company. Dr. Shen has over 19 years of experience in the hog production industry. Dr. Shen served as business development manager and subsequently general manager of PIC (Zhangjiagang) Pig Improvement Co., Ltd. (皮埃西(張家港)種豬改良有限公司) from 1997 to 2006, and as general manager of Jilin Huazheng Agribusiness Development Co., Ltd. (吉林華正農牧業開發股份有限公司) from November 2006 to May 2009.

Dr. Shen obtained his bachelor's degree in non-metal mining from Wuhan University of Technology (武漢理工大學) (formerly known as Wuhan University of Technology (武漢工業大學) and Wuhan Building Materials industry College (武漢建築材料工業學院)) in the PRC in June 1984 and his master's degree in engineering from McGill University in Canada in June 1988 and his doctoral degree in economics from the University of Montreal in Canada in May 1995.

ZHANG Changxin

Mr. ZHANG Changxin (張昌新), aged 54, was appointed as a deputy general manager of the Company and general manager of the fresh pork division on April 27, 2016. Mr. Zhang has served as the general manager of the fresh pork division of COFCO Meat Investments since December 2010 and as the deputy general manager of COFCO Meat Investments since June 2014. He is primarily responsible for the operations and management of hog slaughtering and fresh pork business. Mr. Zhang served as the deputy general manager of the fresh pork division of COFCO Meat Investments from September 2008 to December 2010. Mr. Zhang has more than 27 years of experience in the meat industry in the PRC, and has extensive experience in corporate management. Mr. Zhang joined COFCO in June 1989. During the period from June 1989 to August 2008, Mr. Zhang held a number of positions with members of COFCO Group, and his managerial experience includes division manager of business division No. 3 of COFCO Meat Import and Export Hubei Co., Ltd. (中糧肉食品進出口湖北公司) (formerly known as China Meat and Poultry Joint Venture Co., Ltd. (Wuhan) (中國畜禽聯營公司武漢)), deputy manager and manager of its business division No. 3, deputy general manager and assistant to general manager at Wuhan COFCO Import and Export Co., Ltd. (武漢中糧進出口公司); and the general manager of Wuhan COFCO Meat since September 2002.

Mr. Zhang graduated from Wuhan Institute of Agricultural Studies (武漢市農業學校) in the PRC in July 1982 majoring in animal husbandry and veterinary, and, by way of a long distance learning course, from Huazhong Agricultural University (華中農業大學) in the PRC in June 1988 majoring in animal husbandry.

LI Lei

Mr. LI Lei (李雷), aged 35, is the chief financial officer of the Company and is primarily responsible for overall accounting and financial management of our Group, including corporate finance, financial reporting and financial management. Mr. Li joined our Group in January 2015 and served as the general manager of the finance department of COFCO Meat Investments and was appointed as the chief financial officer of the Company in May 2016. Mr. Li has over 10 years of experience in financial management and the food and agriculture industries. Mr. Li joined COFCO in 2004 and served as the general manager of the finance department of China Agri's brewing materials division from August 2007 to July 2013 and served as assistant to general manager of the same division and the general manager of finance department from July 2013 to December 2014.

Mr. Li received his bachelor's degree in economics with a taxation major from the Central University of Finance and Economics (中央財經大學) in August 2004.

ZHANG Jinglei

Mr. ZHANG Jinglei (張京雷), aged 42, was appointed as the general manager of the processed meat products division of the Company on June 12, 2016. Since April 2013, Mr. Zhang was an assistant to general manager of the processed meat products division of COFCO Meat Investments, then its deputy general manager since June 2014 and its general manager since June 2016. Mr. Zhang is responsible for the general management of processed meat business, including formulating strategies, product research and development, procurement, production, quality control, sales and marketing. Mr. Zhang served several positions in different COFCO Group entities since joining COFCO in August 1995, including the general manager of the operational management division of the processed meat products division of COFCO Meat Investments, deputy general manager of Wuhan COFCO Meat, finance staff at COFCO Greenland Xingye Co., Ltd. (中糧綠地興業有限公司), finance officer at COFCO Corn Export Co., Ltd. (中糧玉米出口有限責任公司), chief of finance and subsequently deputy general manager of COFCO Malt (Jiangyin) Co., Ltd. (中糧麥芽(江陰)有限公司) and executive general manager of COFCO Meat (Tianjin). Mr. Zhang has extensive experience in the food and agriculture industry and general management of meat business operations.

Mr. Zhang received his undergraduate diploma in accounting in June 1995, and his bachelor's degree in finance in January 2006, both from the University of International Business and Economics in the PRC. Mr. Zhang's bachelor's degree in finance was obtained by way of a long distance learning course.

LI Zhengfang

Ms. LI Zhengfang (李正芳), aged 42, was appointed as a deputy general manager (executive) of the international trading division of the Company on April 27, 2016. Ms. Li is responsible for the general management of pork, beef and lamb international trading business. Ms. Li first joined COFCO in October 1997 and has served several managerial positions in several COFCO Group entities since September 2008, including the general manager of the strategy department, the marketing department, the beef and lamb processing division and the pork import division of COFCO Meat Investments. Ms. Li has extensive experience in meat trade and procurement. Prior to the above, Ms. Li served as an assistant to general manager at the meat and poultry department and subsequently the international meat department of COFCO Development Co., Ltd. (中糧發展有限公司).

Ms. Li obtained her bachelor's degree in Economics (International Trade) from the University of International Business and Economics in the PRC in July 1997.

ZHANG Nan

Dr. ZHANG Nan (張楠), aged 35, was appointed as a deputy general manager of the strategy department of our Company on May 23, 2016 and is responsible for strategy planning, research and investment management. Dr. Zhang has been a deputy general manager of the strategy department of COFCO Meat Investments since March 2015. Dr. Zhang joined the strategy department of COFCO in April 2008 and joined COFCO Meat Investments in September 2010. Dr. Zhang has extensive experience in meat industry research and strategy planning. Since April 2014, Dr. Zhang has been in charge of the board affairs of COFCO Meat Investments, including communicating with directors and shareholders and organising board meetings and has developed experiences in corporate governance.

Dr. Zhang obtained her bachelor's degree in engineering and doctoral degree in management from Tsinghua University in the PRC in July 2002 and July 2008, respectively.

For the year ended December 31, 2016, there were no other changes to the information which are required to be disclosed and have been disclosed by the Directors and senior management pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, save as disclosed above.

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2016.

Corporate Governance

As the Company's shares were listed on the Stock Exchange on the Listing Date, the Corporate Governance Code contained in Appendix 14 to the Listing Rules was not applicable to the Company for the period before the Listing Date. The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintaining investors' trust in the Company. The Company's management also actively observes the latest corporate governance developments in the PRC, Hong Kong and abroad. This Corporate Governance Report explains the Company's corporate governance principles and practices, including how the Board manages the business to deliver long-term Shareholder value and to promote the development of the Group.

In the opinion of the Board, the Company has complied with the provisions of the Corporate Governance Code since the Listing Date up to December 31, 2016.

Directors' Securities Transactions

The Company has adopted the Model Code as the Code of Conduct for its own relevant securities transactions by the Directors. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Model Code since the Listing Date up to December 31, 2016.

The Board

1. Roles and Responsibilities

The Board, led by the Chairman, Mr. Ma Jianping, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company.

The Board, which is accountable to Shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company. The Board meets these obligations by ensuring the maintenance of high standards of governance in all aspects of the Company's business, setting strategies and plans for the Company and accepting appropriate levels of review, challenge and guidance in its relationship with the Company's management. The Board is responsible for ensuring that, as a collective body, it has appropriate skills, knowledge and experience to perform its role effectively.

The Board is collectively responsible for performing corporate governance duties including:

(a) to develop, review and implement the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Code of Conduct applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code which is amended from time to time, and its relevant disclosure in the corporate governance report.

The Board is responsible for making decisions of all material matters, while the management is responsible for executing instructions of the Board and dealing with normal operation and regular matters.

2. Board Composition

The Board members during the year ended December 31, 2016 and up to the date of this annual report are as follows:

Executive Director:

Mr. XU Jianong *(Managing Director, General Manager and member of the Food Safety Committee)*

Chairman and Non-executive Director:

Mr. MA Jianping *(Chairman of the Board and chairman of the Nomination Committee and member of the Remuneration Committee)*

Non-executive Directors:

Mr. XU Yang

Mr. WOLHARDT Julian Juul

Dr. CUI Guiyong *(member of the Audit Committee)*

Dr. WU Hai *(member of the Food Safety Committee)*

Mr. ZHOU Qi

Mr. WANG Zhiying *(resigned since December 9, 2016; former member of the Remuneration Committee)*

Ms. YANG Hong *(appointed on December 9, 2016)*

Independent non-executive Directors:

Dr. CHEN Huanchun *(chairman of the Food Safety Committee and member of the Nomination Committee)*

Mr. FU Tingmei *(member of the Audit Committee and the Nomination Committee)*

Mr. LI Michael Hankin *(chairman of the Remuneration Committee)*

Mr. WU Chi Keung *(chairman of the Audit Committee and member of the Remuneration Committee)*

The members of the Board have their own strengths and profound experience with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of the Directors.

The Directors and senior management have no other financial, business, family or other material/relevant relationships with one another.

3. Chairman and Managing Director

The roles of the Chairman and the chief executive officer should be segregated as required under code provision A.2.1 of the Corporate Governance Code, and should not be held by one person at the same time. Chairman of the Board held by Mr. Ma Jianping and managing director (namely, the chief executive officer of the Company) held by Mr. Xu Jianong are currently two independent positions, and have specific scope of powers and functions. Chairman of the Board is responsible for supervising and formulating corporate and business strategies of the Company, while the responsibilities of managing director include implementation of decisions of the Board, formulation of corporate and business strategies of the Company, supervision of ordinary operation of the Company and making decisions and providing advice relating to the appointment of senior management.

4. Non-executive Directors and Independent Non-executive Directors

From the Listing Date to the date of this annual report, the Board had four independent non-executive Directors, being one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmations from each of the four independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgments.

5. Appointment, Re-election and Removal of Directors

The Company uses a formal and transparent procedure for the appointment of new Directors. Recommendations for the appointment of new Directors are received by the Board from the Nomination Committee. The Board then deliberates over such recommendations prior to approval.

The Company has entered into a service contract with the executive Director, according to which he agrees to hold office for an initial term of three years commencing from the Listing Date, and appointment of which will be terminated by either party giving to the other not less than three months prior notice in writing.

The Company has entered into a letter of appointment with each of the non-executive Directors for a term of one year from the Listing Date. The Company has entered into a letter of appointment with each of the independent non-executive Directors for a term of three years commencing from the date of appointment. Such appointments are subject to provisions of retirement and rotation of Directors as stipulated in the Articles of Association.

6. Meetings

Pursuant to the code provision A.1.1 of the Corporate Governance Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with all independent non-executive Directors and non-executive Directors, without presence of the executive Director.

The attendance of each Director at the Board meetings, Board Committees meetings and extraordinary general meeting from the Listing Date until the date of this annual report is set out in the following table:

Directors	Number of meetings present in person or by proxies/The number of meeting											
	Board Meeting		Audit Committee Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Food Safety Committee Meeting		Extraordinary General Meeting	
	Number of meetings present in person/The number of meetings	Number of meetings present by proxy/The number of meetings	Number of meetings present in person/The number of meetings	Number of meetings present by proxy/The number of meetings	Number of meetings present in person/The number of meetings	Number of meetings present by proxy/The number of meetings	Number of meetings present in person/The number of meetings	Number of meetings present by proxy/The number of meetings	Number of meetings present in person/The number of meetings	Number of meetings present by proxy/The number of meetings	Number of meetings present in person/The number of meetings	Number of meetings present by proxy/The number of meetings
Ma Jianping[1]	4/4	0/4	N/A	N/A	1/1	0/1	2/2	0/2	N/A	N/A	1/1	0/1
Xu Jianong	4/4	0/4	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Wang Zhiying[2] (resigned on December 9, 2016)	1/2	0/2	N/A	N/A	1/1	0/1	N/A	N/A	N/A	N/A	N/A	N/A
Yang Hong[3] (appointed on December 9, 2016)	2/2	0/2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1
Xu Yang	4/4	0/4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1
Wolhardt Julian Juul	2/4	1/4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0/1	0/1
Cui Guiyong	2/4	1/4	2/2	0/2	N/A	N/A	N/A	N/A	N/A	N/A	0/1	0/1
Wu Hai	2/4	1/4	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	0/1	0/1
Zhou Qi	2/4	0/4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1
Chen Huanchun	2/4	1/4	N/A	N/A	N/A	N/A	1/2	1/2	0/1	1/1	0/1	0/1
Fu Tingmei	4/4	0/4	2/2	0/2	N/A	N/A	2/2	0/2	N/A	N/A	1/1	0/1
Li Michael Hankin	4/4	0/4	N/A	N/A	2/2	0/2	N/A	N/A	N/A	N/A	1/1	0/1
Wu Chi Keung	4/4	0/4	2/2	0/2	2/2	0/2	N/A	N/A	N/A	N/A	1/1	0/1

1 *Ma Jianping was appointed as a member of the Remuneration Committee on December 9, 2016; from such date to the date of this annual report, the Company convened a total of one meeting of the Remuneration Committee.*

2 *Wang Zhiying resigned as a non-executive Director from December 9, 2016 and no longer served as a member of the Remuneration Committee. From the Listing Date to the date of his resignation, the Company convened a total of two board meetings and one meeting of the Remuneration Committee.*

3 *Yang Hong was appointed as a non-executive Director on December 9, 2016; from such date to the date of this annual report, the Company convened a total of two board meetings.*

7. Training for Directors

Upon appointment to the Board, Directors will receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives.

All newly appointed Directors have received the induction programmes and briefing on director's duties and obligations on corporate governance and regulating requirements prepared and delivered by our external legal advisor immediately prior to or on their respective date of appointment.

The Company encourages that all Directors should participate in programmes of continuous professional development to develop and refresh their knowledge and skills. The external legal advisor appointed by the Company provided Directors statements, briefing and materials for training mainly on the roles, function and duties of the Directors of listed companies in 2016.

The Directors participated in the following trainings for the year ended December 31, 2016:

	Continuous Professional Development
Name of Director	**Reading or attending briefings and/or seminars and/or training conferences relevant to the latest materials on supervision and governance**
Chairman of the Board and Non-executive Director	
Mr. Ma Jianping	A, C
Executive Director	
Mr. Xu Jianong	A, C
Non-executive Directors	
Ms. Yang Hong (appointed on December 9, 2016)	A, C
Mr. Wang Zhiying (resigned on December 9, 2016)	A, C
Mr. Xu Yang	A, C
Mr. WOLHARDT Julian Juul	A, C
Dr. Cui Guiyong	A, C
Dr. Wu Hai	A, C
Mr. Zhou Qi	A, C
Independent Non-executive Directors	
Dr. Chen Huanchun	A, C
Mr. Fu Tingmei	A, C
Mr. Li Michael Hankin	A, C
Mr. Wu Chi Keung	A, C

A: Attending seminars and/or meetings and/or forums relating to the business or director's duties
B: Delivering speeches in seminars and/or meetings and/or forums
C: Reading study materials relating to director's obligations and duties and latest regulatory information

Board Committees

The Company's corporate governance is implemented through a structured hierarchy, which includes the Board of Directors and four committees of the Board, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Food Safety Committee. The terms of reference of the Board Committees are available on the HKExnews' and the Company's websites. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Further details of the roles and functions of the Board Committees are set out below.

1. Audit Committee

From the Listing Date to the date of this annual report, the Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely Mr.Wu Chi Keung, Mr. Fu Tingmei and Dr. Cui Guiyong. Mr. Wu Chi Keung, who has professional qualifications in accountancy, is the chairman of the Audit Committee. The Audit Committee held a total of two meetings from the Listing Date to the date of this annual report. Executive Directors, senior management and the external auditor of the Company were invited to join the discussions at the meetings.

The primary duties of the Audit Committee include the oversight of the Group's financial reporting system, risks management and internal control procedures, monitoring the integrity of the preparation of the Company's financial information including interim and annual results of the Group, reviewing the Group's financial and accounting policies and practices and monitoring the effectiveness of the internal audit function. The Audit Committee also provides oversight for and management of the relationship with the Group's external auditor, including reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

From the Listing Date to the date of this annual report, the Audit Committee has performed the following:

(a) met with the external auditors to discuss the general scope and findings of their audit and review works;

(b) reviewed the external auditor's management suggestion letter and management's response;

(c) reviewed and recommended to the Board for approval of the external auditors' remuneration;

(d) made recommendations to the Board on the re-appointment of the external auditor;

(e) reviewed the external auditors' independence, objectivity and the effectiveness of the audit process;

(f) reviewed and monitored the integrity of financial statements, annual reports and annual results announcements of the Company;

(g) reported to the Board on matters relating to the Audit Committee under the Corporate Governance Code;

(h) reviewed the Company's financial controls, internal control and risk management systems;

(i) discussed auditing, internal control, risk management and financial reporting matters before recommending them to the Board for approval;

(j) reviewed the arrangements that employees of the Company and those who deal with the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters.

2. Nomination Committee

The Nomination Committee comprises three members, Mr. Ma Jianping, being a Chairman of the Board and non-executive Director, and two independent non-executive Directors, namely Dr. Chen Huanchun and Mr. Fu Tingmei. Mr. Ma Jianping is the chairman of the committee. The Nomination Committee held a total of two meetings from the Listing Date to the date of this report.

The primary duties of the Nomination Committee are to review and make recommendations to the Board on the structure, composition size and diversity of the Board, to oversee the identification and assessment of potential candidates of Directors, to provide oversight and direction in respect of the succession planning for Directors and to determine the composition of Board Committees.

According to code provision A.5.6 of the Corporate Governance Code, the listed company should adopt the policy of diversification of the board members. From the Listing Date to the date of this annual report, the Board has adopted the above said policy, and made discussion about all quantifiable targets established by implementing policies. The Company understands and believes the advantages of diversification of the Board members, aiming to ensure that it has a balanced composition of their skills, experience and view appropriate for the requirements of the businesses of the Company. The Company continues to adopt the merit principle to appoint Directors and gives proper consideration to the advantages of diversification of the Board members. The selection criteria of candidates are based on diversified factors, including but not limited to gender, age, culture and education background, experience (expertise and other aspects), skill and knowledge. The final decision will be made based on merit principle and contributions brought to the Board by the candidate to be appointed.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors, and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board. The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

The Nomination Committee's procedures and criteria for selecting and making recommendations for appointment of Board members are designed to satisfy high standards of corporate governance. These processes also meet or exceed the Stock Exchange's requirements to ensure that every director of the Company has the requisite character, experience and integrity and is able to demonstrate a standard of competence, commensurate with his position as a director of a listed issuer, and that where nomination of independent non-executive Directors is under consideration the requirements of Rule 3.13 of the Listing Rules shall be satisfied.

3. Remuneration Committee

From the Listing Date to December 9, 2016, the Remuneration Committee comprised three members, namely Mr. Li Michael Hankin (the chairman of the committee), Mr. Wu Chi Keung and Mr. Wang Zhiying. Mr. Wang Zhiying resigned as a non-executive Director of the Company since December 9, 2016 and ceased to be a member of Remuneration Committee. Mr. Ma Jianping, being a chairman of the Board and non-executive Director, was appointed to be a member of Remuneration Committee since December 9, 2016. From December 9, 2016 to the date of this annual report, the Remuneration Committee comprises the following members: Mr. Li Michael Hankin (the chairman of the committee), Mr. Wu Chi Keung and Mr. Ma Jianping. The Remuneration Committee held a total of two meetings from the Listing Date to the date of this annual report.

The Remuneration Committee has adopted the second model described in paragraph B.1.2(c) in Appendix 14 to the Listing Rules (i.e. to make recommendations to the board on the remuneration packages of individual executive directors and senior management).

The primary duties of the Remuneration Committee are to make recommendations and proposals to the Board in respect of remuneration policies according to the performance of Directors and the terms of the service contracts and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board. The Remuneration Committee shall consult the chairman and/or managing director about their remuneration proposals for the executive Directors and is provided with sufficient resources enabling it to discharge its duties. The Remuneration Committee would access to independent professional advice if necessary. Their written terms of reference are available on the websites of the Company and the "HKExnews".

From the Listing Date to the date of this annual report, the Remuneration Committee has performed the following works: evaluating the performance of the Directors and senior management, reviewing and approving the remuneration of the Directors and senior management, etc.

The remunerations of Directors are also determined with reference to their experience, qualifications, responsibilities involved in the Company and prevailing market conditions. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the executive Directors, including the Share Incentive Scheme, same as those offered to other employees of the Group. Details of emoluments of Directors for the year 2016 are set out in Note 13 to the consolidated financial statements. The emoluments paid or payable to senior management during the year 2016 were within the following bands:

RMB yuan	Number of Senior Management
0 – 500,000	0
500,001 – 1,000,000	4
1,000,001 – 1,500,000	2
1,500,001 – 2,000,000	0
Over 2,000,000	1

4. Food Safety Committee

From the Listing Date to the date of this annual report, the Food Safety Committee comprises three members, namely Mr. Xu Jianong, being an executive Director, Dr. Wu Hai, a non-executive Director and Dr. Chen Huanchun, an independent non-executive Director. Dr. Chen Huanchun is the chairman of the committee. The Food Safety Committee held a total one meeting relating to the effective control of food quality and safety from the Listing Date to the date of this annual report, mainly reviewing food safety work of last year and work plan of next stage.

The primary duties of the Food Safety Committee are to review and assess the Company's food quality and safety policy, management and performance and give advice to ensure compliance with relevant rules and regulations and protect food safety.

Joint Company Secretary

Dr. Zhang Nan (張楠), the joint company secretary of our Company, is responsible for making recommendations to the Board on corporate governance, and to ensure in compliance with the policies and procedure of the Board and applicable laws, rules and regulations.

To maintain good corporate governance and ensure in compliance with Listing Rules and applicable Hong Kong laws, we also appointed Ms. Chau Hing Ling (周慶齡), a director of corporate services of Vistra Corporate Services (HK) Limited (a provider of corporate secretary service), as our another joint corporate secretary, to assist Dr. Zhang Nan performing her duties as the joint corporate secretary of our Company. Her main contactor in our Company is Dr. Zhang Nan, the joint company secretary of our Company.

During the period from the Listing Date to December 31, 2016, Dr. Zhang Nan has taken not less than 15 hours of relevant professional training.

During the year ended December 31, 2016, Ms. Chau Hing Ling has taken not less than 15 hours of relevant professional training.

Accountability and Audit

The Directors acknowledged their responsibility to prepare accounts and present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently disclosed and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended December 31, 2016 is set out in the Independent Auditor's Report on page 63 of this report.

Risk Management and Internal Control

1. Mission and Goal

The Company attaches great importance to the building and improvement of the risk management and internal control system, and has enhanced its corporate governance and risk control capability through continuous summary and innovation in the years of business development. The Company has established a sound risk management and internal control system in accordance with the PRC Company Law, Accounting Law, Accounting Standards for Business Enterprises, Basic Internal Control Norms for Enterprises, Listing Rules, Corporate Governance Code, Internal Control-Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework") and other relevant laws and regulations.

The Board is informed of its responsibilities, which ensures the Company's establishment and maintenance of the appropriate and effective risk management and internal control system set to manage rather than eliminate risks of failure to achieve the business goals and to provide reasonable rather than absolute guarantee only for losses resulting from misstatement.

The Board has reviewed the risk management and internal control system of the Group, and believes that the system is effective and sufficient.

The Board has also reviewed the internal audit function of the Group, and believes that the function is effective and sufficient.

2. Management Structure

(a) The Board

- Ensure and maintain the appropriate and effective risk management and internal control system;
- Establish the management structure based on well-defined responsibilities and powers;
- Determine the level of significant risks that the Company is willing to assume to achieve strategic goals, and formulate the Company's risk management strategies.

(b) Audit Committee

- Examine the Company's risk management and internal control system;
- Conduct review and discussion with the management every year to ensure the management's performance of its responsibilities to maintain the effectiveness of the risk management and internal control system;
- As delegated by the Board or on its own initiative, research any findings of major investigations of risk management and internal control matters and the management's response thereto;
- Ensure work coordination between internal and external auditors; ensure sufficient resources operations for and appropriate status of internal audit in the Company, and examine and supervise whether the internal audit is effective.

(c) Management

- Properly design, implement and monitor the risk management and internal control system, and ensure the system can be implemented effectively;
- Supervise risks and take measures to reduce risks on daily operations;
- Promptly respond to and follow up the investigation findings on internal control matters proposed by internal or external auditors;
- Make acknowledgement to the Board regarding the effectiveness of the risk management and internal control system.

(d) Audit and Supervision Department

- Analyze and independently evaluate the adequacy and effectiveness of the risk management and internal control system.

3. Risk Management

Risk management process includes risk identification, risk assessment, risk response and risk monitoring and review. The Company sets up an overall risk management system according to the COSO Framework, implements all-staff risk management idea, and conducts risk management in the head office and various subordinate outlets, which covers all risks occurring in operation and management. Moreover, it focuses the management on key risks.

Every year, the Company holds strategy and budget seminars to define its development goal, determine business operation plan and identify key risks. The senior management discusses and determines major issues through general manager's meetings. The business segments regularly convene operation analysis meetings to analyze the implementation of operation plans and budgets, risk control, supply, production and marketing.

In 2016, the Company carried out comprehensive risk sorting work and required various departments to re-sort the risks they met, assessed the risks from two aspects (namely, possibility of occurrence and influence of risks), and recognized the types of risks formed, so as to ensure the risk classification was in compliance with actual business. Through the comprehensive risk sorting, respective departments recognized their own key risks and risk reporting standards. In the meantime, various departments designated ad hoc persons to be responsible for development and connection of overall risk-related work, and established a comprehensive risk management system.

In 2016, the Company required various departments to put more emphasis on risk management and set up a risk gateway department. It emphasized the key position and important role of business segments as the first line of defense of risk management, required integrating risk management in the system, procedure and standard of daily management, so as to reasonably ensure that all the staffs of the Company build up a risk management idea and put the risk management idea into practice.

Regarding key risks, the Company also set up a key risk index (KRI) monitoring system, kept collecting and assessing risk information, made risk early warning based on identification of risk information, conducted track management and issued a risk management report. The top five risks assessed by the Company in 2016 were price risk, food safety risk, personnel suitability risk, quality control risk and credit management risk. In view of the above risks, the Company established corresponding risk monitoring and control measures. The Audit and Supervision Department continuously supervised and evaluated the risk control measures to ensure the Company has implemented active and necessary risk management measures and see whether the Company's risk management system was working well.

4. Internal Control

The Company established corresponding internal control systems and procedures for various important business activities including procurement, sales, fund management, asset management, human resources, financial report and contract management. Under these systems and procedures, employees were required to carry out their respective duties and strictly follow the work standards. By strengthening professional skill training of employees, the Company achieved standardized operation as a way to minimize various business risks.

In 2016, the audit and supervision department actively conducted risk-oriented internal control evaluation and carried out eight projects of internal control evaluations throughout the year. The evaluations covered 13 business procedures including procurement, fixed assets and intangible assets, accounting and financial statements, production management, warehousing logistics, legal management, information system, capital operation services, organizational and governance structure, sales operations, project management, quality control and comprehensive budget management.

In 2016, the audit and supervision department carried out 13 audit projects: three economic responsibility audits, one special audit, seven infrastructure construction audits and two follow-up audits. For various risks and management defects found in the audit process, the audit and supervision department regularly followed up the rectifications made by the audited entity and made effective efforts to keep improving the risk management and internal control system.

Through the internal control evaluation and internal audit, the Company evaluated the operation mode and management status of the business segments and subordinate outlets and improved the management, operating efficiency and internal control of the Company as a whole.

In addition, our Company formulated "Insiders Registration System on Inside Information" and "Information Disclosure Management System". The Board examines such systems regularly, implements an insider registration and management system for the insiders, including but not limited to Directors and senior management, in order to enhance the confidentiality of inside information and supervises the information disclosure to prevent disclosure and leak of inside information. Our Company has implemented necessary internal control to restrict Directors, senior management and related employees to obtain or use the inside information without prior authorization by the Company.

After deliberating the work results of the Audit Committee, the management and internal and external auditors, the Board held that the Company had established a sound risk management and internal control system which can continuously define, evaluate and manage the risks faced by the Company.

Independent Auditor

The Group's independent auditor is Deloitte Touche Tohmatsu. It is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year a report from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

Auditors' Remuneration

For the year ended December 31, 2016, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

Services rendered	Fees paid/payable (RMB'000)
Audit services	1,700
Non-audit services	106

Note: The non-audit services mainly related to services rendered for tax audit and continuing connected transactions.

Shareholders' Rights and Communication

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions will be proposed at Shareholders' meetings on every substantial matter, including the election of individual Directors, for Shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting and extraordinary general meetings as important events, and Directors, chairman of each Board Committee, senior management and external auditor make an effort to attend the annual general meeting and extraordinary general meetings of the Company to address Shareholders' queries. All resolutions proposed at Shareholders' meetings will be voted on by poll. The poll voting results will be posted on the websites of the "HKExnews" (www.hkexnews.hk) and the Company (www.cofco-joycome.com) on the same day of the relevant general meetings.

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company pursuant to Article 12.3 of the Articles of Association. Such requisition must specify the main discussions of the meeting and signed by the petitioner and deposited to the principal office in Hong Kong of the Company or the Company's registered office. Shareholders should follow the requirements and procedures as set out in such Articles of Association for convening an extraordinary general meeting.

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the headquarters of the Company in Beijing for the attention of Zhang Nan.

The Company adheres to high standards with respect to the disclosure of its financial statements. The Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner, so as to strengthen the communication with both the Shareholders and the public.

There are no provisions allowing Shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Law. However, Shareholders who wish to propose a resolution may request to convene an extraordinary general meeting and propose resolutions in the meeting pursuant to Article 12.3 of the Articles of Association. The requirements and the procedures of Article 12.3 of the Articles of Association are set out above.

Investors Relations

The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders and investors of the Company, and acknowledges that the effective communication with investors is the key to build confidence of investors and attract new investors.

Our Company mainly communicate with Shareholders in the following ways:

(i) hold annual general meetings to offer opportunities for Shareholders to communicate directly with the Board;

(ii) issue announcements, annual reports, interim reports and/or circulars and press release by our Company pursuant to requirements of the Listing Rules to keep providing the updated information of our Group;

(iii) periodically update our website and disclose information timely on our website and the website of the Stock Exchange; and

(iv) Investors/analysts briefings and group/one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities and forums on specific topics etc. will be available on a regular basis and when necessary so as to facilitate communication between the Company, Shareholders and the investors. Shareholders and investors are welcome to visit the Company's website and raise inquiries via our investor relation department whose contact details are available on the website.

Constitutional Documents

The Company's memorandum and Articles of Association were amended and restated as at October 13, 2016 with effect from the Listing Date. A copy of the Company's memorandum and Articles of Association is available on the websites of the Company and the "HKExnews".

Directors' Report

The Board is pleased to present its report and the audited financial statements of the Company and of the Group for the year ended December 31, 2016.

During the year ended December 31, 2016 and up to the date of this report, the members of the Board are as follows:

Executive Director:
Mr. Xu Jianong

Chairman and Non-executive Director:
Mr. Ma Jianping

Non-executive Directors:
Mr. Xu Yang
Mr. Wolhardt Julian Juul
Dr. Cui Guiyong
Dr. Wu Hai
Mr. Zhou Qi
Mr. Wang Zhiying[1]
Ms. Yang Hong[1]

Independent Non-executive Directors:
Dr. Chen Huanchun
Mr. Fu Tingmei
Mr. Li Michael Hankin
Mr. Wu Chi Keung

Analysis of Principal Activities and Operations

The principal business of the Group is investment holding, hog production, livestock slaughtering, poultry husbandry, sales of fresh and frozen meats, manufacture and sales of meat products, and import of meat products. The Group was also engaged in poultry production business which was discontinued in the current year.

Business Review

A business review of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

Event after the Reporting Period

Under unanimous negotiation with MIY, KKR, Baring, Temasek and Boyu, the Board convened a meeting on March 27, 2017, considered and approved amending Former Share Incentive Scheme and the related document. For details, please refer to the Prospectus, the announcement of the Company dated March 27, 2017 and the section headed "Share Incentive Scheme and its Amendments" under this chapter.

Analysis of Key Financial Indicators

An analysis of the Group's performance during the year using financial key performance indicators is provided in the "Management Discussion and Analysis" section of this annual report.

Major Risk and Outlook

The Group's operation is exposed to certain risks and uncertainties, some of which are beyond our control. Such risks and uncertainties include domestic and overseas economic conditions, credit policies and foreign exchange policies in the PRC, changes relating to relevant laws and regulations and enforcement policies. There are other unknown and insignificant uncertainty factors which would be proved significant in the future. A discussion and analysis as required under Appendix 5 of Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a pertinent review on the Group's business, a discussion of major risks and uncertainties of which the Group is exposed to as well as a revelation of future developments which the Group's business is likely to carry out, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Notes to the Consolidated Financial Statements" in this annual report. The above-mentioned sections are part of this report.

Results

Results of the Group for the year ended December 31, 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66 of this report.

Dividend

The Board does not recommend to declare any dividend for the year ended December 31, 2016.

Share Issuance

1. Initial Public Offering

The Company has been listed on the Main Board of the Stock Exchange on November 1, 2016 and issued 975,600,000 ordinary Shares at the price of HK$2.00 per Share in connection with the initial public offering.

2. Lapse of the Over-Allotment Option

Pursuant to the announcement of the Company dated November 23, 2016, since the joint global coordinators (for themselves and on behalf of the international underwriters) of the Company did not exercise the over-allotment option during the stabilizing period, such option has lapsed on November 23, 2016.

Note:

1. *Due to work arrangement, Mr. Wang Zhiying resigned as a non-executive Director of the Company on December 9, 2016. On the same day, Ms. Yang Hong was appointed as the non-executive Director of the Company.*

3. Stabilization
   The stabilizing period in connection with the global offering ended on November 23, 2016. For details, please refer to the announcement of the Company dated November 23, 2016.

4. Use of Proceeds
   After deducting the underwriting expenses and other related expenses incurred by the Company in connection with the global offering, we raised a total of HK$1,847 million, equivalent to RMB1,613 million. As at December 31, 2016, we have used the proceeds for the following purposes as disclosed in the Prospectus:

Projects	Intended percentage for use	Actual percentage for use
Construction of new hog farms and feed mills	65%	11%
Repayment of borrowings	20%	20%
Development of our sales network and promotion of our brands	5%	1%
Working capital and other general corporate purposes	10%	10%
Total	100%	42%

Share Premium and Reserves

Movements in the share premium and reserves of the Group during the year are set out on page 69 to the consolidated statement of changes in equity.

Distributable Reserves

The Company's total distributable reserves as at December 31, 2016 was amounted to RMB1,955 million.

Donations

Charitable donations made by the Group during 2016 was approximately amounted to RMB747 (2015: nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 18 to the consolidated financial statements.

Share Capital

Movements in the share capital of the Company during the year and as of December 31, 2016 are set out in Note 38 to the consolidated financial statements.

Borrowings and Capitalization of Interests

Details of borrowings are set out in Note 34 to the consolidated financial statements. Details of the Group's capitalized interest expenses and other borrowing costs during the year are set out in Note 9 to the consolidated financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past four financial years are set out in the section headed "Financial Summary" of this annual report.

Compliance with Relevant Laws and Regulations

The Company was incorporated in the Cayman Islands and has been listed on the Stock Exchange with its business operations mainly in China. The operation of the Group is governed by the laws of Hong Kong, Cayman Islands and China, including but not limited to the Hong Kong Companies Ordinance, the Listing Rules, the SFO as well as the PRC Company Law, Basic Internal Control Norms for Enterprises and other relevant laws, regulations, rules and ordinances, which include information disclosure, corporate governance and industry standard operation. The Group is also committed to maintaining a high level of corporate governance practices. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. For the year ended December 31, 2016, there was no material breach of or non-compliance with the relevant laws and regulations by the Group.

Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its current and long-term business goals. For the year ended December 31, 2016, there was no material and significant dispute between the Group and its employees, customers and suppliers.

Remuneration Policy and Retirement Benefits of the Group

For remuneration policy of the Group, please refer to "Human Resources" under the section headed "Financial Review".

Details of the retirement benefit scheme for the year ended December 31, 2016 are set out in Note 44 to the consolidated financial statements.

Purchase, Sale or Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the period from the Listing Date to December 31, 2016.

Permitted Indemnity

During the period from the Listing Date to December 31, 2016, the Company has arranged directors' and officers' liability insurance for all Directors and senior management. These insurances provided protection to the liability incurred from related cost, fees, expense and legal actions resulting from corporate activities. Pursuant to Article 33.1 of the Articles of Association, every Director, auditor or other senior management of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or legal liabilities incurred or sustained by him or her as a Director, auditor or other senior management of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted.

Directors' Service Contracts

None of the Directors had entered into any service contract with any member of the Group which was not terminable by the Group within one year without the payment of compensation other than statutory compensation.

Directors' Interests in Significant Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, were entered into at any time during 2016 or at the end of the year.

Directors' Rights to Purchase Shares or Debentures

Save for the share options granted pursuant to the New Share Incentive Scheme as set out below, at no time during the year ended December 31, 2016, none of the Company or any of its subsidiaries was a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate, or had exercised any such right.

Changes in the Board and Directors' Information

During the period from the Listing Date to December 31, 2016, there are changes in the Board members. Mr. Wang Zhiying has resigned as non-executive Director of the Company and ceased to be member of the Remuneration Committee due to work arrangement. Ms. Yang Hong has been appointed as non-executive Director of the Company and Mr. Ma Jianping has been appointed as member of the Remuneration Committee. The changes above all took effect since December 9, 2016.

Mr. Ma Jianping resigned as a director of COFCO Property (Group) CO., Ltd. (中糧地產（集團）股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000031) in December 2016; resigned as a non-executive director of Joy City Property Limited (大悦城地產有限公司) (a company listed on the Stock Exchange, stock code: 207) in January 2017.

Mr. Wolhardt Julian Juul resigned as a partner of KKR Asia Limited at the end of December 2016, and was appointed as the chief executive officer of Dehope Capital Group (德弘資本集團) in January 2017.

Mr. Li Michael Hankin resigned as the head of financial planning at Hsin Chong Group Holdings Limited (新昌集團控股有限公司) (a company listed on the Stock Exchange, stock code: 0404) in February 2017. Mr. Wu Chi Keung was appointed as an independent non-executive director of Zhou Hei Ya International Holdings Company Limited (a company listed on the Stock Exchange, stock code: 01458) in October 2016.

Disclosure of Interests

1. Directors

As at December 31, 2016, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of 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 interests or short positions which he or she was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Underlying Shares held in long position	Approximate percentage of shareholding interest
Xu Jianong	Beneficial owner	3,613,966	0.09%

Save as disclosed above, as at December 31, 2016, so far as was known to any Director or chief executive of the Company, neither the Directors nor the chief executive had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Substantial Shareholders

As of December 31, 2016, so far as was known to any Director or chief executive officer of the Company, Shareholders (other than the Director or chief executive officer of the Company whose interests were disclosed above) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Shares of the Company

Substantial Shareholders and other persons	*Notes*	**Capacity/Nature of Interests**	**Number of ordinary Shares of the Company held**	**Approximate percentage of aggregate interests in issued share capital of the Company**
Mainfield	*(1)&(3)*	Beneficial owner	1,078,377,782	27.64%
China Foods (Holdings)	*(1)&(3)*	Interest in controlled corporation	1,078,377,782	27.64%
COFCO (HK)	*(1)&(3)*	Interest in controlled corporation	1,078,377,782	27.64%
COFCO	*(1)&(3)*	Interest in controlled corporation	1,078,377,782	27.64%
MIY	*(1)&(4)*	Beneficial owner	531,141,296	13.61%
Itoham Yonekyu Holdings	*(1)&(4)*	Interest in controlled corporation	531,141,296	13.61%
Mitsubishi	*(1)&(4)*	Interest in controlled corporation	531,141,296	13.61%
KKR	*(1)&(5)*	Beneficial owner	585,279,665	15.00%
	(2)&(9)		17,558,389	0.45%
Promise Meat Investment I Ltd.	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR Asian Fund II L.P.	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR Associates Asia II L.P.	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR Asia II Limited	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR Fund Holdings L. P.	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR Fund Holdings GP Limited	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR Group Holdings L.P.	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR Group Limited	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR & Co. L.P.	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%
KKR Management LLC	*(1)&(5)*	Interest in controlled	585,279,665	15.00%
	(2)&(9)	corporation	17,558,389	0.45%

Substantial Shareholders and other persons	*Notes*	Capacity/Nature of Interests	Number of ordinary Shares of the Company held	Approximate percentage of aggregate interests in issued share capital of the Company
Mr. Henry R. Kravis and Mr. George R. Roberts	*(1)&(5)* *(2)&(9)*	Interest in controlled corporation	585,279,665 17,558,389	15.00% 0.45%
Baring	*(1)&(6)* *(2)&(9)*	Beneficial owner	263,375,849 31,869,610	6.75% 0.82%
The Baring Asia Private Equity Fund V, L.P.	*(1)&(6)* *(2)&(9)*	Interest in controlled corporation	263,375,849 31,869,610	6.75% 0.82%
Baring Private Equity Asia GP V, L.P.	*(1)&(6)* *(2)&(9)*	Interest in controlled corporation	263,375,849 31,869,610	6.75% 0.82%
Baring Private Equity Asia GP V Limited	*(1)&(6)* *(2)&(9)*	Interest in controlled corporation	263,375,849 31,869,610	6.75% 0.82%
Jean Eric Salata	*(1)&(6)* *(2)&(9)*	Interest in controlled corporation	263,375,849 31,869,610	6.75% 0.82%
Temasek	*(1)&(7)*	Beneficial owner	239,964,662	6.15%
Temasek Life Sciences Private Limited	*(1)&(7)*	Interest in controlled corporation	239,964,662	6.15%
Fullerton Management Pte. Ltd.	*(1)&(7)*	Interest in controlled corporation	239,964,662	6.15%
Temasek Holdings (Private) Limited	*(1)&(7)*	Interest in controlled corporation	239,964,662	6.15%
Boyu	*(1)&(8)* *(2)&(9)*	Beneficial owner	228,259,069 6,847,772	5.85% 0.18%
Boyu Capital Fund I, L.P.	*(1)&(8)* *(2)&(9)*	Interest in controlled corporation	228,259,069 6,847,772	5.85% 0.18%
Boyu Capital General Partner I, L.P.	*(1)&(8)* *(2)&(9)*	Interest in controlled corporation	228,259,069 6,847,772	5.85% 0.18%
Boyu Capital General Partner I, Ltd.	*(1)&(8)* *(2)&(9)*	Interest in controlled corporation	228,259,069 6,847,772	5.85% 0.18%
Boyu Capital Holdings Ltd.	*(1)&(8)* *(2)&(9)*	Interest in controlled corporation	228,259,069 6,847,772	5.85% 0.18%
Haier Group (HK) Financial Holdings Limited	*(1)*	Beneficial owner	222,740,000	5.71%

Notes:

(1) Long position in the Shares of the Company.

(2) Short position in the Shares of the Company.

(3) Mainfield is a wholly-owned subsidiary of China Foods (Holdings). China Foods (Holdings) is wholly-owned by COFCO (HK), which in turn is wholly-owned by COFCO. Accordingly, each of COFCO, COFCO (HK) and China Foods (Holdings) is deemed to be interested in such Shares.

(4) MIY is a direct holder of such Shares. Each of Itoham Yonekyu Holdings (as the indirect controlling shareholder of MIY) and Mitsubishi (as the controlling shareholder of MIY) is deemed to be interested in such Shares.

(5) Each of Promise Meat Investment I Ltd. (as the sole shareholder of KKR), KKR Asian Fund II L.P. (as the controlling shareholder of Promise Meat Investment I Ltd.), KKR Associates Asia II L.P. (as the general partner of KKR Asian Fund II L.P.), KKR Asia II Limited (as the general partner of KKR Associates Asia II L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia II Limited), KKR Fund Holdings GP Limited (as the general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as the general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co L.P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in such Shares. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of such Shares.

(6) *Each of The Baring Asia Private Equity Fund V, L.P. (as the controlling shareholder of Baring), Baring Private Equity Asia GP V, L.P. (as the general partner of The Baring Asia Private Equity Fund V, L.P.), Baring Private Equity Asia GP V Limited (as the general partner of Baring Private Equity Asia GP V, L.P.), and Mr. Jean Eric Salata (as the sole shareholder of Baring Private Equity Asia GP V Limited) is deemed to be interested in such Shares. Mr. Jean Eric Salata disclaims beneficial ownership of such Shares, except to the extent of his economic interest in such entities.*

(7) *Each of Temasek Life Sciences Private Limited (as the sole shareholder of Temasek), Fullerton Management Pte. Ltd. (as the sole shareholder of Temasek Life Sciences Private Limited) and Temasek Holdings (Private) Limited (as the sole shareholder of Fullerton Management Pte. Ltd.) is deemed to be interested in such Shares.*

(8) *Each of Boyu Capital Fund I, L.P. (as the sole shareholder of Boyu), Boyu Capital General Partner I, L.P. (as the general partner of Boyu Capital Fund I, L.P.), Boyu Capital General Partner I, Ltd. (as the general partner of Boyu Capital General Partner I, L.P.) and Boyu Capital Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner I, Ltd.) is deemed to be interested in such Shares.*

(9) *Each of the Company, KKR, Baring, Temasek and Boyu has agreed to negotiate in good faith and use reasonable endeavours to reach an agreement in relation to the structure of the employee benefit trust (or any other structure of similar nature) proposed to be set up to administer the grant of options and, upon reaching such agreement and the fulfillment of certain other conditions, these Shares will be transferred to a trustee to be set up for the purpose of the Former Share Incentive Scheme.*

Save as disclosed above, as of December 31, 2016, the Company has not been notified by any person who had any interests or short positions in the Shares or underlying Shares 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.

Share Incentive Scheme and its Amendments

To recognize and reward the contribution of certain employees to the Group, provide incentives to retain them to support the continued growth of the Group, and attract suitable personnel for further development, the Company adopted the Former Share Incentive Scheme on March 27, 2015, after the discussion between the board of COFCO Meat Investments and the then Shareholders.

As disclosed in the Prospectus, in the Former Share Incentive Scheme, the Company, on behalf of KKR, Baring, Temasek and Boyu (collectively referred to as the "**Former Covenantors**"), has granted options to 40 employees for acquiring from the Former Covenantors a total of 33,511,318 Shares of the Company according to the relevant terms and conditions at an exercise price of the Hong Kong dollar equivalent of RMB1.00 per Share (subsequently adjusted to RMB1.37 per Share after the disposal of COFCO Poultry Co., Ltd. (中糧禽業有限公司)). In order to realize the above options, the Company entered into an undertaking with the Former Covenantors on June 24, 2016 (the "**Former Undertaking**"), the content of which was related to the specific arrangements, such as the establishment of a trust to manage the options granted, completion of necessary approval and filings, and the transfer of Shares.

In order to perform the agreement of the Former Undertaking and have MIY joined the New Share Incentive Scheme, on March 27, 2017, upon unanimous negotiation with MIY and the Former Covenantors (collectively referred to as the "**New Covenantors**"), the Board convened a meeting, considered and approved the amendment of the Former Share Incentive Scheme and the related documents. After this amendment, MIY shall contribute Shares representing 3% of its shareholding (that is, 0.4083% of the total Shares issued by the Company) to the New Share Incentive Scheme, and the number of option Shares granted to the employees under the New Share Incentive Scheme shall be adjusted accordingly. The exercise price shall be on the basis of RMB1.37 per Share, after making the downward adjustment based on the assets arrangement by the New Covenantors for the poultry business already terminated by the Company, and subject to the amount per Share decided by the Board from time to time according to the above-mentioned assets arrangement, however, on the premise that the exercise price after adjustment shall not be less than the Hong Kong dollar equivalent of RMB1.00 per Share. Such currency conversion shall be subject to the central parity of the benchmark exchange rate of Renminbi to Hong Kong dollar published by the PBOC on the day when the Board determines the effective exercise price at that time (the "**Exercise Price**").

On the same day, the Board also approved (i) the establishment of the trust for the New Share Incentive Scheme, with the Company as the settlor and Acheson Limited (a limited company incorporated in Hong Kong) as the trustee, and the entering into of a deed of trust with the trustee; (ii) the entering into of the Share Transfer Agreement on the Employees' Share Option Incentive Scheme and related appendixes with the New

Covenantors; (iii) the entering into of the Revised Irrevocable Undertaking on the Employees' Share Option Incentive Scheme and related appendixes with the New Covenantors; and (iv) other documents related to the New Share Incentive Scheme.

The New Share Incentive Scheme does not involve the grant of the option to subscribe for any new Shares and therefore is not required to be subject to the provisions in Chapter 17 of the Listing Rules. It does not cause any effect to the total number of Shares outstanding and will not result in any dilution effect to the Shares.

1. Terms of the Option Agreement

The following is a summary of the principal terms of the New Share Incentive Scheme:

(a) Number of Shares Required to be Transferred

Pursuant to the Former Share Incentive Scheme, the number of Shares required to be transferred by the Former Covenantors was 39,506,375 Shares. Adding 15,934,238 Shares contributed by MIY, the number of the Shares required to be transferred under the New Share Incentive Scheme shall be changed to 55,440,613 Shares.

(b) Consideration for the Grant of the Options, Exercise Period and Exercise Price

The scheme participants are not required to pay for the grant of the options. The granted options shall be terminated on the 50th day prior to the date of terminating the trust[1]. The Exercise Price shall be on the basis of RMB1.37 per Share, after making the downward adjustment based on the assets arrangement by the New Covenantors for the poultry business already terminated by the Company, and subject to the amount per Share decided by the Board from time to time according to the above-mentioned assets arrangement, however, on the premise that the Exercise Price after adjustment shall not be less than the Hong Kong dollar equivalent of RMB1.00 per Share. Such currency conversion shall be subject to the central parity of the benchmark exchange rate of Renminbi to Hong Kong dollar published by the PBOC on the day when the Board determines the effective Exercise Price at that time.

(c) Time of Vesting of the Option

The options shall be vested consecutively in four years from the date of grant in equal numbers, subject to the following adjustments based on the performance of a scheme participant during the relevant period:

(i) if the department in which the scheme participant is employed achieves less than 80% of the performance target during the relevant period, no options will be vested;

(ii) if department in which the scheme participant is employed achieves between 80% and 120% of the performance target during the relevant period, the same percentage of options will be vested; and

(iii) if department in which the scheme participant is employed achieves more than 120% of the performance target during the relevant period, 120% of the options will be vested.

(d) Lock-up Period

No vested options may be exercised during the first 12 months from the Listing Date, after which a Scheme Participant may exercise the vested options in accordance with the following schedule:

(I) Exercise date for options vested before the Listing Date	Maximum percentage of the vested options exercisable
On the first anniversary of the Listing Date	33.3% (one-third)
On the second anniversary of the Listing Date	66.7% (two-thirds)
On the third anniversary of the Listing Date	100%

[1] *Trust period is proposed to be ten years, starting from the date of signing trust deed by the Company (as the settlor) and Acheson Limited (as trustee). However, in the event of the Company (as the settlor) expressed its intention to extend or shorten the proposed trust period of ten years to Acheson Limited (as trustee), the trust period would be changed to the one after the proposed adjustment by the Company (as the settlor).*

(II) Exercise date for options vested after the Listing Date	Maximum percentage of the vested options exercisable
On the first anniversary of the Listing Date after the options are vested	33.3% (one-third)
On the second anniversary of the Listing Date after the options are vested	66.7% (two-thirds)
On the third anniversary of the Listing Date after the options are vested	100%

(e) Exercise of the Option

A scheme participant shall exercise the vested options by sending a written notice to Acheson Limited through the Company, specifying the number of the option Shares he/she intends to exercise. The trustee shall arrange to sell the option Shares concerned in an open market and pay the net proceeds, being the proceeds of sale less the Exercise Price and all relevant costs, expenses and taxes, to the relevant scheme participants.

(f) Personal Rights of the Scheme Participant

An option shall not be transferable or assignable and shall only be exercised by the relevant scheme participant or his nominee, unless the trustee determines otherwise.

(g) Rights on Cessation of Employment by Reason of Resignation

If a scheme participant ceases to be an eligible person by reason of resignation, he is not entitled to exercise the options to the extent vested but not already exercised by the date of his cessation of employment. The options that have not been vested will immediately lapse on the date of his cessation of employment.

(h) Rights on Cessation of Employment with Cause

If a scheme participant ceases to be an eligible person by reason of cessation of employment on the grounds that (i) he has been convicted of any criminal offence; (ii) he has intentionally breached any applicable laws and regulations in relation to the business of our Group or the provisions set out in his contract of employment; (iii) he has been found guilty of certain serious misconduct that adversely affects the interests of our Group; (iv) he has breached our by-laws or our internal policies; or (v) he has breached any contracts he has entered into with our Group or any of our affiliates, his options (to the extent not already exercised and irrespective of whether they are vested or not) will lapse immediately on the date of his cessation of employment.

(i) Rights on Retirement or Cessation of Employment as a Result of Serious Illness, Physical Disability, etc.

If a scheme participant retires or ceases to be an eligible person by reason of serious illness and none of the grounds for dismissal as set out in sub-paragraph (h) above has occurred, such scheme participant is entitled to exercise the granted options to the extent vested but not already exercised on the date of his cessation of the employment. The options that have not been vested will immediately lapse on the date of his cessation of employment.

(j) Rights on Death

If a Scheme Participate dies and none of the grounds for dismissal as set out in sub-paragraph (h) above has occurred, his personal representative(s) may exercise the options to the extent vested but not already exercised on the date of death of such scheme participant. The options that have not been vested will immediately lapse on the date of his death.

2. Details of the Scheme Participant

All of the scheme participants are employees of our Group. Except for Mr. Xu Jianong, being the executive Director, none of the scheme participant holds directorship in our Company. On March 27, 2017, with approval from the Board of Directors, the details of participants of the New Share Incentive Scheme are set out below:

No.	Employee's Name	Number of Option Shares
1.	Xu Jianong（徐稼農）	5,071,599
2.	Shen Yunxiang（沈雲祥）	4,034,226
3.	Miao Wen（繆文）	1,844,218
4.	Li Danbing（李丹兵）	1,844,218
5.	Liao Xiaoyan（廖曉妍）	461,054
6.	Jiang Zengyan（蔣增艷）	691,582
7.	Ni Suzhen（倪素珍）	1,844,218
8.	Liu Youmao（柳友茂）	1,014,320
9.	Wang Qiaozhen（王巧珍）	1,152,636
10.	Long Jinxue（龍進學）	461,054
11.	Ji Yingming（吉英明）	1,254,068
12.	Niu Ruguang（牛如廣）	1,014,320
13.	He Yang（何洋）	461,054
14.	Zou Shifu（鄒士福）	461,054
15.	Yang Yuanrong（楊遠榮）	1,383,163
16.	Liu Tong（劉通）	922,109

No.	Employee's Name	Number of Option Shares
17.	Chu Desheng (褚德勝)	728,466
18.	Zhang Changxin (張昌新)	1,844,218
19.	Yang Jun (楊軍)	1,383,163
20.	Zhou Yu (周宇)	922,109
21.	Qin Nan (秦楠)	1,383,163
22.	Zhang Jinglei (張京雷)	1,152,636
23.	Zheng Gang (鄭剛)	461,054
24.	He Zhike (賀志科)	461,054
25.	Yin Rui (殷睿)	461,054
26.	Shen Libin (申立斌) Note	461,054
27.	Xia Xiaoji (夏小記) Note	461,054
28.	Li Zhili (李志利)	2,651,063
29.	Lv Weilin (呂維林)	553,265
30.	Chen Qianzheng (陳前政)	1,383,163
31.	Li Zhengfang (李正芳)	1,152,636
32.	Xu Yi (徐怡)	461,054
33.	Li Lei (李雷)	1,936,429
34.	Niu Wu (牛武) Note	461,054
35.	Wang Zongfang (王宗房)	1,106,531
36.	Li Fangfang (李芳芳)	1,383,163
37.	Liu Min (劉敏) Note	461,054
38.	Zhang Nan (張楠)	1,383,163
39.	Kong Weiju (孔維菊)	461,054
40.	Cong Liansheng (叢連升)	507,160
41.	Liu Jieyou (劉結友)	507,160
42.	Tong Jinghan (童京漢)	368,844
43.	Guo Junyong (郭軍勇)	230,527
44.	Lin Qiang (林強)	230,527
	Total	**48,871,765**

Note:

The Board approved the resolution on March 27, 2017 to ratify the grant of the options on December 9, 2016 for 461,054 Shares to each of Shen Libin (申立斌), Xia Xiaoji (夏小記), Niu Wu (牛武) and Liu Min (劉敏) respectively, which took effect on December 9, 2016.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, the jurisdiction in which the Company was incorporated, and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Tax Relief

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

Competing Interests

For the year ended December 31, 2016, none of the Directors is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Corporate Governance Measures in Relation to Non-Competition Undertakings

The Company has received annual confirmations on compliance with the undertaking under the deed of non-competition from COFCO, COFCO(HK), China Foods (Holdings) and Mainfield, respectively, during the period from the Listing Date to December 31, 2016. The independent non-executive Directors have reviewed the same and the enforcement and confirmed that, as far as they can ascertain, there is no breach by any of the covenantors of the non-competition undertakings in the deed of non-competition. For details of the non-competition undertakings, please refer to the Prospectus.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2016.

Major Suppliers and Customers

Nearly 7.18% and 13.79% of the Group's total sales were attributable to its largest customer and five largest customers for the year ended December 31, 2016, and nearly 8.83% and 22.62% of the Group's total purchases were attributable to its largest supplier and five largest suppliers for the year, respectively.

Except that COFCO, our substantial Shareholder, had interests in COFCO Feed (Dongtai) Co., Ltd. (中糧飼料(東台)有限公司) and COFCO Feed (Tangshan) Co., Ltd. (中糧飼料(唐山)有限公司), which are both our five largest suppliers, none of the Directors, their associates, nor the other substantial Shareholders had any beneficial interest in the five largest suppliers or customers of the Group for the year ended December 31, 2016.

Environmental Policies and Performance

The discussions on the environmental policies and performance of our Group are set out in section headed "Environmental, Social and Governance Report" in this annual report, and such section forms part of this annual report.

Sufficient Public Float

Based on the information that is publicly available to our Company and to the knowledge of the Directors, as at the date of this report, our Company has maintained a sufficient public float of not less than 25% of our Company's issued Shares as required under the Listing Rules.

Continuing Connected Transactions

The connected persons of our Company for the purpose under Chapter 14A of the Listing Rules include but are not limited to COFCO (being a substantial Shareholder), MIY (being a substantial Shareholder), Mitsubishi (being a holding company and hence an associate of MIY), Itoham and Yonekyu (each being a subsidiary of Itoham Yonekyu Holdings, a 30%-controlled company of Mitsubishi and hence each an associate of MIY) and Genesus (being a substantial shareholder of Zhongyu Breeding Hogs (Dongtai) Co., Ltd. (中裕種豬（東台）有限公司) JV, a subsidiary of our Company). Accordingly, the following transactions entered into with COFCO, Mitsubishi, Itoham, Yonekyu and Genesus and their respective subsidiaries and/or associates, will constitute connected transactions of our Group under Chapter 14A of the Listing Rules, and shall be disclosed below under the requirement of Chapter 14A of the Listing Rules. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Rule 14A.35 (in respect of the partially exempt and non-exempt continuing connected transactions) and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules (in respect of the non-exempt continuing connected transactions), subject to the condition that the annual transaction values shall not exceed their respective estimated annual caps. The details of the continuing connected transactions of the Company for the year ending December 31, 2016 are set out bellows:

Non-Exempt Continuing Connected Transactions

The following transactions are entered into by the Company in the ordinary and usual course of business and on normal commercial terms or better where, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Therefore, the following transactions will be subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Financial Services Agreement Entered into and Renewed with COFCO Finance

The Group have been obtaining various financial services from COFCO Finance. On October 12, 2016, our Company and COFCO Finance, an indirect wholly-owned subsidiary of COFCO, entered into the 2016 Financial Services Agreement. For the disclosures of the details of the 2016 Financial Services Agreement, please refer to the Prospectus.

Pursuant to the 2016 Financial Services Agreement, COFCO Finance agreed to provide the services to our Group on the following principal terms:

- Our Group may obtain financial services from other financial institutions in addition to those provided by COFCO Finance pursuant to the 2016 Financial Services Agreement;
- The 2016 Financial Services Agreement shall not be terminated by the parties unilaterally; and
- Upon termination of the 2016 Financial Services Agreement, our Group shall have the right to withdraw its deposits with COFCO Finance immediately.

Pursuant to the 2016 Financial Services Agreement, COFCO Finance agreed to provide our Group with the following services during the period commencing on the Listing Date until December 31, 2016:

(a) Deposit Services

The interest rates for our Group's deposits with COFCO Finance shall be determined in accordance with the standard RMB deposit rates promulgated by PBOC from time to time. The interest rates on the deposit services offered by COFCO Finance to our Group will be equal to or more favourable than those offered by other PRC financial institutions.

For the year ended December 31, 2016, the maximum daily deposit amount placed by our Group with COFCO Finance and the interest on deposit shall not exceed RMB1,000,000,000 and RMB6,960,000, respectively.

For the year ended December 31, 2016, the above-mentioned maximum daily deposit amount reached RMB372,484,000, and the interest on deposits was RMB1,300,000.

(b) Loan Services

COFCO Finance has agreed to provide loan services to our Group based on the 2016 Financial Services Agreement. The interest rates to be charged by COFCO Finance for the provision of loan services to our Group will be determined by our Company and COFCO Finance with reference to the interest rates of PBOC from time to time and the prevailing market conditions. The interest rates on the loan services offered by COFCO Finance to our Group will be equal to or more favourable than those offered by other PRC financial institutions. Moreover, no security over the assets of our Group will be granted in respect of the financial assistance given by COFCO Finance.

For the year ending December 31, 2016, the balance of the principal amounts of the loans provided by COFCO Finance and the interest on the loans payable by our Group to COFCO Finance in connection with the loan services shall not exceed RMB800,000,000 and RMB26,100,000, respectively.

For the year ended December 31, 2016, the above-mentioned maximum daily balance of the loans reached RMB540,000,000, and the interest on loans was RMB8,784,000.

(c) Entrustment Loan Services

COFCO Finance has agreed to provide our Group with entrustment loan services based on the 2016 Financial Services Agreement, pursuant to which COFCO Finance will only act as agent of our Group, and charge handling fees and other services fees in respect of entrustment loan services. The annual cap of handling fees to be charged by COFCO Finance in connection with the entrustment loan services is no more than RMB600,000. The handling fees to be charged by COFCO Finance in connection with the entrustment loan services will be determined with reference to the market rates of similar services as promulgated by PBOC and will be equal to or more favourable than those offered by other PRC financial institutions to our Group.

For the year ending December 31, 2016, the handling fee charged by COFCO Finance in connection with the entrustment loan services reached RMB296,000.

As the 2016 Financial Services Agreement has expired on December 31, 2016, and the Group intends to continue to conduct a number of transactions contemplated under the 2016 Financial Services Agreement, on November 23, 2016 (after trading hours), the Company and COFCO Finance entered into the 2017 Financial Services Agreement, pursuant to which COFCO Finance will provide the Group with (i) deposit services; (ii) loan services; (iii) entrustment loan services; and (iv) other financial services. The 2017 Financial Services Agreement took effect upon consideration and approval by the general meeting of the Company on January 9, 2017, and will be valid until December 31, 2019. For details of the 2017 Financial Services Agreement, please refer to the announcement of the Company dated November 23, 2016 and the circular dated December 20, 2016.

2. Mutual Supply of Products and Services with COFCO Group

From time to time, certain of our subsidiaries have traded in certain products and services with certain COFCO Group entities and/or associates of COFCO. On October 14, 2016, our Company and COFCO entered into a Mutual Supply Agreement in relation to the mutual supply of products and services, pursuant to which we agreed to trade in the following products and services:

- Mutual provision of feed processing services whereby COFCO Group and our Group provide feed processing services to each other;
- Purchase of feed, other materials and consultancy services by our Group from COFCO Group;
- Purchase of frozen meat products by our Group from COFCO Group;
- Purchase of poultry products by our Group from COFCO Group;
- Use of cold storage services by our Group from COFCO Group;
- Supply of meat products by our Group to COFCO Group; and
- Supply of frozen poultry products by our Group to COFCO Group.

The Mutual Supply Agreement has a term commencing on the Listing Date until December 31, 2018 and may be renewed by agreement between the parties. For the disclosures of the details of Mutual Supply Agreement, please refer to the Prospectus.

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts payable under the Mutual Supply Agreement for the years ending December 31, 2016, 2017 and 2018 are expected to be approximately RMB913,010,000, RMB1,054,765,000 and RMB1,172,693,000, respectively.

For the year ended December 31, 2016, the aggregate transaction amounts payable under the Mutual Supply Agreement is approximately RMB730,539,000.

(a) Mutual Provision of Feed Processing Services

Processing of Feed by COFCO

Pursuant to the Mutual Supply Agreement, COFCO Group and/or its associates will process feed ingredients provided by our Group into feed products, including but not limited to feed for piglets, nursery hogs, finishing hogs and breeding stock, mixed feed and other related products, at a processing fee determined based on prevailing market price.

Processing of Feed by our Group

Pursuant to the Mutual Supply Agreement, our Group will also process feed ingredients provided by COFCO Group and/or its associates into feed products, including but not limited to feed products for fish and other aquatic livestock, at a processing fee determined based on prevailing market price.

The annual caps of the processing fee payable by our Group to COFCO and payable by COFCO to our Group for the year ended December 31, 2016 were as follows:

	For the year ended December 31, 2016 (RMB'000)
Processing fee payable by our Group to COFCO	14,400
Processing fee payable by COFCO to our Group	700

The processing fee actually paid by our Group to COFCO and actually paid by COFCO to our Group for the year ended December 31, 2016 are approximately RMB10,732,000 and RMB421,000, respectively.

(b) Purchase of Feed, Other Materials and Consultancy Services from COFCO Group

Pursuant to the Mutual Supply Agreement, our Group will purchase from COFCO Group and/or its associates various feed products, feed ingredients, materials for production such as protein powder and corn syrup, other related products and consultancy services based on prevailing market price. The purchase price of feed products, other materials and consultancy services payable is determined based on the quotations provided by other qualified third party suppliers for similar goods of similar quality.

The annual cap of the aggregate purchase amounts of feed products, other materials and consultancy services payable by our Group for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (RMB'000)
Purchase of feed products, feed ingredients, other materials and consultancy services	713,468

The aggregate purchase amounts of feed products, other materials and consultancy services actually paid by our Group for the year ended December 31, 2016 are approximately RMB575,965,000.

(c) Purchase of Frozen Meat Products from COFCO Group

Pursuant to the Mutual Supply Agreement, our Group will purchase from COFCO Group and/or its associates various imported frozen meat products, including but not limited to frozen beef and poultry products and other related products, at cost price.

As COFCO has not won the bid to import frozen meat products on behalf of us for the year ended December 31, 2016, no purchase amount was paid by our Group to COFCO.

(d) Purchase of Poultry Products from COFCO Group

Pursuant to Mutual Supply Agreement, our Group will purchase from COFCO Group and/or its associates certain poultry products (the "**Poultry Products**"), at prevailing market prices. The purchase price of the Poultry Products is determined based on the quotation provided by other third party suppliers for similar goods of similar quality.

The annual cap of the aggregate purchase amounts of the Poultry Products payable for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (RMB'000)
Purchase of the Poultry Products	**34,540**

The aggregate purchase amounts of the Poultry Products actually paid by our Group for the year ended December 31, 2016 was approximately RMB14,130,000.

(e) Use of Cold Storage Services from COFCO Group

Huafu is a wholly-owned subsidiary of COFCO Group and owns various cold storage facilities in Wuhan and Beijing (the "**Huafu Cold Storage Facilities**"). Please refer to the section headed "Relationship with Controlling Shareholders-Huafu Group" in our Prospectus for more details. Pursuant to the Mutual Supply Agreement, our Group obtained from Huafu and its subsidiaries and/or associates cold storage services provided by the Huafu Cold Storage Facilities. The service fee for the Huafu Cold Storage Facilities is determined based on the standard price offered to other third party users.

The annual cap of the aggregate service fee payable by our Group to COFCO for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (RMB'000)
Service Fee	**1,100**

The aggregate service fee actually paid by our Group to COFCO for the year ended December 31, 2016 was RMB641,000.

(f) Supply of Meat Products to COFCO Group

Pursuant to the Mutual Supply Agreement, our Group will sell to COFCO Group and/or its associates various meat products and other related products, including but not limited to fresh pork and processed meat products such as ham, sausages and bacon, at prevailing market prices. The supply price of meat products is determined as follows:

(i) for products to be sold via womai.com, the price is determined based on the prices of similar products offered to other e-commerce sales channels;

(ii) for products to be sold for consumption, the price is determined based on the prices offered to other canteens or similar establishments; and

(iii) for products to be used for food production, the price is determined based on the prices offered to other food processors.

The annual cap of the aggregate sales revenue from the supply of meat products received by our Group for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (RMB'000)
Sales revenue from supply of meat products	**8,802**

The aggregate sales revenue from the supply of meat products received by our Group for the year ended December 31, 2016 was approximately RMB6,651,000.

(g) Supply of Frozen Poultry Products to COFCO Group

Pursuant to the Mutual Supply Agreement, our Group will sell to COFCO Group and/or its associates frozen poultry products purchased by international trading division of our Group at prevailing market prices.

In order to delineate our business with that of the Disposal Group, upon Listing, COFCO Group has committed not to undertake import business of frozen poultry products. Please refer to the section headed "Relationship with Controlling Shareholders-Independence from COFCO Group-Operational Independence-Trading of poultry products by our Group" set out in our Prospectus for more details.

The supply price of frozen poultry products is determined based on the price of similar products offered to other third parties.

The annual cap of the aggregate sales revenue and import service fee from the supply of frozen poultry products received by our Group for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (RMB'000)
Sales revenue from supply of frozen poultry products	**140,000**

The aggregate sales revenue from the supply of frozen poultry products received by our Group for the year ended December 31, 2016 was approximately RMB121,999,000.

3. Mutual Supply of Products and Services with Mitsubishi, Itoham and Yonekyu

On October 11, 2016, our Company, Mitsubishi, Itoham and Yonekyu entered into a mutual supply agreement in relation to the mutual supply of products (the "**MIY Mutual Supply Agreement**"), pursuant to which our Group agreed to trade in the following products:

- Purchase of products from Mitsubishi, Itoham and Yonekyu and their respective subsidiaries and/or associates; and
- Supply of meat products to Mitsubishi, Itoham and Yonekyu and their respective subsidiaries and/or associates.

The MIY Mutual Supply Agreement has a term commencing on the Listing Date until December 31, 2018 and may be renewed by agreement between the parties. Please refer to the Prospectus for disclosure of details of the MIY Supply Agreement.

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts payable under the MIY Mutual Supply Agreement for the years ending December 31, 2016, 2017 and 2018 are expected to be approximately RMB172,546,000, RMB224,082,000 and RMB301,593,000, respectively.

The aggregate transaction amounts payable under the MIY Mutual Supply Agreement for the year ended December 31, 2016 was approximately RMB122,743,000.

(a) Purchase of Products from Mitsubishi, Itoham and Yonekyu

Pursuant to the MIY Mutual Supply Agreement, our Group will purchase from Mitsubishi, Itoham, Yonekyu and their respective subsidiaries and/or associates imported beef and lamb, as well as various ancillary products, including but not limited to powders, coatings and other related products (the "**MIY Products**"), at prevailing market prices. The purchase price of the MIY Products is determined based on prices offered by Mitsubishi, Itoham or Yonekyu to other third parties.

The annual cap of the aggregate purchase amounts of the MIY Products payable by our Group for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (RMB'000)
Purchase of the MIY Products	**151,346**

The aggregate purchase amounts of the MIY Products payable by our Group for the year ended December 31, 2016 was approximately RMB101,545,000.

(b) Supply of Meat Products to Mitsubishi, Itoham and Yonekyu

Pursuant to the MIY Mutual Supply Agreement, our Group will supply various processed meat products, including but not limited to ham, sausages and bacon, to Mitsubishi, Itoham, Yonekyu and their respective subsidiaries and/or associates at prevailing market prices. The supply price under the MIY Supply Agreement is determined based on prices offered to other third parties for products of similar quality.

The annual cap of the aggregate revenue from the supply of processed meat products received by our Group for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (RMB'000)
Revenue from the supply of processed meat products	**21,200**

The aggregate revenue from the supply of processed meat products received by our Group for the year ended December 31, 2016 was approximately RMB21,198,000.

Partially Exempt Continuing Connected Transactions

The following transactions are entered into in the ordinary and usual course of business and on normal commercial terms or better where, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules is more than 0.1% but less than 5% on an annual basis. Therefore, under Rule 14A.76(2)(a) of the Listing Rules, the following transactions are subject to the reporting, announcement and annual review requirements but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Lease of Premises

We entered into the Beijing Property Leasing Contract, the Beijing Property Management Contract and the Hong Kong Tenancy Agreement (each as defined below). Pursuant to Rule 14A.81 of the Listing Rules, the aggregate amount of rental expenses, management fees and service charges payable to the COFCO Group for the leased premises under the Beijing Property Leasing Contract, the Beijing Property Management Contract and the Hong Kong Tenancy Agreement for the years ending December 31, 2016, 2017 and 2018 are expected to be approximately RMB9,494,000, RMB10,816,000 and RMB12,378,000, respectively.

The aggregate amount of rental expenses, management fees and service charges payable to the COFCO Group for the leased premises under the Beijing Property Leasing Contract, the Beijing Property Management Contract and the Hong Kong Tenancy Agreement for the year ended December 31, 2016 were approximately RMB7,352,000, RMB849,000 and nil, respectively.

(a) Lease of Office Premises in Beijing

On October 14, 2016, our Company entered into a property leasing contract with COFCO (the "**Beijing Property Leasing Contract**"), pursuant to which we leased from COFCO approximately 1,700 square meters of office premises of COFCO Fortune Plaza in Beijing and eight underground car parking spaces in COFCO Fortune Plaza for a term commencing on the Listing Date until December 31, 2018. The annual rent is determined based on prevailing market prices and is payable by three annual installments, with the first installment payable within three business days after the effective date of the Beijing Property Leasing Contract and each subsequent installment being payable on or before December 31 of the preceding year. We have the priority to renew the Beijing Property Leasing Contract on terms to be agreed between the parties. Should the Beijing Property Leasing Contract be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules.

On October 14, 2016, our Company entered into a property management contract with COFCO Sunshine Property Management (Beijing) Co., Ltd. ("**COFCO Sunshine**") (the "**Beijing Property Management Contract**"), pursuant to which COFCO Sunshine agreed to provide to us various services for the maintenance and management of the leased premises for a term commencing on the Listing Date until December 31, 2018. The management fee is determined based on prevailing market prices and is payable in quarterly installments, with the first installment being payable on the date of the Beijing Property Management Contract and each subsequent installment being payable within 10 business days prior to the start of each quarter. The Beijing Property Management Contract may be renewed by agreement between the parties. Should the Beijing Property Management Contract be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules. The annual rent and management fees under the Beijing Property Leasing Contract and the Beijing Property Management Contract are determined as follows:

(i) the rental price and management fees are agreed between the parties following their arm's length negotiations with reference to the prevailing market prices of other properties in the vicinity and the current prevailing market rates;

(ii) comparable rental price quotations offered by independent third parties for similar properties in the vicinity; and

(iii) rental prices and management fees offered by COFCO to other tenants.

The annual cap of the aggregate rental expenses and annual management fees payable by our Company for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (RMB'000)
Rental expenses and management fees	**9,136**

The aggregate rental expenses and annual management fees payable by our Company for the year ended December 31, 2016 was approximately RMB8,201,000.

(b) Lease of Office Premises in Hong Kong

On October 11, 2016, our Company entered into a tenancy agreement with Bapton Company Limited ("**Bapton**"), an indirect subsidiary of COFCO (the "**Hong Kong Tenancy Agreement**"), pursuant to which our Company leased from Bapton approximately 1,800 square feet of office premises on the 6th floor of COFCO Tower at 262 Gloucester Road, Causeway Bay, Hong Kong for a term of two years commencing on the Listing Date. The annual rent and service charge are determined based on prevailing market prices. Our Company shall also be responsible for payment of government rates, at an annual rate percentage charge of 5% of the annual rent payable. The rent and service charge may be reviewed from time to time based on the market prevailing price. Should the Hong Kong Tenancy Agreement be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules. The monthly rent and service charge under the Hong Kong Tenancy Agreement is determined as follows:

(i) the rental price is agreed between the parties following their arm's length negotiations with reference to the prevailing market prices of other properties in the vicinity and the current prevailing market rates;

(ii) comparable rental price quotations offered by independent third parties for similar properties in the vicinity; and

(iii) rental prices and management fees offered by Bapton to other tenants.

The annual cap of the aggregate annual rental expenses, service charge and rates payable by our Company for the year ended December 31, 2016 was as follows:

	For the year ended December 31, 2016 (HK$'000)
Rental expenses, service charge and rates	**422 (approximately RMB358,000)**

The aggregate annual rental expenses, service charge and rates payable by our Company for the year ended December 31, 2016 was nil.

Annual Review of Continuing Connected Transactions

For the year ended December 31, 2016, the independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions have been entered into:

1. in the ordinary and usual course of our Group's business;

2. either on normal commercial terms or on terms no less favourable to our Group than terms available to or from independent third parties; and

3. in compliance with fair and reasonable terms regulating various agreements of the above continuing connected transactions and in the interest of the Company and the Shareholders of our Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 48 to 55 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The related party transactions set out in Note 51 to financial statements include related party transactions disclosed under accounting standards and related party transactions which also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Unless otherwise disclosed in this report, the Directors believe, all other related party transactions set out in Note 51 to financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be); therefore, we are not subject to any reporting, annual review, announcement or the independent shareholders' approval requirements under the Listing Rules. The Company confirmed that it was in compliance with the disclosure requirements in Chapter 14A of the Listing Rules for the year or a waiver from such provisions has been obtained from the Stock Exchange.

Obligations of On-going Disclosure under the Listing Rules

The Company has no any other disclosure obligation under Rule 13.20, Rule 13.21 and Rule 13.22 of the Listing Rules.

Auditors

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2016. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Ma Jianping
Chairman of the Board

Hong Kong, March 27, 2017

Environmental, Social and Governance Report

COFCO Meat is committed to practicing the sustainable development strategy of coordination between corporate operation and the society and environment, and realizing harmony of economic, social and environmental benefits in accordance with relevant national laws and regulations, the Environmental, Social and Governance Reporting Guide (《環境、社會及管治報告指引》) of the Stock Exchange, and other relevant provisions and requirements.

Business entities covered herein are the same as in the company's annual report. The Environmental, Social and Governance Report mainly discloses the business operations of COFCO Meat and subsidiaries thereof in respect of energy saving and environmental protection, social responsibilities and corporate governance from January 1 to December 31, 2016.

▲ 50 Questions about Comprehensive Utilization of Bioslurry

Environmental Protection and Resource Saving

We have, according to state laws, established the energy saving and environmental protection management regulations and standards to specify the responsibilities of energy saving and environmental protection at different levels and fulfill the social responsibilities of environmental protection.

▲ Jindongtai Biogas Station of Jiangsu Company

1. Emissions

To protect the environment and realize cyclic utilization of waste resources, according to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Regulations on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry (《畜禽規模養殖污染防治條例》), and other national regulations and standards, we have formulated the Regulations on Energy Saving and Emission Reduction (《節能減排管理規定》), the Bioslurry-to-Field Scheme (《沼液還田方案》) and other systems and policies and promoted the combination between farming business and planting business, in an effort to build a healthy, green, eco-friendly and recycling agricultural chain. Emissions generated in breeding produce bioslurry and biogas after harmless treatment using mesophilic anaerobic fermentation technology at the biogas station (as illustrated below). In particular, the bioslurry is returned by growers to land as liquid fertilizer, and the biogas is used as an energy resource.

We provide farmers with bioslurry, which is used as organic fertilizer in planting rice, vegetables, fruits and other crops; moreover, the *50 Questions about Comprehensive Utilization of Bioslurry* and other materials prepared by us guide farmers to use bioslurry in a scientific manner to replace chemical fertilizer, and reduce use of pesticide, improving the quality and added value of farm produce.

In 2016, the 480,000 tons of sewage generated during our production of meat products was discharged according to standards after being treated at the sewage treatment station; the exhaust gas generated was discharged in compliance with the law and according to standards after passing the treatment facilities.

2. Resource Utilization

We have established the energy saving and efficiency increase evaluation mechanism and improvement plan, carried out energy saving diagnosis and energy efficiency evaluation and took measures for environmental protection technology upgrading relating to energy saving and emission reduction, including upgrading of coal-fired boilers, elimination of obsolete electric motors and replacement of obsolete transformers, to economize on the use of resources and improve utilization rate of resources.

In 2016, we used electricity of 102,250,000 kwh, natural gas of 1,380,000 m^3, diesel of 621 tons, fire coal of 40,000 tons, water of 5,000,000 tons and packaging materials of over 1,400 tons.

3. Environmental Protection

We have formulated the Bioslurry Test Management Measures (《沼液檢測管理辦法》), the Requirements on Bioslurry Consumption Record Management (《沼液消納記錄管理要求》) and other regulations and policies, set up the bioslurry-to-field monitoring system, and entrusted a qualified third party to carry out test on environmental indexes. The bioslurry-to-field soil under sample inspection in 2016 was all up to the standards on "first-class soil" in all indexes.

In 2016, we used 5.49 million m^3 of biogas produced from fermentation of excrements generated in breeding mainly for power generation, heating the fermentation cylinders, and as energy used for dining halls and boilers, thereby saving some traditional energy and reducing carbon dioxide emissions.

Employment and Employee Management

1. Employment

We implement an equal employment mechanism and employ disabled persons if the production requirement could be satisfied according to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). As at the end of 2016, 5,161 employees had formally signed labor contracts with us.

2. Distribution of Employees

We employ workers of different education levels, ages and genders based on the principle of fairness, balance and eligibility.

Distributed by education level, 2.5% of the employees have postgraduate education or above, 16.0% have university education, 27.6% have three-year college education, 17.6% have high school education, and 36.3% have junior high school education or below; distributed by gender, 60.2% are male and 39.8% are female; distributed by age, 8.6% are over 50, 28.2% are 40-50, 19.7% are 30-40, and 43.5% are below 30.

3. Salary System

We practice a salary system according to the Salary Management System of COFCO Meat Holdings Limited (《中糧肉食薪酬管理制度》). Our salary structure consists of basic salary and bonus, and is uniformly calculated and paid by the Human Resources Department according to individual performance and the Company's operations. Besides, the salary and its structure are adjusted on an irregular basis with reference to the Company's operations, market salary level and individual performance, so as to provide employees with competitive salaries.

4. Talent Selection

Upholding the corporate culture of "integrity, team, specialty and innovation", we encourage employees to win a good professional reputation with excellent performance and noble professional integrity and obtain more development space with rich experience and outstanding professional level. In the event of job vacancy, we will provide employees with satisfactory development opportunities according to their work experience and ability. Our promotion procedures are: 1. Determination of candidates, as nominated by the talent development meeting; 2. organization of examination, which is carried out according to performance evaluation and capability test; 3. appointment and development, which means relevant department which the employee works in affirms the investigation result and announces the appointment.

5. Rights and Interests of Employees

We fully respect and protect employees' legitimate rights and interests and create a sound, healthy and comfortable work environment for employees. We buy medical insurance, pension insurance and social insurance for employees according to laws; reasonably arrange the labor time and protect employees' right of rest; organize physical examination for employees every year and pay attention to employees' health; conduct an employee satisfaction survey every year and keep improving employees' work experience.

In 2016, we observed the Labor Law of the People's Republic of China and Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) issued by the State Council, and no event involving child labor and forced labor occurred.

Health and Safety

According to Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Technical Specifications for Occupational Health Surveillance (《職業健康監護技術規範》) and other national laws, regulations and standards, we stuck to an occupational hazard prevention and control principle of "putting prevention first while combining prevention with treatment" and established a prevention and control mechanism starting from preventing occupational hazard and raising employees' self-protection awareness to protect the safety and health of employees.

We formulated occupational hazard control and emergency measures in accordance with law. Every year we evaluated occupational hazard factors, provided employees with occupational hazard protection measures and organized occupational disease check-up for those employees exposed to occupational hazard factors.

In 2016 we had no occupational disease or injury caused by occupational hazard factors, or work-related death or serious injury.

Educational Training

We set up a talent development and training system in four directions of "expertise, leadership, key talent and new staff", and held different training programs for employees of different levels, ages, genders and educational backgrounds.

In 2016, we held 480 training classes in total, adding up to over 10,000 hours and benefiting over 20,000 persons/time.

▲ Newly-appointed managers were having a training class

▲ The trainer was giving a training class

Supply Chain Management

According to Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》), Law of the People's Republic of China on Quality and Safety of Agricultural Products (《中華人民共和國農產品質量安全法》) and other national laws, regulations and standards, we established a supply chain management system and standards to specify requirements for selection, admission, daily management and drop-out of suppliers.

We required all suppliers to act legally, have a good reputation and a large market share in the industry and provide up-to-standard products. To ensure good quality of final products, we checked suppliers' qualification certificates and ex-factory inspection reports attached to the products, gave laboratory spot-checks and conducted quality inspection on each batch of materials.

In 2016, we realized a 100% on-site inspection coverage rate as to key suppliers of feed, hog and raw meat (domestic).

Product Quality Guarantee

We are engaged in a wide range of activities including feed processing, breeding hog breeding, hog breeding, hog slaughtering and segmentation, meat product processing, product sale and meat imports. To ensure food safety, we insisted on a full industrial chain production and operational mode, strictly followed such laws, regulations and standards as the Food Safety Law of the People's Republic of China and Agricultural Products Quality Safety Law of the People's Republic of China, and had strict control through the five important procedures of food safety.

In 2016, we had no food safety related recall.

▲ Five Important Procedures of Food Safety

1. Internal Management

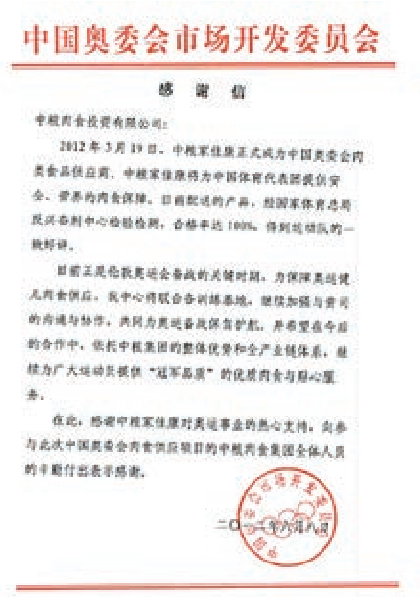
We formulated strict quality and safety technical standards and procedures for various upstream and downstream links of the industrial chain and our subordinate enterprises all have obtained ISO9001, ISO22000 or HACCP quality and safety management system certification, providing a potent guarantee for products quality safety.

In strict accordance with the requirements of national laws, regulations and standards, we rigorously implemented the incoming & outgoing factory inspection plans, mainly monitored key areas, procedures, raw materials and products through the monitoring and early-warning system, and discovered and handled potential food quality safety risks in a timely manner.

2. Government Supervision

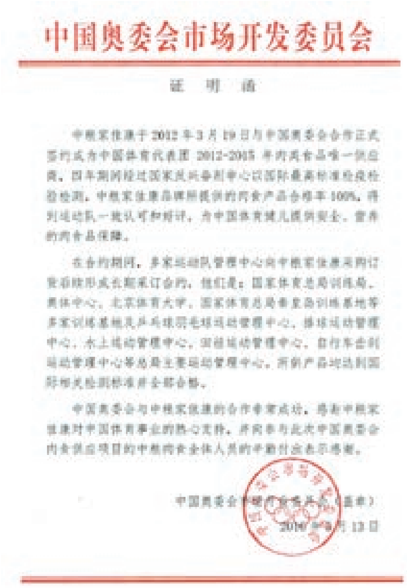
In 2016, China Food and Drug Administration system officially announced to sample 50 batches of our products and relevant government authorities such as the Ministry of Agriculture and China Food and Drug Administration system came to our production site to monitor and sample 66 batches of products, which were 100% qualified.

In addition, the products we supplied to multiple national sports management centers have passed all the spot checks by the General Administration of Sport of China.


中国奥委会市场开发委员会

感 谢 信

▲ Letter of Thanks from Marketing of Chinese Olympic Committee


中国奥委会市场开发委员会

证 明 函

▲ Certificate of Purchasing of Marketing of Chinese Olympic Committee

3. Customer Satisfaction

We valued consumer experience, so we carefully examined relevant ads and labels to ensure that the promotion information is true, reliable, legal, and readable.

We attached great importance to customer complaints and would communicate with them in time, properly solve their complaints, analyze the causes, and then formulate and implement improvement measures.

At the same time, we kept the information of consumers, partners and those interviewed in strict confidence, to ensure that the privacy information of relevant parties would not be disclosed.

Discipline Management

We have improved the Fund Management System of COFCO Meat (2016 Edition) (《中糧肉食資金管理制度(2016版)》), Contract Management Measures of COFCO Meat (Revised) (《中糧肉食合同管理辦法(修訂)》), and Seal Management Measures of COFCO Meat (Revised) (《中糧肉食印章管理辦法(修訂稿)》), to prevent and control bribe, blackmail, fraud, money laundering and other illegal acts. By posters in subordinate enterprises we informed every employee of the channels for reporting through letters and visits, and encouraged employees to actively report and complain against illegal acts that damage the interests of the company.

In 2016, we did not have bribe, blackmail, fraud and money laundering.

Corporate Responsibility

We actively carried out community outreach and social care activities to fulfill our social responsibility.

1. Community Outreach

We organized 115 community activities to promote food safety and help consumers understand the production process. We also donated our products to poor families with children.

▲ Community outreach activities of meat-safety knowledge

▲ Caring donation on Children's Day

2. Social Care

We organized a donation and raised more than RMB170,000 for the sick and needy employees to help them through the difficulties. We organized "Deep Love in Old Clothes" activity and donated over 1,800 pieces of clothing to poverty-stricken areas in Xinjiang.

▲ Consolation to needy employees

▲ Donation for sick employees

Besides, in light of the actual needs of the work, we recruited six disabled persons, arranged appropriate jobs for them and helped them in their work and life.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF COFCO MEAT HOLDINGS LIMITED
中糧肉食控股有限公司
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of COFCO Meat Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 66 to 135, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of biological assets	
We identified valuation of biological assets as a key audit matter due to the significance of the balance of biological assets, and the significant estimation uncertainty in determining the fair value. As disclosed in Note 24 to the consolidated financial statements, management estimated the fair value of the Group's biological assets at RMB1,468.2 million at December 31, 2016. Independent external valuations were obtained for all biological assets to assist management's estimates of the fair value of biological assets at December 31, 2016. Details of the related estimation uncertainty are disclosed in Note 4 to the consolidated financial statements.	Our procedures in relation to biological assets valuation included: • evaluating the independent external valuer's competence, objectivity and qualifications; • evaluating the appropriateness of the methodologies used in valuing the biological assets by involving our internal valuation specialists; • evaluating the appropriateness of the key assumptions and inputs based on market available data and historical performance of the Group; and • assessing the adequacy of disclosures in Note 24 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group, quantitatively significant to the consolidated statement of profit or loss and other comprehensive income, and involves large volume of transactions with advance payments from customers before delivery. Details of an analysis of the Group's revenue and sales transactions that require advance payments before delivery are disclosed in Note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • testing the key controls over revenue recognition and receipts in advance from customers; • checking a sample of recorded transactions by examining the underlying supporting evidences such as sales contracts and delivery documents and, where appropriate, relevant receipts in advance from customers.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mak Chi Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 27, 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTES	2016 Results before biological assets fair value adjustments RMB'000	2016 Biological assets fair value adjustments RMB'000	2016 Total RMB'000	2015 Results before biological assets fair value adjustments RMB'000	2015 Biological assets fair value adjustments RMB'000	2015 Total RMB'000
Continuing operations							
Revenue	5	**6,616,068**	**–**	**6,616,068**	5,055,705	–	5,055,705
Cost of sales	10	**(5,229,349)**	**(1,338,572)**	**(6,567,921)**	(4,583,353)	(354,348)	(4,937,701)
Gross profit		**1,386,719**	**(1,338,572)**	**48,147**	472,352	(354,348)	118,004
Other income	7	**56,418**	**–**	**56,418**	58,471	–	58,471
Other gains and losses	8	**41,531**	**–**	**41,531**	(127,622)	–	(127,622)
Selling and distribution expenses		**(264,138)**	**–**	**(264,138)**	(223,366)	–	(223,366)
Administrative expenses		**(183,914)**	**–**	**(183,914)**	(178,502)	–	(178,502)
Other expenses		**(32,632)**	**–**	**(32,632)**	–	–	–
Share of loss of joint ventures		**(231)**	**–**	**(231)**	–	–	–
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**882,230**	**882,230**	–	249,688	249,688
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**512,231**	**512,231**	–	456,342	456,342
Finance costs	9	**(110,361)**	**–**	**(110,361)**	(133,365)	–	(133,365)
Profit/(loss) before tax	10	**893,392**	**55,889**	**949,281**	(132,032)	351,682	219,650
Income tax expense	11	**(1,346)**	**–**	**(1,346)**	(9,994)	–	(9,994)
Profit/(loss) for the year from continuing operations		**892,046**	**55,889**	**947,935**	(142,026)	351,682	209,656
Discontinued operations							
(Loss)/profit for the year from discontinued operations	12	**(1,843)**	**5,764**	**3,921**	(49,904)	(8,848)	(58,752)
Profit/(loss) for the year		**890,203**	**61,653**	**951,856**	(191,930)	342,834	150,904
Other comprehensive expense, net of income tax:							
Items that may be reclassified subsequently to profit or loss							
Exchange differences arising on translation				**(4,070)**			(5,822)
Other comprehensive expense for the year, net of income tax				**(4,070)**			(5,822)
Total comprehensive income for the year				**947,786**			145,082
Profit/(loss) for the year attributable to the owners of the Company:							
– from continuing operations				**947,991**			209,656
– from discontinued operations				**3,921**			(58,752)
				951,912			150,904
Profit/(loss) for the year attributable to non-controlling interests:							
– from continuing operations				**(56)**			–
Profit for the year				**951,856**			150,904
Total comprehensive income/(expense) attributable to:							
Owners of the Company				**947,842**			145,082
Non-controlling interests				**(56)**			–
				947,786			145,082
Basic earnings per share:	16						
From continuing and discontinued operations				**RMB27.67 cents**			RMB3.79 cents
From continuing operations				**RMB27.55 cents**			RMB5.27 cents
Diluted earnings per share:	16						
From continuing and discontinued operations				**RMB27.67 cents**			N/A
From continuing operations				**RMB27.55 cents**			N/A

Consolidated Statement of Financial Position

	NOTES	At December 31, 2016 RMB'000	2015 RMB'000
Non-current assets			
Goodwill	17	**100,609**	100,609
Property, plant and equipment	18	**4,130,624**	3,418,057
Investment properties	19	**–**	–
Prepaid lease payments	20	**119,465**	108,224
Intangible assets	21	**2,362**	2,378
Interest in joint ventures	22	**36,071**	–
Available-for-sale investments	23	**23,516**	23,516
Biological assets	24	**359,721**	256,270
Deposits paid for purchase of property, plant and equipment		**8,708**	17,404
Deposits paid for purchase of biological assets		**12,028**	–
		4,793,104	3,926,458
Current assets			
Inventories	26	**408,477**	518,652
Biological assets	24	**1,108,437**	936,296
Accounts receivable	27	**159,471**	165,438
Prepayments, deposits and other receivables	28	**177,342**	178,440
Amounts due from fellow subsidiaries	29	**–**	1,920
Amounts due from the ultimate holding company	29	**–**	1,789
Amounts due from related companies	29	**18,172**	573
Financial assets at fair value through profit or loss	30	**–**	499,555
Derivative financial instruments	35	**3,418**	–
Pledged and restricted bank deposits	31	**50,093**	39,878
Cash and cash equivalents	31	**1,588,163**	175,735
		3,513,573	2,518,276
Assets of disposal group classified as held for sale	12	**–**	993,037
		3,513,573	3,511,313
Current liabilities			
Accounts and bills payables	32	**394,073**	244,384
Other payables, accruals and deposits received	33	**602,588**	661,463
Bank and other borrowings	34	**1,737,080**	2,053,377
Amounts due to fellow subsidiaries	29	**–**	52,425
Amounts due to the immediate holding company	29	**–**	19,164
Amounts due to related companies	29	**64,973**	–
Loans from the immediate holding company	36	**–**	904,970
Loans from the ultimate holding company	36	**–**	2,500
Loans from a related company	36	**2,500**	–
Current tax liabilities		**59**	5,494
		2,801,273	3,943,777
Liabilities directly associated with disposal group classified as held for sale	12	**–**	418,626
		2,801,273	4,362,403

Consolidated Statement of Financial Position

		At December 31,	
		2016	2015
	NOTES	**RMB'000**	RMB'000
Net current assets/(liabilities)		**712,300**	(851,090)
Total assets less current liabilities		**5,505,404**	3,075,368
Non-current liabilities			
Bank and other borrowings	34	**848,759**	370,411
Loans from a related company	36	**84,629**	–
Deferred income	37	**133,757**	60,769
		1,067,145	431,180
Net assets		**4,438,259**	2,644,188
Capital and reserves			
Share capital	38	**1,668,978**	2,568,360
Reserves		**2,765,969**	75,828
Equity attributable to the owners of the Company		**4,434,947**	2,644,188
Non-controlling interests		**3,312**	–
Total equity		**4,438,259**	2,644,188

The consolidated financial statements on pages 66 to 135 were approved and authorised for issue by the Board of Directors on March 27, 2017 and are signed on its behalf by:

MA Jianping
DIRECTOR

XU Jianong
DIRECTOR

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital RMB'000 *(Note 38)*	**Share premium** RMB'000 *(Note 38)*	**Special reserve** RMB'000 *(Note (a))*	**Capital reserve** RMB'000 *(Note (b))*	**Statutory reserve** RMB'000 *(Note (c))*	**Translation reserve** RMB'000	**(Accumulated losses)/ retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At January 1, 2015	2,323,266	–	858,459	40,998	10,751	56,169	(964,169)	2,325,474	111,175	2,436,649
Profit for the year	–	–	–	–	–	–	150,904	150,904	–	150,904
Other comprehensive expense for the year	–	–	–	–	–	(5,822)	–	(5,822)	–	(5,822)
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(5,822)	150,904	145,082	–	145,082
Statutory reserve appropriation	–	–	–	–	3,571	–	(3,571)	–	–	–
Recognition of equity-settled share based payments granted by shareholders *(Note 40)*	–	–	–	3,635	–	–	–	3,635	–	3,635
Acquisition of non-controlling interests *(Note (d))*	186,272	–	–	(75,097)	–	–	–	111,175	(111,175)	–
Issue of new shares *(Note 38)*	58,822	–	–	–	–	–	–	58,822	–	58,822
At December 31, 2015	2,568,360	–	858,459	(30,464)	14,322	50,347	(816,836)	2,644,188	–	2,644,188
Profit for the year	–	–	–	–	–	–	951,912	951,912	(56)	951,856
Other comprehensive expense for the year	–	–	–	–	–	(4,070)	–	(4,070)	–	(4,070)
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(4,070)	951,912	947,842	(56)	947,786
Statutory reserve appropriation	–	–	–	–	71,791	–	(71,791)	–	–	–
Recognition of equity-settled share based payments granted by shareholders *(Note 40)*	–	–	–	5,962	–	–	–	5,962	–	5,962
Repurchase of shares *(Note 38)*	(899,389)	–	–	–	–	–	–	(899,389)	–	(899,389)
Reclassification upon disposal of subsidiaries *(Note 45)*	–	–	–	–	(5,741)	–	5,741	–	–	–
Deemed contribution upon disposal of subsidiaries *(Note 45)*	–	–	–	90,377	–	–	–	90,377	–	90,377
Issue of new shares *(Note 38)*	7	1,704,230	–	–	–	–	–	1,704,237	–	1,704,237
Shares issue expenses *(Note 38)*	–	(58,270)	–	–	–	–	–	(58,270)	–	(58,270)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	3,368	3,368
At December 31, 2016	1,668,978	1,645,960	858,459	65,875	80,372	46,277	69,026	4,434,947	3,312	4,438,259

Notes:

(a) *The amounts of special reserve include:*

(i) *Prior to January 1, 2013, COFCO Meat Products (HK) Limited ("COFCO Meat Products (HK)") acquired the entire interests in COFCO Wuhan Meat Product Co., Ltd. ("Wuhan COFCO Meat"), Farasia Corporation, Shandong Furui Poultry Limited and Weifang Poultry Limited (Shandong Furui Poultry Limited and Weifang Poultry Limited subsequently merged as one entity, now known as COFCO Meat (Shandong) Co., Ltd.) (collectively the "Acquirees") from certain subsidiaries of COFCO Corporation, the ultimate holding company of COFCO Meat Products (HK) and COFCO Meat Holdings Limited (the "Company") before the Listing (as defined in Note 1 to the consolidated financial statements), for an aggregate cash consideration of RMB326,402,584. The difference between the consideration paid by COFCO Meat Products (HK) and the aggregate nominal value of the share capital of the Acquirees of RMB29,217,000 (credit balance) has been recorded in special reserve.*

(ii) *Pursuant to a part of a group reorganisation in preparation for the Listing, on April 22, 2014, the Company allocated and issued one ordinary share of US$1 to acquire two ordinary shares, being 100% equity interest, in the share capital of COFCO Meat Products (HK) from the then immediate holding company of the Company. The difference between the nominal value of the share capital issued by the Company and the aggregate nominal value of the share capital and the share premium of COFCO Meat Products (HK) of RMB829,242,000 (credit balance) has been recorded in special reserve.*

(b) *Capital reserve as at January 1, 2015 represented capital contributions from COFCO Corporation in prior years.*

(c) *The amount mainly represents statutory reserve of the companies registered in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, companies established in the PRC are required to transfer their net profit after tax, as determined under the PRC accounting regulations, to a non-distributable reserve fund before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.*

(d) *During the year ended December 31, 2015, the Group acquired the non-controlling interests in a subsidiary by the allotment and issue of 186,271,860 ordinary shares of the Company at the issue price of RMB186,271,860. The excess of the fair value of consideration paid over the decrease in the carrying amount of non-controlling interest has been recorded in capital reserve.*

Consolidated Statement of Cash Flows

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Operating activities		
Profit for the year	**951,856**	150,904
Adjustments for:		
Income tax expense	**2,316**	11,467
Gain arising from changes in fair value less cost to sell of biological assets	**(515,969)**	(454,317)
Interest income	**(9,097)**	(14,670)
Finance costs	**112,293**	140,885
Rental income from investment properties	**(5,621)**	(14,969)
Dividend income from available-for-sale investments	**(10,060)**	(5,851)
Gain from changes in fair value of financial assets designated at fair value through profit or loss	**(9,830)**	(11,397)
Gain from changes in fair value in respect of currency forward contracts	**(23,650)**	–
Equity-settled share based payments	**5,962**	3,635
Share of loss of joint ventures	**231**	–
Depreciation	**173,317**	174,609
Amortisation of prepaid lease payments	**6,976**	6,568
Amortisation of intangible assets	**1,037**	1,405
Recognition of deferred government grants	**(4,268)**	(3,485)
Loss on disposal of property, plant and equipment, net	**201**	2,498
Write-down of inventories	**1,520**	16,076
(Reversal of impairment)/impairment on accounts receivable, net	**(531)**	213
Reversal of impairment on other receivables, net	**(70)**	(13)
Exchange differences	**(4,348)**	–
Operating cash flows before movements in working capital	**672,265**	3,558
Increase in accounts receivable	**(10,947)**	(23,446)
Increase in prepayments, deposits and other receivables	**(12,767)**	(33,270)
Decrease in inventories	**104,107**	278,581
Decrease in biological assets	**238,758**	4,395
Increase in accounts and bills payables	**143,264**	69,794
Increase in other payables, accruals and deposits received	**126,550**	39,185
Decrease in derivative financial instruments	**20,232**	–
Increase in amounts due from fellow subsidiaries	**(97,662)**	(143)
Increase in amounts due to fellow subsidiaries	**131,117**	53,190
Decrease/(increase) in amounts due from the ultimate holding company	**1,789**	(1,789)
Increase in amounts due from related companies	**(13,095)**	(857)
Increase in amounts due to related companies	**56,835**	–
Decrease in amounts due to the ultimate holding company	**–**	(2,000)
Cash generated from operations	**1,360,446**	387,198
Income tax paid	**(8,334)**	(5,912)

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Net cash generated from operating activities	**1,352,112**	381,286
Investing activities		
Interest received	**9,097**	14,670
Rental income received	**5,621**	14,969
Dividend received from available-for-sale investments	**10,060**	5,851
Purchase of financial assets at fair value through profit or loss	**–**	(1,751,142)
Proceeds from disposal of financial assets at fair value through profit or loss	**509,385**	1,262,984
Payments for property, plant and equipment	**(1,044,434)**	(782,094)
Payments for investment properties	**–**	(550)
Payments for prepaid lease payments	**(18,607)**	(15,383)
Payments for intangible assets	**(838)**	(854)
Proceeds from disposal of property, plant and equipment	**25,291**	1,328
Disposal of subsidiaries *(Note 45)*	**(17,193)**	–
Placement of pledged and restricted bank deposits	**(50,093)**	(67,417)
Withdrawal of pledged and restricted bank deposits	**39,878**	60,045
Investment in joint ventures	**(36,302)**	–
Advance to fellow subsidiaries	**–**	(189)
Repayment from fellow subsidiaries	**1,329**	–
Advance to related companies	**(3,517)**	–
Repayment of loans to related companies	**586,000**	–
Government grants received	**5,310**	5,400
Net cash generated from/(used in) investing activities	**20,987**	(1,252,382)
Financing activities		
Interest paid	**(110,471)**	(131,710)
New bank and other borrowings	**3,935,468**	5,152,720
Repayment of bank and other borrowings	**(3,780,167)**	(6,086,157)
Issue of new shares *(Note 38)*	**1,704,237**	58,822
Share issue expense *(Note 38)*	**(58,270)**	–
Repurchase of shares *(Note 38)*	**(899,389)**	–
Contribution from non-controlling shareholders	**3,368**	–
Advance from the immediate holding company	**–**	87,664
Repayment to the immediate holding company	**(19,164)**	–
Repayment of loans from the immediate holding company	**(904,970)**	–
Repayment to fellow subsidiaries	**–**	(179,522)
Advance from related companies	**8,138**	–
Loans from a related company *(Note 37)*	**154,000**	–
Net cash generated from/(used in) financing activities	**32,780**	(1,098,183)
Net increase/(decrease) in cash and cash equivalents	**1,405,879**	(1,969,279)
Cash and cash equivalents at beginning of the year	**182,006**	2,142,369
Effect of foreign exchange rate changes, net	**278**	8,916
Cash and cash equivalents at end of the year	**1,588,163**	182,006
Represented by cash and cash equivalents attributable to:		
Continuing operations *(Note 31)*	**1,588,163**	175,735
Discontinued operations *(Note 12)*	**–**	6,271
	1,588,163	182,006

Notes to the Consolidated Financial Statements

1. GENERAL

COFCO Meat Holdings Limited (the "Company") was incorporated on March 11, 2014 and acts as an investment holding company. On incorporation, the address of the Company's registered office is Offshore Incorporations Limited P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands. Upon the re-domiciliation as an exempted company registered by way of continuation in the Cayman Islands with limited liability with effect from May 4, 2016, the registered office of the Company has been changed to P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The address of its principal place of business is COFCO Fortune Plaza, No.8, Chao Yang Men South St., Chao Yang District, Beijing, the PRC.

Pursuant to a special resolution of the Company dated April 25, 2016, the name of the Company was changed from Charm Thrive Investments Limited to COFCO Meat Holdings Limited and the change was certified by the Registrar of Companies of Cayman Islands on May 12, 2016.

The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited with effect from November 1, 2016 (the "Listing").

The principal activities of the Company and its subsidiaries (the "Group") are investment holding, hog production, livestock slaughtering, poultry husbandry, sales of fresh and frozen meats, manufacture and sales of meat products, and import of meat products. The Group was also engaged in poultry production business which was discontinued in the current year (see Note 12).

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and most of its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently applied all HKFRSs which are effective for the Group's financial year beginning on January 1, 2016 for both current and prior years.

The Group has not early applied the following new and amendments to HKFRSs that have been issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") but are not yet effective.

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and related Amendments*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2014-2016 Cycle*[5]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2017
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

Except as described below, the directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at 'fair value through other comprehensive income' ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at December 31, 2016, the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, which are currently stated at cost less impairment, will either be measured at fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group has performed a review of the existing contractual arrangement with its customers and the directors of the Company do not anticipate the application of HKFRS 15 would have a material impact on the timing and amounts of revenue recognised in the respective reporting periods. The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and lease of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will both be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of RMB251,534,000 as disclosed in Note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. However, the directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance but it is expected that the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for biological assets, financial assets at fair value through profit or loss and derivative financial instruments which are measured on a fair value basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into accounts the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the assets or liability, either directly or indirectly, and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures (Continued)

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within the next twelve months from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. The assets and liabilities included within a disposal group classified as held for sale are presented separately in the consolidated statement of financial position.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established.

Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs and termination benefits

Payment to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group's PRC entities are required to contribute certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance lease) held for use in the production or supply of goods and services, or for administrative purposes (other than construction in progress, as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress, which represents assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Biological assets

Biological assets represent live hogs (which fall into five categories: piglets, nursery hogs, medium and large finishing hogs, replacement studs and gilts, and breeding stock) and live chickens. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce harvested from the biological assets are measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying HKAS 2 *Inventories*. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agricultural produce harvested from biological assets and net realisable value. Costs of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other gains and losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 50.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

Unlisted equity securities held by the Group are classified as AFS equity investments. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, deposits and other receivables, pledged and restricted bank deposits, cash and cash equivalents, and amounts due from fellow subsidiaries, the ultimate holding company and related companies) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including accounts and bills payable, other payables, bank and other borrowings, loans from/amounts due to fellow subsidiaries, the immediate holding company, the ultimate holding company and related companies) are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (capital reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital reserve. For share options that vest immediately at the date of grant, the fair value of the share option granted is expensed immediately to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

When share options are exercised, the amount previously recognised in the capital reserve will be transferred to retained earnings. When the share options are forfeited after the vesting date or are still not exercise at the expiry date, the amount previously recognised in capital reserve will be transferred to retained earnings.

Where the terms and conditions of an equity-settled share-based arrangement are modified, as a minimum, the services received measured at the grant date fair value of the equity instruments granted are recognised, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee are recognised.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of biological assets

The Group's management determine the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The determination involved the use of significant judgment. If actual results differ with the original estimates made by management, such differences from the original estimates will impact the fair value changes recognised in profit or loss in the period in which the estimates change and in future periods. The carrying amount of the Group's biological assets as at December 31, 2016 was RMB1,468,158,000 (2015: RMB1,211,053,000, including balance reclassified as held for sale of RMB18,487,000). Details of the fair value measurement of biological assets are set out in Note 24.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As at December 31, 2016, the carrying amount of goodwill was RMB100,609,000 (2015: RMB100,609,000). Details of the recoverable amount calculation are disclosed in Note 17.

Estimated impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in Note 3. The recoverable amount of the property, plant and equipment is the higher of the fair value less costs of disposal and value in use.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the fair value less costs of disposal or the value in use, i.e. the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

The net carrying amount of property, plant and equipment as at December 31, 2016 was RMB4,130,624,000 (2015: RMB4,033,540,000, including the balance reclassified as held for sale of RMB615,483,000).

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment to depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

5. REVENUE

An analysis of the Group's revenue, which is also turnover of the Group, from continuing operations is as follows:

	Year ended December 31,	
	2016 **RMB'000**	2015 RMB'000
Hog production	**1,657,236**	755,868
Sales of fresh pork	**2,711,262**	2,027,363
Sales of processed meat products	**332,995**	329,784
Sales of imported meat products	**1,914,575**	1,942,690
	6,616,068	5,055,705

Over 70% of the revenue of the Group's sales transactions is under the term that requires payment before delivery for 2016.

6. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group has four reportable operating segments under HKFRS 8 as follows:

Hog production segment	represents hog breeding
Fresh pork segment	represents slaughtering, wholesale and retail sales of fresh and frozen meats
Processed meat products segment	represents manufacture, wholesale and retail sales of processed meat products under brands of "Maverick" and "Joycome"
Meat import segment	represents sales of imported meat products

An operating segment regarding the poultry production business, which represents chicken breeding and processing, was discontinued in April 2016. The segment information reported below does not include any amounts for the discontinued operations, which are described in more details in Note 12.

Each reportable segment derives its revenue from the sales of products based on the location of operations. They are managed separately because each segment requires different production and marketing strategies.

Segment revenues and results

The following is an analysis of the Group's revenue and segment results from continuing operations by reportable and operating segment.

	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended December 31, 2016							
Segment revenue							
External customers	**1,657,236**	**2,711,262**	**332,995**	**1,914,575**	**6,616,068**	**–**	**6,616,068**
Inter-segment sales	**1,493,031**	**26,716**	**2,914**	**118,997**	**1,641,658**	**(1,641,658)**	**–**
Segment revenue	**3,150,267**	**2,737,978**	**335,909**	**2,033,572**	**8,257,726**	**(1,641,658)**	**6,616,068**
Segment results	**1,009,933**	**12,251**	**8,390**	**79,185**	**1,109,759**	**–**	**1,109,759**
Unallocated corporate income							**13,240**
Unallocated corporate expenses							**(119,015)**
Fair value adjustments on biological assets							**55,889**
Share of loss of joint ventures							**(231)**
Finance costs							**(110,361)**
Profit before tax from continuing operations							**949,281**

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended December 31, 2015							
Segment revenue							
External customers	755,868	2,027,363	329,784	1,942,690	5,055,705	–	5,055,705
Inter-segment sales	993,737	79,505	7	7,435	1,080,684	(1,080,684)	–
Segment revenue	1,749,605	2,106,868	329,791	1,950,125	6,136,389	(1,080,684)	5,055,705
Segment results	138,378	(1,469)	4,015	(73,763)	67,161	–	67,161
Unallocated corporate income							29,412
Unallocated corporate expenses							(95,240)
Fair value adjustments on biological assets							351,682
Finance costs							(133,365)
Profit before tax from continuing operations							219,650

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of central administration costs, directors' emoluments, fair value adjustments on biological assets, share of loss of joint ventures, certain other gains and losses, and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prices agreed between group entities.

Segment assets and segment liabilities

Segment assets and liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Continued)

Other segment information – continuing operations

	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Total RMB'000
Year ended December 31, 2016					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation*	**129,860**	**24,094**	**11,142**	**70**	**165,166**
Impairment/(reversal of impairment) of accounts receivables, net	**–**	**38**	**(176)**	**(393)**	**(531)**
Reversal of impairment of other receivables, net**	**–**	**(37)**	**(58)**	**–**	**(95)**
Loss on disposal of property, plant and equipment	**257**	**16**	**79**	**1**	**353**
Write-down of inventories	**–**	**1,080**	**–**	**452**	**1,532**
Insurance compensation	**–**	**–**	**–**	**36,783**	**36,783**
Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:					
Finance costs***	**46,168**	**12,140**	**8,109**	**11,635**	**78,052**
Year ended December 31, 2015					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation*	83,981	26,398	10,258	78	120,715
Impairment loss on accounts receivable, net	35	–	107	151	293
(Reversal of impairment)/impairment of other receivables, net	(10)	–	4	(7)	(13)
Loss on disposal of property, plant and equipment	1,423	75	824	9	2,331
Write-down of inventories	–	7,466	–	6,688	14,154
Inventories fully damaged in an explosion accident	–	–	–	(99,912)	(99,912)
Insurance compensation	–	–	–	50,000	50,000
Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:					
Finance costs	58,915	20,794	25,850	27,806	133,365

* *Depreciation and amortisation not included in the measure of segment profit or loss for the year ended December 31, 2016 amounted to RMB370,000 (2015: RMB353,000).*

** *Impairment of other receivables not included in the measure of segment profit or loss for the year ended December 31, 2016 amounted to RMB25,000 (2015: nil).*

*** *Unallocated finance costs for the year ended December 31, 2016 amounted to RMB32,309,000.*

6. SEGMENT INFORMATION (Continued)

Geographical information

Over 90% of the revenue and operating results of the Group is derived from the PRC based on location of the operations for both 2016 and 2015.

All the Group's non-current assets, excluded those relating to discontinued operations, goodwill and available-for-sale investments, amounting to RMB4,668,979,000 at December 31, 2016 (2015: RMB3,802,333,000) are located in the PRC based on geographical location of the assets.

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue in each of the reporting periods for both 2016 and 2015.

7. OTHER INCOME

An analysis of the Group's other income from continuing operations is as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Interest income from banks	**2,220**	6,118
Interest income from a fellow subsidiary*	**1,081**	8,377
Interest income from loans to related companies**	**5,758**	–
Dividend income from available-for-sale investments	**10,060**	5,851
Government grants***	**37,299**	38,125
	56,418	58,471

* *The amount represents interest income for deposits placed in a non-banking financial institution, COFCO Finance Corporation Limited ("COFCO Finance"), which was a then fellow subsidiary of the Group and became a related company of the Group upon the Listing. Details of the deposits are set out in Note 31.*

** *During the year, short-term loans were advanced to certain former subsidiaries under discontinued operations (Note 12), which were unsecured and bore interest ranging from 2.9% to 3.915% per annum. These loans were fully repaid before December 31, 2016.*

*** *Various government grants have been received for investments in certain provinces in the PRC, which are available for industries or locations in which the Company's subsidiaries operate. Certain government grants are related to innocuous treatment of died hogs. There are no unfulfilled conditions or contingencies relating to these grants.*

Government grants for which related to acquisition of lands and property, plant and equipment are included in deferred income and are credited to profit or loss on a systematic basis over the useful lives of the related assets. Further details are disclosed in Note 37. Included in the above balances are government grants released from deferred income of RMB3,515,000 for the year ended December 31, 2016 (2015: RMB2,733,000).

8. OTHER GAINS AND LOSSES

An analysis of the Group's other gains/(losses) from continuing operations is as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Exchange loss, net	**(19,818)**	(69,794)
Loss on disposal of property, plant and equipment, net	**(353)**	(2,331)
Write-down of inventories**	**(1,532)**	(14,154)
Reversal of impairment/(impairment) on accounts receivable, net	**531**	(293)
Reversal of impairment on other receivables, net	**70**	13
Gain from changes in fair value of financial assets designated as FVTPL	**9,830**	11,397
Gain on fair value changes in respect of foreign currency forward contracts	**23,650**	–
Inventories fully damaged in an explosion accident*	**–**	(99,912)
Insurance compensation*	**36,783**	50,000
Others	**(7,630)**	(2,548)
	41,531	(127,622)

* *During the year ended December 31, 2015, inventories with an aggregate carrying value of RMB99,912,000 kept in a warehouse located in Tianjin, the PRC, were fully damaged in an explosion accident. The compensation received from the insurance claim up to December 31, 2016 amounted to RMB86,783,000.*

** *Write-down of inventories is mainly attributable to the decrease in net realisable value of certain finished goods. The finished goods are written down to net realisable value when the costs of the finished goods are expected to exceed their net realisable value. The net realisable value is estimated by reference to the market price of the corresponding inventories less costs necessary to make the sale.*

9. FINANCE COSTS

An analysis of the Group's finance costs from continuing operations is as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**91,036**	99,988
Loans from a fellow subsidiary*	**8,784**	24,202
Loans from the immediate holding company**	**23,896**	18,923
Loans from the ultimate holding company**	**1,245**	–
Loans from a related company**	**577**	–
Total borrowing costs	**125,538**	143,113
Less: Borrowing costs capitalised in the cost of qualifying assets	**(15,177)**	(9,748)
	110,361	133,365

* *The amount represents interest expense for loans from COFCO Finance. Details of other borrowings are set out in Note 34.*

** *The amount represents interest expense for loans from the former immediate holding company and the ultimate holding company (Note 36). The loans from the former immediate holding company were fully repaid before the Listing. The ultimate holding company became a related company of the Group upon the Listing.*

Borrowing costs capitalised to qualifying assets during the years ended December 31, 2016 and 2015 were based on actual borrowing costs incurred for specific borrowings.

10. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax from continuing operations is arrived at after charging:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Cost of sales (represented the cost of inventories recognised as expenses during the year)	**6,567,921**	4,937,701
Employee benefits expense (including directors' remuneration as disclosed in Note 13):		
Salaries and other allowances	**401,412**	333,526
Retirement benefit schemes contributions	**35,624**	27,626
Equity-settled share option expense	**5,962**	3,635
	442,998	364,787
Auditors' remuneration	**1,360**	805
Depreciation*	**157,893**	114,044
Amortisation of prepaid lease payments	**6,789**	6,168
Amortisation of intangible assets	**854**	856
Minimum lease payments under operating leases in respect of land and buildings	**9,635**	3,445

* *Deprecation of RMB143,133,000 (2015: RMB103,634,000) was included in cost of sales in the consolidated profit or loss and other comprehensive income.*

11. INCOME TAX EXPENSE

An analysis of the Group's income tax expense from continuing operations is as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**1,346**	9,994

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the year (2015: 25%).

Certain of the Group's subsidiaries operating in the PRC are eligible for certain tax concessions and certain of their operations were exempted from PRC income taxes during both 2016 and 2015. According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from primary processing for agriculture products are exempted from EIT. In addition, pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from projects of animal-husbandry and poultry feeding, is also entitled to exemption from EIT during the current and prior years.

No provision for Hong Kong profits tax during the year have been made as the Group had no assessable profit generated in Hong Kong for the year (2015: nil).

11. INCOME TAX EXPENSE (Continued)

Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. During the year, no provision for income tax have been made in other jurisdictions as the Group had no assessable profit generated from other jurisdictions (2015: nil).

Income tax expense for the year can be reconciled to the profit before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Profit before tax from continuing operations	**949,281**	219,650
Tax at the statutory income tax rate of 25%*	**237,320**	54,913
Effect of different tax rates for entities of the Group operating in other jurisdictions	**3,363**	2,361
Tax effect of expenses not deductible for tax purpose	**112,297**	25,563
Tax effect of income not taxable for tax purpose**	**(114,383)**	(89,550)
Effect of tax exemptions granted to certain operations of certain PRC subsidiaries***	**(241,441)**	(13,192)
Tax losses utilised from previous periods	**(11,642)**	(1,596)
Tax effect of tax losses not recognised	**15,649**	29,484
Tax effect of share of results of joint ventures	**58**	–
Others	**125**	2,011
Income tax expense for the year	**1,346**	9,994

* *The statutory tax rate (which is the EIT rate) in the jurisdiction where the operation of the Group is substantially based is used.*

** *The adjustment mainly represents the tax effect of the fair value gains on biological assets at December 31, 2016 and 2015.*

*** *This adjustment represented the net effect of the tax exemptions granted to certain operations of certain PRC subsidiaries as mentioned above.*

12. DISCONTINUED OPERATIONS

On November 20, 2015, the directors of the Company resolved to dispose of certain subsidiaries, which carried out all of the Group's poultry production business. The disposal plan is consistent with the Group's strategy to focus on its hog production and related businesses. The assets and liabilities attributable to the business, which were expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position at December 31, 2015. On April 22, 2016, the poultry production business was disposed of to a company beneficially owned by the shareholders of the Company at a consideration of RMB1. The difference between this consideration and the net liabilities of the disposal group at the disposal date is recorded to capital reserve (Note 45).

12. DISCONTINUED OPERATIONS (Continued)

The consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2016 and 2015 have presented the poultry production business as discontinued operations. The profit/(loss) for the years from the discontinued poultry production business attributable to the Group is set out below.

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Revenue	**339,500**	1,257,023
Cost of sales	**(342,973)**	(1,223,454)
Gross (loss)/profit	**(3,473)**	33,569
Other income	**7,582**	20,607
Other gains and losses	**2,201**	1,787
Selling and distribution expenses	**(10,640)**	(32,184)
Administrative expenses	**(7,812)**	(38,373)
Gain/(loss) arising from agricultural produce at fair value less costs to sell at the point of harvest	**15,227**	(33,140)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	**3,738**	(2,025)
Finance costs	**(1,932)**	(7,520)
Profit/(loss) before tax	**4,891**	(57,279)
Income tax expense	**(970)**	(1,473)
Profit/(loss) for the year	**3,921**	(58,752)

The Group's profit/(loss) before tax from discontinued operations is arrived at after (crediting)/charging:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Interest income from banks	**(38)**	(175)
Gross rental income from investment properties	**(5,621)**	(14,969)
Employee benefits expense:		
Salaries and other allowances	**62,546**	193,646
Retirement benefit schemes contributions	**3,822**	8,509
	66,368	202,155
Depreciation	**15,424**	60,565
Amortisation of prepaid lease payments	**187**	400
Amortisation of intangible assets	**183**	549
Reversal of impairment of accounts receivable, net	**–**	(80)
(Write-back)/write-down of inventories	**(12)**	1,922
(Gain)/loss on disposal of property, plant and equipment	**(152)**	167
Recognition of deferred government grants	**(753)**	(752)

12. DISCONTINUED OPERATIONS (Continued)

The cash flow profile of the discontinued operations is as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Net cash (used in)/generated from:		
Operating activities	**(62,701)**	44,777
Investing activities	**6,011**	(48,739)
Financing activities	**67,612**	(405)
Net cash inflow/(outflow)	**10,922**	(4,367)

The major classes of assets and liabilities of poultry production business as at December 31, 2015, which have been presented separately in the consolidated statement of financial position, are as follows:

	At December 31, 2015 RMB'000
Property, plant and equipment	615,483
Investment properties	110,780
Prepaid lease payments	12,905
Intangible assets	910
Biological assets	18,487
Inventories	119,968
Accounts receivable	48,169
Prepayments, deposits and other receivables	58,431
Cash and cash equivalents	6,271
Deferred tax assets	646
Amount due from a related company	987
Total assets classified as held for sale	993,037
Accounts and bills payables	105,207
Other payables, accruals and deposits received	79,247
Amounts due to fellow subsidiaries	91,356
Bank and other borrowings	125,500
Loans from the ultimate holding company	3,000
Current tax liabilities	583
Deferred income	13,733
Total liabilities directly associated with disposal group classified as held for sale	418,626

The above assets/liabilities classified as held for sale excluded the net amounts due to and loans from entities under continuing operations as at December 31, 2015 totalling RMB549,215,000.

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Companies Ordinance, is as follows:

		Other emoluments				
	Directors' fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Bonus RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Year ended December 31, 2016						
Executive director:						
XU Jianong	–	1,050	47	1,435	408	2,940
Non-executive directors:						
MA Jianping	–	–	–	–	–	–
XU Yang *(Note (c))*	–	–	–	–	–	–
WOLHARDT Julian Juul	–	–	–	–	–	–
CUI Guiyong	–	–	–	–	–	–
WU Hai *(Note (a))*	–	–	–	–	–	–
ZHOU Qi	–	–	–	–	–	–
YANG Hong *(Note (i))*	–	–	–	–	–	–
WANG Zhiying *(Note (j))*	–	–	–	–	–	–
KIKUCHI Kiyotaka *(Note (b))*	–	–	–	–	–	–
WAKAKI Takamasa *(Note (d))*	–	–	–	–	–	–
KYOYA Yutaka *(Note (d))*	–	–	–	–	–	–
YU Xubo *(Note (e))*	–	–	–	–	–	–
SUN Yanmin *(Note (e))*	–	–	–	–	–	–
JIANG Guojin *(Note (e))*	–	–	–	–	–	–
WANG Hao *(Note (e))*	–	–	–	–	–	–
Independent non-executive directors:						
CHEN Huanchun *(Note (g))*	–	152	–	–	–	152
FU Tingmei *(Note (g))*	–	152	–	–	–	152
LI Michael Hankin *(Note (g))*	–	152	–	–	–	152
WU Chi Keung *(Note (h))*	–	134	–	–	–	134
WU Kwok Keung Andrew *(Note (k))*	–	–	–	–	–	–
Total	–	1,640	47	1,435	408	3,530

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

		Other emoluments				
	Directors' fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Bonus RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Year ended December 31, 2015						
Executive director:						
XU Jianong	–	1,028	44	380	473	1,925
Non-executive directors:						
MA Jianping	–	–	–	–	–	–
WANG Zhiying	–	–	–	–	–	–
XU Yang *(Note (c))*	–	–	–	–	–	–
WOLHARDT Julian Juul	–	–	–	–	–	–
CUI Guiyong	–	–	–	–	–	–
WU Hai *(Note (a))*	–	–	–	–	–	–
ZHOU Qi	–	–	–	–	–	–
KIKUCHI Kiyotaka *(Note (b))*	–	–	–	–	–	–
WAKAKI Takamasa *(Note (d))*	–	171	14	241	–	426
KYOYA Yutaka *(Note (d))*	–	–	–	–	–	–
YU Xubo *(Note (e))*	–	–	–	–	–	–
SUN Yanmin *(Note (e))*	–	–	–	–	–	–
JIANG Guojin *(Note (e))*	–	–	–	–	–	–
WANG Hao *(Note (e))*	–	–	–	–	–	–
JIANG Xingquan *(Note (f))*	–	–	–	–	–	–
Total	–	1,199	58	621	473	2,351

The executive director's remuneration shown above was for his services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(a) This director was appointed as a director of the Company on September 30, 2015.

(b) This director was appointed as a director of the Company on February 24, 2016 and resigned on May 23, 2016.

(c) This director was appointed as director of the Company on February 22, 2016.

(d) These directors resigned as directors of the Company on February 24, 2016.

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

Notes: (continued)

(e) These directors resigned as directors of the Company on May 23, 2016.

(f) This director resigned as a director of the Company on September 30, 2015.

(g) These directors were appointed as independent non-executive directors of the Company on May 23, 2016.

(h) This director was appointed as an independent non-executive director of the Company on June 23, 2016.

(i) This director was appointed as a non-executive director of the Company on December 9, 2016.

(j) This director resigned as a non-executive director of the Company on December 9, 2016.

(k) This director was appointed as an independent non-executive director of the Company on May 23, 2016 and resigned on June 23, 2016.

Bonus is determined by reference to the market, individual performance and their respective contribution to the Group.

During the year ended December 31, 2015, a director was granted share options, in respect of his service to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 40. The amount of the benefits in relation to share options is determined by reference to the fair value of the share options at grant date.

During the current and prior years, no directors of the Company waived or agreed to waive any emoluments, and no emoluments were paid to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the years ended December 31, 2016 and 2015, included one and one director of the Company, respectively. Details of the emoluments for the years ended December 31, 2016 and 2015 of the remaining four and four, respectively, highest paid employees who are not a director of the Company are as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,646**	4,322
Retirement benefit schemes contributions	**188**	176
Equity-settled share option expense	**1,218**	473
	5,052	4,971

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,	
	2016	2015
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**2**	2
	4	4

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**951,912**	150,904

Number of shares

	Year ended December 31,	
	2016	2015
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,440,747**	3,980,717

For continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the owners of the Company is based on profit for the year attributable to owners of the Company from continuing operations of RMB947,991,000 (2015: RMB209,656,000). The denominators used are the same as those detailed above for basic earnings per share.

For discontinued operations

For the year ended December 31, 2016, basic earnings per share for the discontinued operations is RMB0.11 cents (2015: basic loss per share of RMB1.48 cents) per share, based on the profit for the year from the discontinued operations of RMB3,921,000 (2015: loss for the year of RMB58,752,000), and the denominators detailed above for basic earnings per share.

The calculation of diluted earnings per share for the current year does not assume the exercise of the over-allotment option granted upon the Listing as the exercise price of this option was higher than the average market price per share during the exercisable period of this option. Besides, the grant of share options is not considered in the calculation of diluted earnings per share as there is no issuable new share under the related share option scheme as detailed in Note 40. No diluted earnings per share is presented for prior year as the Company did not have any dilutive potential shares in issue.

17. GOODWILL

The amounts of goodwill capitalised as an asset and recognised in the consolidated statement of financial position, arising from the acquisition of subsidiaries, are as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Cost and carrying amount:		
At beginning and end of the reporting period	**100,609**	100,609

For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to the processed meat cash generating unit which manufactures and sells processed meat products with brand name "Maverick".

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by the directors of the Company.

Assumptions were used in the value in use calculation of the cash-generating units at the end of each reporting period. The following describes each key assumption which management has adopted in its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past or in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Raw materials price inflation

The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for the PRC or countries from where the raw materials are sourced.

Applicable tax rate

The current PRC corporate income tax rate of 25% was used during the budget year.

Discount rates

The discount rates used reflect specific risks relating to the relevant units. The discount rate applied to each cash flow projection and the growth rate used to extrapolate the cash flows beyond the five-year period are as follows:

	At December 31,	
	2016	2015
Maverick		
Discount rate	**14%**	14%
Growth rate beyond five-year period	**0%**	0%

The values assigned to the key assumptions on discount rates and raw materials price inflation are consistent with external information sources. Management determined budgeted gross margin based on past performance and its expectations for market development.

In the opinion of the directors of the Company, any reasonably possible change in the key assumptions, including budgeted gross margin and discount rate, on which the recoverable amount is based would not cause the cash generating unit's carrying amount to exceed its recoverable amount.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At January 1, 2015	1,948,602	16,683	1,203,673	80,134	36,102	640,535	3,925,729
Additions	44,442	2,888	13,676	13,433	7,808	733,294	815,541
Reclassification	300,841	–	209,982	40,032	–	(550,855)	–
Reclassified as held for sale *(Note 12)*	(587,351)	(6,516)	(323,635)	(41,560)	(9,892)	(11,919)	(980,873)
Disposals	(1,241)	–	(5,341)	(1,586)	(894)	–	(9,062)
At December 31, 2015	1,705,293	13,055	1,098,355	90,453	33,124	811,055	3,751,335
Additions	20,771	5,117	18,570	11,497	22,956	816,841	895,752
Reclassification	515,145	–	196,224	–	–	(711,369)	–
Disposals	(2,452)	(59)	(475)	(802)	(1,612)	(22,614)	(28,014)
At December 31, 2016	**2,238,757**	**18,113**	**1,312,674**	**101,148**	**54,468**	**893,913**	**4,619,073**
Accumulated depreciation:							
At January 1, 2015	(223,873)	(10,977)	(252,789)	(31,629)	(15,156)	–	(534,424)
Charge for the year	(70,523)	–	(77,434)	(15,733)	(5,790)	–	(169,480)
Reclassified as held for sale *(Note 12)*	80,189	2,301	258,591	21,693	2,616	–	365,390
Eliminated on disposals	316	–	3,633	793	494	–	5,236
At December 31, 2015	(213,891)	(8,676)	(67,999)	(24,876)	(17,836)	–	(333,278)
Charge for the year	(76,296)	(2,453)	(61,437)	(10,400)	(7,307)	–	(157,893)
Eliminated on disposals	147	33	147	920	1,475	–	2,722
At December 31, 2016	**(290,040)**	**(11,096)**	**(129,289)**	**(34,356)**	**(23,668)**	**–**	**(488,449)**
Net carrying values:							
At December 31, 2016	**1,948,717**	**7,017**	**1,183,385**	**66,792**	**30,800**	**893,913**	**4,130,624**
At December 31, 2015	1,491,402	4,379	1,030,356	65,577	15,288	811,055	3,418,057

The above items of property, plant and equipment, less their estimated residual value, if any, and except for construction in progress which is stated at cost less accumulated impairment, are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.25% to 4.5%
Leasehold improvements	Over the shorter of the term of the lease, and 10% to 25%
Equipment	4.5% to 30%
Furniture and fixtures	18% to 45%
Motor vehicles	9% to 18%

Buildings ownership certificates in respect of certain leasehold properties of the Group in the PRC with an aggregate net carrying amount of approximately RMB33,618,000 as at December 31, 2016 (2015: RMB34,963,000) had not been issued by the relevant PRC authorities.

19. INVESTMENT PROPERTIES

	RMB'000
Cost:	
At January 1, 2015	130,535
Additions	550
Reclassified as held for sale *(Note 12)*	(131,085)
At December 31, 2015 and 2016	–
Accumulated depreciation:	
At January 1, 2015	(15,176)
Provided for the year	(5,129)
Reclassified as held for sale *(Note 12)*	20,305
At December 31, 2015 and 2016	–
Net carrying values:	
At December 31, 2016	–
At December 31, 2015	–

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties.

The Group's investment properties located in the PRC and were depreciated on a straight-line basis at a rate of 4.5% to 6% per annum.

The fair value of the Group's investment properties at December 31, 2015 was RMB123,100,000. The fair value has been arrived at on the basis of a valuation carried out on December 31, 2015 by Savills Valuation and Professional Services Limited ("Savills"), a firm of independent qualified professional valuers.

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The valuations were arrived at by valuing the properties on the basis of capitalisation of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been no change in the valuation technique during the prior year.

The fair values of the Group's investment properties are grouped into Level 3 of fair value measurement.

20. PREPAID LEASE PAYMENTS

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current assets (included in prepayments, deposits and other receivables)	**6,789**	6,212
Non-current assets	**119,465**	108,224
	126,254	114,436

All prepaid lease payments are related to land use rights in the PRC, with remaining lease terms ranging from 2 years to 63 years.

As at December 31, 2016, the Group is in the process of obtaining title deeds from relevant government authorities for its prepaid lease payments amounting to RMB5,977,000 (2015: RMB4,811,000).

21. INTANGIBLE ASSETS

The Group's intangible assets comprise purchased computer software.

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Cost:		
At beginning of the reporting period	**5,607**	7,220
Additions	**838**	854
Disposals	**–**	(96)
Reclassified as held for sale *(Note 12)*	**–**	(2,371)
At end of the reporting period	**6,445**	5,607
Accumulated amortisation:		
At beginning of the reporting period	**3,229**	3,381
Amortisation provided during year	**854**	1,405
Eliminated on disposals during the year	**–**	(96)
Reclassified as held for sale *(Note 12)*	**–**	(1,461)
At end of the reporting period	**4,083**	3,229
Net carrying values:		
At end of the reporting period	**2,362**	2,378

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

22. INTEREST IN JOINT VENTURES

Details of the Group's interest in joint ventures are as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Cost of investment in joint ventures, unlisted	**36,302**	–
Share of post-acquisition loss	**(231)**	–
	36,071	–

Details of the Group's joint ventures as at December 31, 2016 are as follow:

Name of joint ventures	Place of establishment/ principal place of operations	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
CM/Merit Agriculture Development Co., Ltd	PRC	40%	40%	Dormant (planned to be involved in hog production)
Jiangsu Merit/CM Agricultural Development Co., Ltd	PRC	40%	40%	Dormant (planned to be involved in hog production)
Jiangsu Merit/COFCO-joycome Agriculture Development Co., Ltd	PRC	40%	40%	Dormant (planned to be involved in hog production)

None of the joint ventures above are material to the Group. Summarised aggregate financial information in respect of the above joint ventures is set out below. The summarised aggregate financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs. The joint ventures are accounted for using the equity method in the consolidated financial statements.

	At December 31, 2016 RMB'000
Non-current assets	**16,921**
Current assets	**76,034**
Current liabilities	**(2,777)**
Net assets	**90,178**
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	**69,043**
Other current financial liabilities (excluding tax payables)	**2,767**

22. INTEREST IN JOINT VENTURES (Continued)

	Year ended December 31, 2016 RMB'000
Loss and total comprehensive expense for the year	(577)
Dividend received from the joint ventures	–
The above loss for the year including the following:	
Depreciation and amortisation	(1,249)
Interest income	373

Reconciliation of the above summarised financial information to the carrying amount of the investment in the joint ventures recognised in the consolidated financial statements:

	At December 31, 2016 RMB'000
Net assets	90,178
Proportion of the Group's ownership interest	40%
Carrying amount of the Group's interest	36,071
Share of loss of joint ventures	(231)

23. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,	
	2016 RMB'000	2015 RMB'000
Classified under non-current assets		
Unlisted equity investment, at cost	**23,516**	23,516

The above unlisted equity investment represents investment an unlisted equity security issued by a private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the directors of the Company are of the opinion that insufficient information is available to measure its fair value. The Group does not intend to dispose of it in the near future.

24. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

The biological assets of the Group are live hogs at various stages of development, including piglets, nursery hogs, medium and large finishing hogs, replacement studs and gilts, and chicken, which are classified as current assets. Biological assets also include breeding stock, which are used to produce future live hogs and classified as non-current assets of the Group. The quantity of live hogs and breeding stock owned by the Group at the end of each reporting period are as follows:

	At December 31,	
	2016	2015
	'000	'000
Live hogs:		
– piglets	**156**	116
– nursery hogs	**315**	252
– medium and large finishing hogs	**540**	394
– replacement studs and gilts	**47**	47
	1,058	809
Breeding stock	**113**	80
	1,171	889
Live chickens	**–**	2,192

In general, once a sow is inseminated it will gestate typically around 114 days. New born hogs are classified as "piglets". The piglets will stay with their mother for 3 to 4 weeks at which time they will be weaned. Once the suckling hogs are weaned, they are transferred to the "nursery hogs".

The nursery facilities are designed to meet the needs of newly weaned hogs. They are fed a series of specially formulated diets to meet their changing nutritional needs. The hogs will stay in the nursery for approximately 6 to 7 weeks and then be transferred to the "medium and large finishing hogs" farm.

Medium and large finishing hogs typically stay in this phase for 15 to 16 weeks. During that time, they will be considered as a live hog with market value. Once the hog reaches the ideal weight, they are loaded onto specially designed trucks for transport to the processing facility.

Replacement studs and gilts just complete "nursery" stage and ready to transfer to the "medium and large finishing hogs" farm and maybe selected to be future breeding stock.

Live chickens mainly represented broilers.

The Group is exposed to a number of risks related to its biological assets. The Group is exposed to the following operating risks:

Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding of hogs and chickens. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

24. BIOLOGICAL ASSETS (Continued)

Nature of the Group's agricultural activities (Continued)

Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating these risks, including regular inspections, disease controls, surveys and insurance.

Carrying value of the Group's biological assets

	Live hogs RMB'000	Live chickens RMB'000	Total RMB'000
At January 1, 2015	739,859	21,272	761,131
Additions: Breeding costs	1,651,249	394,396	2,045,645
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	706,030	(35,165)	670,865
Transfer to cost at the point of harvest	(1,725,519)	(362,016)	(2,087,535)
Decrease due to culling	(179,053)	–	(179,053)
Reclassified as held for sale *(Note 12)*	–	(18,487)	(18,487)
At December 31, 2015	1,192,566	–	1,192,566
Additions: Breeding costs	2,303,636	–	2,303,636
Gain arising from changes in fair value less costs to sell of biological assets	1,394,461	–	1,394,461
Transfer to cost at the point of harvest	(3,150,266)	–	(3,150,266)
Decrease due to culling	(272,239)	–	(272,239)
At December 31, 2016	**1,468,158**	**–**	**1,468,158**

Analysed for reporting purpose

	At December 31,	
	2016 RMB'000	2015 RMB'000
Live hogs	**1,468,158**	1,192,566
Less: current portion	**(1,108,437)**	(936,296)
Non-current portion	**359,721**	256,270

Fair value measurement

The Group's biological assets were valued by Savills, independent qualified professional valuers not connected with the Group. The fair value less costs to sell of biological assets are determined with reference to the market-determined prices of items with similar age, breed and genetic merit.

Changes in fair value less costs to sell of biological assets include changes in the fair value of the hogs at the end of each reporting period.

24. BIOLOGICAL ASSETS (Continued)

Key assumptions and inputs

The major significant unobservable inputs to the valuation of the biological assets include estimated market price, rearing costs, survival rate and risk in price uncertainty upon completion.

Set forth below are the valuation techniques, key assumptions and inputs adopted in the valuation process to determine the fair values of the Group's biological assets as at December 31, 2016.

	2016 **RMB**	2015 RMB
Live hogs		
Piglets *(Note (a))*		
Per head replacement cost	**192 to 384**	209 to 332
Nursery hogs *(Note (b))*		
Per head market price	**477 to 823**	730 to 1,110
Medium and large finishing hogs *(Note (c))*		
Per head market price	**963 to 1,925**	965 to 1,741
Replacement studs and gilts *(Note (d))*		
Per head cost	**1,168 to 14,810**	1,227 to 24,983
Breeding stock *(Note (e))*		
Per head replacement cost	**1,303 to 18,000**	1,444 to 24,164
Live chickens		
Broilers *(Note (f))*		
Per head weighted average price	**N/A**	8

Notes:

(a) As there was no active market for piglets, replacement cost approach have been adopted to reflect the depreciation of value due to use of breeding stock and other associated costs.

(b) As there were active markets for the nursery hogs in certain locations, the market prices of nursery hogs have been adopted. For the location that did not have an active market, similar approach as those for medium finishing hogs discussed below has been adopted as there is no alternative actively traded market accessible for nursery hogs within the region.

(c) Market prices have been adopted for large finishing hogs as there were active markets for the large finishing hogs as at respective valuation dates.

As there was no active market for the medium finishing hogs, the market price of medium finishing hogs has been estimated based on the market prices of large finishing hogs, less cost of completion, and adjusted with survival rate and risk in price uncertainty upon completion.

The unit cost to complete is estimated based on the unit cost of medium finishing hogs to the unit cost of large finishing hogs as at the respective valuation dates, under the assumption that the future cost in completing the remaining rearing cycle can be approximated by the historical cost. It is further adjusted by the number of pigs expected to be dead during this stage as no additional cost is necessary to feed those dead pigs.

The survival rate is estimated based on the historical statistic for respective location and category of pigs as at the respective valuation dates.

(d) As replacement studs and gilts are yet to generate income to the Group due to their immature physical condition and in the absence of a market price from an actively traded market for the replacement studs and gilts, cost approach has been adopted. The fair value of the replacement studs and gilts is determined based on the original cost plus the rearing costs (e.g. cost of vaccine, feeding, labour) subsequent to purchase or transfer.

24. BIOLOGICAL ASSETS (Continued)

Key assumptions and inputs (Continued)

Notes: (Continued)

(e) *Since there was no active market for breeding stock at specific age, the replacement cost approach has been adopted. Market prices for different species of boar and gilt 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.*

(f) *Market prices for the broiler and chick are obtained from actively traded market. Given the relatively short finishing cycle, the weighted average price of mature broiler and chick serve as a good proxy of the average price of the whole broiler population.*

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

The fair values of the Group's biological assets at December 31, 2016 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the current and prior years.

25. DEFERRED TAX ASSETS

The Group's deferred tax assets recognised are related to write-down of inventories and their movements during the year are as follows:

	2016 **RMB'000**	2015 RMB'000
At January 1,	–	398
Deferred tax credited during the year relating to discontinued operations	–	248
Reclassified as held for sale *(Note 12)*	–	(646)
At December 31,	–	–

As at December 31, 2016, the Group has unrecognised tax losses of RMB512,449,000 (2015: RMB633,499,000), and deductible temporary differences in relation to impairment of accounts receivable, other receivables and prepayments and write-down of inventories not recognised of RMB931,000 (2015: RMB14,434,000) available for offset against future taxable income. As at December 31, 2016 and 2015, no deferred tax asset have been recognised in respect of the tax losses and deductible temporary differences, as they have arisen in subsidiaries that it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The unrecognised tax losses will expire in the following years:

	At December 31,	
	2016 **RMB'000**	2015 RMB'000
To be expired on:		
December 31, 2016	–	140,293
December 31, 2017	**116,227**	116,227
December 31, 2018	**112,257**	112,257
December 31, 2019	**171,093**	174,804
December 31, 2020	**50,269**	89,918
December 31, 2021	**62,603**	–
Total unused tax losses not recognised as deferred tax assets	**512,449**	633,499

26. INVENTORIES

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Raw materials and consumables	**117,961**	102,325
Work in progress	**8,829**	6,354
Finished goods	**281,687**	409,973
	408,477	518,652

27. ACCOUNTS RECEIVABLE

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Accounts receivable	**159,875**	166,373
Impairment loss	**(404)**	(935)
	159,471	165,438

The Group's trading terms with its customers are mainly not on credit where payment in advance is normally required, except for renowned and/or reputable customers. The credit period is normally for 4 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk by industry or geographical location. Accounts receivable are non-interest-bearing.

The Group does not hold any collateral or other credit enhancements over its accounts receivable. The Group's accounts receivable from related parties are repayable on similar credit terms to those offered to the major customers of the Group.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the delivery date and net of impairment loss, is as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Within 3 months	**149,606**	151,551
3 to 6 months	**5,160**	2,854
6 months to 1 year	**1,846**	10,322
Over 1 year	**2,859**	711
	159,471	165,438

Under the terms of a banking facility granted to a subsidiary of the Group, of which bank borrowing amounted to RMB304,355,000 as at December 31, 2015, accounts receivable of that subsidiary is pledged to the bank (Note 34). As at December 31, 2015, the related accounts receivable amounting to approximately RMB7,519,000. The above bank borrowing was fully repaid during the year.

The Group has policies for allowance of bad and doubtful debts which are based on the valuation of collectability and age analysis of accounts and on the management's judgment including the credit creditworthiness and the past collection history of each customer.

27. ACCOUNTS RECEIVABLE (Continued)

Movements in the impairment loss on accounts receivable are as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
At beginning of the reporting period	**935**	1,484
Impairment loss (reversed)/recognised, net *(Note 8)*	**(531)**	293
Impairment loss reversed relating to discontinued operations, net	**–**	(80)
Reclassified as held for sale *(Note 12)*	**–**	(762)
At end of the reporting period	**404**	935

The aged analysis of the accounts receivable that are past due but not impaired is as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Within 3 months past due	**7,097**	1,123
More than 3 months but less than 1 year past due	**1,512**	7,699
Over 1 year past due	**2,612**	401
	11,221	9,223

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

An analysis of the prepayments, deposits and other receivables are as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Value added tax recoverable	**130,663**	119,213
Prepayments	**29,333**	27,631
Current portion of prepaid lease payments *(Note 20)*	**6,789**	6,212
Other receivables	**6,606**	19,427
Deposits	**4,369**	6,445
	177,760	178,928
Impairment loss on other receivables	**(418)**	(488)
	177,342	178,440

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in the impairment loss on other receivables are as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
At beginning of the reporting period	**488**	551
Impairment loss reversed *(Note 8)*	**(70)**	(13)
Reclassified as held for sale *(Note 12)*	**–**	(50)
At end of the reporting period	**418**	488

29. BALANCES WITH FELLOW SUBSIDIARIES, THE IMMEDIATE HOLDING COMPANY, THE ULTIMATE HOLDING COMPANY AND RELATED COMPANIES

Balances with fellow subsidiaries

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Amounts due from fellow subsidiaries:		
Trade nature*	**–**	298
Prepayments in connection with the purchase of goods	**–**	293
Non-trade nature**	**–**	1,329
	–	1,920

* *The receivables in trade nature were unsecured, interest-free and repayable according to the relevant sales contracts, and of which RMB259,000 were aged within 3 months and RMB39,000 were aged over 1 year as at December 31, 2015 based on the delivery date.*

** *These balances were unsecured, interest-free and fully repaid during the year.*

The amounts due to fellow subsidiaries of RMB52,425,000 as at December 31, 2015 were payables in trade nature, and were unsecured, interest-free and fully repaid during the year, and aged less than 3 months as at December 31, 2015.

Balances with holding companies

The amounts due from the ultimate holding company of RMB1,789,000 as at December 31, 2015 were prepayments of trade nature, which were unsecured, interest-free and fully settled during the year.

The amounts due to the immediate holding company of RMB19,164,000 as at December 31, 2015 were unsecured, interest-free and were fully repaid during the year.

Amounts due from related companies

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Trade nature*	**11,778**	573
Prepayments in connection with the purchase of goods	**2,877**	–
Non-trade nature**	**3,517**	–
	18,172	573

Related companies include entities controlled by major shareholders and its affiliates.

29. BALANCES WITH FELLOW SUBSIDIARIES, THE IMMEDIATE HOLDING COMPANY, THE ULTIMATE HOLDING COMPANY AND RELATED COMPANIES (Continued)

Amounts due from related companies (Continued)

* *The receivables in trade nature are unsecured, interest-free and repayable according to the relevant sales contracts. An aged analysis of these receivables as at the end of the reporting period, based on the delivery date and net of impairment loss, is as follows:*

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Within 3 months	**8,226**	573
Over 3 months but less than 1 year	**3,451**	–
Over 1 year	**101**	–
	11,778	573

** *These balances are unsecured, interest-free and repayable on demand.*

Amounts due to related companies

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Trade nature*	**56,809**	–
Deposits received in connection with the sale of goods	**26**	–
Non-trade nature**	**8,138**	–
	64,973	–

* *The payables in trade nature are unsecured, interest-free and repayable according to the relevant purchase contracts. An aged analysis of these payables as at the end of the reporting period, based on the invoice date, is as follows:*

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Within 3 months	**56,466**	–
Over 3 months but less than 1 year	**317**	–
Over 1 year	**26**	–
	56,809	–

** *These balances are unsecured, interest-free and repayable on demand.*

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Bank wealth management products, at fair value	**–**	499,555

Bank wealth management products were issued by reputable banks in the PRC and designated as financial assets at FVTPL. The unrealised gains and losses in fair value changes are charged to profit or loss. There are no fixed or determinable returns of these bank wealth management products and their maturity dates are ranging from 2 months to 3 months when acquired.

31. CASH AND CASH EQUIVALENTS

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Cash and bank balances	**286,417**	59,918
Time deposits	**1,351,839**	53,537
Deposits with a non-bank financial institution*	**–**	102,158
	1,638,256	215,613
Less:		
Pledged and restricted bank deposits *(Note 43)*:		
– for banking facilities granted to the Group	**–**	18,184
– for bills payable	**49,793**	21,194
– for letters of credit	**300**	500
	50,093	39,878
	1,588,163	175,735

* *The amount represents deposits placed with COFCO Finance.*

Cash at banks earns interest at rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit market rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

32. ACCOUNTS AND BILLS PAYABLES

An analysis of accounts and bills payables is as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Accounts payable	**239,785**	219,396
Bills payable	**154,288**	24,988
	394,073	244,384

The accounts payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bill payables are interest-bearing and are normally with credit periods ranging from 90 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**236,573**	211,370
1 to 2 years	**2,111**	5,434
Above 2 years	**1,101**	2,592
	239,785	219,396

33. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

An analysis of other payables, accruals and deposits received is as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Bills payable for construction work	**126,474**	191,792
Construction costs payable	**156,467**	248,527
Receipt in advance from customers	**110,738**	78,571
Deposits received	**45,242**	32,345
Salaries and wages payable	**86,602**	53,291
Accruals	**56,773**	34,960
Other payables	**20,292**	21,977
	602,588	661,463

34. BANK AND OTHER BORROWINGS

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Bank loans:		
Unsecured	**2,585,839**	1,838,703
Secured	**–**	85,085
	2,585,839	1,923,788
Other loans from a non-bank financial institution* – unsecured	**–**	500,000
	2,585,839	2,423,788
Carrying amount of the above borrowings repayable**:		
Within one year	**1,737,080**	2,053,377
In the second year	**194,433**	99,339
In the third to fifth year, inclusive	**593,056**	253,822
Beyond five years	**61,270**	17,250
	2,585,839	2,423,788
Less: Amounts due within one year shown under current liabilities	**(1,737,080)**	(2,053,377)
Amounts shown under non-current liabilities	**848,759**	370,411

* *The non-bank financial institution is COFCO Finance.*

** *The amounts due are based on scheduled repayment dates set out in the respective loan agreements.*

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Fixed-rate borrowings	**300,000**	1,091,458
Variable-rate borrowings	**2,285,839**	1,332,330
	2,585,839	2,423,788

34. BANK AND OTHER BORROWINGS (Continued)

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank and other borrowings are as follows:

	2016	2015
Effective interest rate per annum:		
Bank loans	**1.33% to 5.15%**	1.69% to 6.00%
Other loans	–	3.92% to 4.37%

Details of securities for the secured bank loans are set out in Note 43.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	At December 31,	
	2016 RMB'000	2015 RMB'000
Classified under current assets:		
Foreign currency forward contracts	**3,418**	–

The Group entered into foreign currency forward contracts with certain banks to manage its exposure to the foreign currency risk arising from certain of its accounts payable denominated in United States Dollar ("USD").

Major terms of the foreign currency forward contracts are as follows:

As at December 31, 2016

Nominal amount	Exchange rates	Maturity Date
Buy USD73,732,241	USD1: RMB6.7316 to RMB7.0089	January 26, 2017 to March 30, 2017

36. LOANS FROM THE IMMEDIATE HOLDING COMPANY, THE ULTIMATE HOLDING COMPANY AND A RELATED COMPANY

The loans from the immediate holding company of RMB904,970,000 as at December 31, 2015 were unsecured, bore interest at London Interbank Offered Rate ("LIBOR") plus 2% per annum and fully repaid during the year.

The loans from the ultimate holding company of RMB2,500,000 as at December 31, 2015 represented loans from COFCO Corporation, which became a related company upon the Listing. These loans are classified under current liabilities and are unsecured, interest-free and repayable within one year.

The loans from a related company classified under non-current liabilities as at December 31, 2016 are unsecured, bear interest at 1.2% per annum and repayable in November 2035 and June 2036. See Note 37 for further details.

37. DEFERRED INCOME

Deferred income represents PRC government subsidies obtained in relation to acquisition of lands and property, plant and equipment and certain logistic and technology improvement projects, which is included in the consolidated statement of financial position as deferred income and is credited to profit or loss on a systematic basis over the useful lives of the related assets.

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
At beginning of the reporting period	**60,769**	38,495
Subsidies obtained during the year*	**5,310**	39,492
Government low-interest loan**	**71,193**	–
Credited to profit or loss during the year:		
– attributable to continuing operations	**(3,515)**	(2,733)
– attributable to discontinued operations	**–**	(752)
Reclassified as held for sale *(Note 12)*	**–**	(13,733)
At end of the reporting period	**133,757**	60,769

* *The subsidies obtained during the year ended December 31, 2015 amounted to RMB34,092,000 (2016: nil) were related to land lease payments paid by the PRC government on behalf of the Group.*

** *During the year ended December 31, 2016, the PRC government provided, through a state-owned policy bank, low-interest loans with an aggregate amount of RMB154,000,000 (the "Government Loans") to COFCO Corporation, the former ultimate holding company of the Company which became a related company upon the Listing, for the benefit of a logistic project of the Group in Jiangsu Province, the PRC, and a technology improvement project of the Group's facilities in Wuhan, the PRC, respectively. COFCO Corporation has advanced the Government Loans to the Group and recorded as loans from a related company under non-current liabilities (the "Loans") (Note 36).*

The Loans are unsecured, bear interest at 1.2% per annum and repayable in November 2035 and June 2036. The Group recorded the Loans by its present value of RMB82,807,000 at a discount rate of 4.9% which is determined by reference to the borrowing rate for loans over 5 years quoted by The Bank of China. The difference of RMB71,193,000 between the principal amount of the Loans of RMB154,000,000 and the present value of the Loans of RMB82,807,000 as mentioned above was recognised as deferred income.

38. SHARE CAPITAL

	Number of shares	Amount USD	Equivalent to RMB'000
Authorised:			
At January 1, 2015 and December 31, 2015	50,000,000	N/A	N/A
At December 31, 2016 *	**50,000,000,000**	**50,000**	**323**

* *Pursuant to a shareholders' resolution of the Company on April 25, 2016, the authorised share capital of the Company was changed from 50,000,000 shares of no par value to 50,000,000,000 shares of US$0.000001 par value each with effect from April 25, 2016.*

38. SHARE CAPITAL (Continued)

A summary of the transactions during the year in the Company's ordinary share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium RMB'000	Total RMB'000
At January 1, 2015	3,763,153,680	2,323,266	–	2,323,266
Issue of new shares *(Note (i))*	186,271,860	186,272	–	186,272
Issue of new shares *(Note (ii))*	58,822,693	58,822	–	58,822
At December 31, 2015	4,008,248,233	2,568,360	–	2,568,360
Repurchase of shares *(Note (iii))*	(1,081,849,910)	(899,389)	–	(899,389)
Issue of new shares *(Note (iv))*	975,600,000	7	1,704,230	1,704,237
Share issue expenses *(Note (iv))*	–	–	(58,270)	(58,270)
At December 31, 2016	**3,901,998,323**	**1,668,978**	**1,645,960**	**3,314,938**

Notes:

(i) On February 11, 2015, 186,271,860 ordinary shares were issued to the existing shareholders of the Company to acquire the 23.42% equity interest of a then non-wholly subsidiary, COFCO Meat (Jiangsu) Co., Ltd., which have a fair value of RMB186,271,860. This has resulted in a decrease in the carrying amount of non-controlling interest of RMB111,175,000.

(ii) On February 11, 2015, 58,822,693 ordinary shares were allocated and issued to two existing shareholders of the Company for an aggregate cash consideration of approximately RMB58,822,000 for working capital purpose.

(iii) On April 29, 2016, the Company repurchased 1,081,849,910 of its own shares from the shareholders at an aggregate consideration of US$138,600,000 (equivalent to RMB899,389,000). The above shares were cancelled upon repurchase.

(iv) On November 1, 2016, the Company issued 975,600,000 ordinary shares at offer price of HK$2 per share upon the Listing, resulting in credit to ordinary share capital of the Company of RMB7,000 and share premium of RMB1,704,230,000. The related share issue expenses amounting to RMB90,902,000, of which RMB58,270,000 were capitalised and debited to share premium account. The new shares rank pari passu with the existing shares. The net proceeds will be used to construct new hog farms and feed mills, repayments of borrowings, expand the Group's sales network and promote the Group's brands, and to provide additional working capital for the Group.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At December 31, 2016 RMB'000	2015 RMB'000
Non-current assets		
Investment in subsidiaries	**2,197,049**	2,053,171
Amount due from a subsidiary	**563,369**	–
	2,760,418	2,053,171
Current assets		
Due from subsidiaries	**131,640**	734,454
Cash and cash equivalents	**1,304,976**	2,356
	1,436,616	736,810
Current liabilities		
Bank borrowings	**565,366**	–
Other payables and accruals	**7,863**	1,206
	573,229	1,206
Net current assets	**863,387**	735,604
Net assets	**3,623,805**	2,788,775
Capital and reserves		
Share capital *(Note 38)*	**1,668,978**	2,568,360
Reserves *(Note)*	**1,954,827**	220,415
	3,623,805	2,788,775

Note: Reserves of the Company

	Share premium RMB'000 *(Note 38)*	Special reserve RMB'000 *(Note)*	Capital reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
As at January 1, 2015	–	220,351	–	(4,303)	216,048
Profit and total comprehensive income for the year	–	–	–	3,894	3,894
Recognition of equity-settled share based payment granted by shareholders	–	–	473	–	473
As at December 31, 2015	–	220,351	473	(409)	220,415
Profit and total comprehensive income for the year	–	–	–	88,044	88,044
Recognition of equity-settled share based payment granted by shareholder	–	–	408	–	408
Issue of new shares	1,704,230	–	–	–	1,704,230
Share issue expenses	(58,270)	–	–	–	(58,270)
As at December 31, 2016	**1,645,960**	**220,351**	**881**	**87,635**	**1,954,827**

Note: As further detailed in Note (a)(ii) to the consolidated statement of changes in equity, on April 22, 2014, the Company allocated and issued one ordinary share of US$1 to acquire 100% equity interests in COFCO Meat Products (HK) from the then immediate holding company of the Company. The special reserve of the Company represented the difference between the nominal value of the share capital issued by the Company and the carrying value of the net assets of COFCO Meat Products (HK).

40. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on March 27, 2015 for the primary purpose of providing incentives to directors and eligible employees, and will expire on March 27, 2025. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to purchase shares of the Company held by certain shareholders of the Company, subject to the terms and conditions, including, among others, entering into an employment agreement with the Company or its subsidiaries for a term of five years and with a two-year non-compete undertaking upon cessation of such employment. An employee benefit trust (or any other structure of similar nature) (the "Trustee") will be set up by the shareholders to administer the options granted. The total number of shares in respect of which options may be granted under the Scheme is 3% of the shares held by the shareholders in the Company.

Details of options are as follows:

Dates of grant: March 28, 2015 and December 9, 2016

Vesting period: Consecutively in four years and three years for options granted on March 28, 2015 and December 9, 2016, respectively, from the date of grant in equal shares, subject to adjustments based on the grantees' performance during the relevant period:

1. if the department in which the Scheme participant is employed achieves less than 80% of the performance target during the relevant period, no option will be vested;

2. if the department in which the Scheme participant is employed achieves between 80% and 120% of the performance target during the relevant period, the same percentage of option will be vested; and

3. if the department in which the Scheme participant is employed achieves above 120% of the performance target during the relevant period, 120% of the option will be vested.

Lock-up period:

No vested options may be exercised until the first 12 months from the listing date of the Company (the "Listing Date"), after which a participant of the Scheme may exercise the vested options in accordance with the following schedule:

Exercise date for options vested

Maximum percentage of the vested options exercisable:	
On the date of the first anniversary of the Listing Date	33.3% (one-third)
On the second anniversary of the Listing Date	66.7% (two-third)
On the third anniversary of the Listing Date	100%

Exercise of the options:

A participant of the Scheme shall exercise the vested options by sending a written notice to the Trustee, specifying the number of the option shares he intends to exercise. The Trustee shall arrange to sell the option shares concerned in an open market and pay the net proceeds, being the proceeds of sale less the exercise price and all relevant costs, expenses and taxes, to the relevant participant of the Scheme.

40. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the share options held by a director and employees during the years ended December 31, 2016 and 2015:

	2016			2015		
	Director	**Employees**	**Total**	Director	Employees	Total
At January 1,	**4,952,228**	**39,032,630**	**43,984,858**	–	–	–
Adjustments upon share repurchase *(Note)*	**(1,336,034)**	**(11,052,648)**	**(12,388,682)**	–	–	–
Granted during the year *(Note)*	**–**	**1,314,168**	**1,314,168**	4,950,000	40,950,000	45,900,000
Adjustments based on performance	**(725,021)**	**1,505,756**	**780,735**	2,228	(1,917,370)	(1,915,142)
At December 31,	**2,891,173**	**30,799,906**	**33,691,079**	4,952,228	39,032,630	43,984,858

Note: The exercise price for options granted in 2015 was RMB1 per share. Upon the share repurchase and cancellation in April 2016 as detailed in Note 38, the number of shares under the options granted and the exercise price were adjusted to 33,511,318 shares and RMB1.37 per share respectively on May 3, 2016 as a modification on share option scheme.

Details of options granted in different grant dates are as follows:

	Options granted on March 28, 2015		Options granted on December 9, 2016
	At grant date	At May 3, 2016 (adjusted after modification of terms)	
Fair value	RMB50.89 cents	RMB70.33 cents	RMB76.25 cents
Number of options	45,900,000	33,511,318	1,314,168
Exercise price			
HK$ equivalent of:	RMB1 per share	RMB1.37 per share	RMB1.37 per share

The fair value of the share options were valued by Savills, independent qualified professional valuers not connected with the Group.

The fair value of the share options is determined using binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

The variables and assumptions used in computing the fair value of the share options are based on the best estimate by the directors of the Company. The value of an option varies with different variables of certain subjective assumptions.

40. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Inputs into the model were as follows:

	Options granted on March 28, 2015		Options granted on December 9, 2016
	At grant date	At May 3, 2016 (modification of terms)	
Share price	RMB1.00	RMB1.38	RMB1.47
Exercise price	RMB1.00	RMB1.37	RMB1.37
Expected volatility	49.94%	55.86%	54.73%
Option life	10 years	8.9 years	10 years
Dividend yield	1.21%	1.29%	1.30%
Risk-free interest rate*	4.08%	2.89%	3.10%

* *Being the yield of PRC government bond with similar maturity*

The Group recognised share option expense of RMB5,962,000 for the year ended December 31, 2016 (2015: RMB3,635,000) in relation to share options granted by shareholders.

At December 31, 2016 and 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 33,691,079 and 43,984,858, representing approximately 0.86% and 1.10% of the shares of the Company in issue at the respective dates. No share option was exercised during both 2016 and 2015.

41. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land use rights, office premises, retail shops and warehouses with fixed rentals, which fall due as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Within one year	**16,110**	7,424
In the second to fifth year inclusive	**38,524**	22,248
After five years	**196,900**	154,268
	251,534	183,940

Leases for land use rights were negotiated for terms ranging from 5 to 70 years, and leases for office premises, retail shops and warehouses were negotiated for terms ranging from 1 to 8 years.

41. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of chicken farms which fall due as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Within one year	**–**	15,610
In the second to fifth year inclusive	**–**	55,790
After five years	**–**	840
	–	72,240

Leases were negotiated for an average term of 6 to 8 years with fixed rentals. The leasing activities of the Group are conducted by the discontinued operations and after the disposal of the discontinued operations in April 2016, the Group no longer has operating lease commitments.

42. CAPITAL COMMITMENTS

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Contracted but not provided for:		
Capital commitments in respect of:		
Purchase of property, plant and equipment	**314,169**	206,757
Investments in joint ventures	**44,952**	82,310

43. PLEDGE OF ASSETS

The carrying amount of the current assets pledged to banks to secure loan facilities granted to the Group, bills payable and letters of credit is as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Bank deposits	**50,093**	39,878
Accounts receivable	**–**	7,519
	50,093	47,397

44. RETIREMENT BENEFIT SCHEME

The employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB39,446,000 for the year ended December 31, 2016 (2015: RMB36,135,000).

45. DISPOSAL OF SUBSIDIARIES

As referred in Note 12, on April 22, 2016, the Group discontinued its poultry production business at the time of disposal of its subsidiaries, COFCO Poultry Co., Ltd., COFCO Meat Farming (Shandong) Co., Ltd., COFCO Meat (Suqian) Co., Ltd. and COFCO Meat (Shandong) Co., Ltd., to a company beneficially owned by the shareholders of the Company at a consideration of RMB1. The carrying amounts of the assets and liabilities of the subsidiaries disposed of are summarised as follows:

	At April 22, 2016 RMB'000
Property, plant and equipment	601,569
Investment properties	109,070
Intangible assets	727
Prepaid lease payments	12,718
Biological assets	20,106
Inventories	124,516
Accounts receivable	65,614
Prepayments, deposits and other receivables	60,915
Amounts due from fellow subsidiaries	98,253
Cash and cash equivalents	17,193
Deferred tax assets	646
Accounts and bills payables	(98,782)
Other payables, accruals and deposits received	(107,294)
Amounts due to fellow subsidiaries	(274,898)
Bank and other borrowings	(118,750)
Loans from fellow subsidiary	(586,000)
Loans from the ultimate holding company	(3,000)
Deferred income	(12,980)
Net liabilities disposed of	90,377
Reclassification upon disposal of subsidiaries:	
Consideration receivable	–
Net liabilities disposed of	(90,377)
Deemed contribution upon disposal of subsidiaries credited to capital reserve	(90,377)
Net cash outflows on disposal of subsidiaries:	
Cash and cash equivalents disposed of	(17,193)

Upon disposal of the subsidiaries, the statutory reserve of RMB5,741,000 has been reclassified to retained profits.

46. NON-CASH TRANSACTIONS

(a) During the year ended December 31, 2015, interest on loans from the immediate holding company of RMB18,923,000 was settled through the current account balances with the immediate holding company.

(b) During the year ended December 31, 2015, amounts due to the immediate holding company of RMB802,568,000 was reclassified as loans to the immediate holding company.

(c) During the year ended December 31, 2015, the PRC government has settled land lease payments totalling RMB34,092,000 on behalf of the Group in the form of government subsidies. The related land lease payments payable was reclassified as deferred income (Note 37).

47. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the current and prior years.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, and loans from a related company disclosed in Notes 34 and 36, respectively, net of pledged and restricted bank deposits, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in consolidated statement of changes in equity.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

48. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments at the end of each reporting period are as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Financial assets		
Continuing operations		
Loans and receivables (including cash and cash equivalents)	**1,826,456**	410,717
Available-for-sale investments	**23,516**	23,516
Financial assets at fair value through profit or loss	**–**	499,555
Derivative financial instruments	**3,418**	–
Discontinued operations		
Loans and receivables (including cash and cash equivalents)	**–**	58,381
Financial liabilities		
Continuing operations		
Amortised cost	**3,623,864**	4,230,123
Discontinued operations		
Amortised cost	**–**	404,310

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments, accounts receivable, other receivables and deposits, accounts and bills payable, other payables, bank and other borrowings, loans from and/or current account balances with holding companies, fellow subsidiaries and related companies, pledged and restricted bank deposits, and cash and cash equivalents. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

Currency risk

The Group collects most of its revenue in RMB and most of the expenditures including costs incurred in sales of goods as well as capital expenditure are also denominated in RMB. Above 90% of the Group's sales and 60% of costs of sales are denominated in the group entity's respective functional currency. Foreign exchange risk arises when commercial sales and purchases transactions or recognised assets or liabilities are denominated in a currency that is not the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to USD and Hong Kong dollars ("HKD"), which is pegged with USD.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	At December 31,	
	2016	2015
	RMB'000	RMB'000
Assets		
Denominated in HKD:		
Cash and cash equivalents	**18,067**	39
Loans to and amounts due from group companies	**732,688**	–
Denominated in USD:		
Cash and cash equivalents	**1,244,234**	7,811
	1,994,989	7,850
Liabilities		
Denominated in USD:		
Bank and other borrowings	**565,366**	66,702
Loans from the immediate holding company	**–**	904,970
	565,366	971,672

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure. During the year ended December 31, 2016, certain currency forward contracts had been entered into by the Group.

The following table demonstrates the sensitivity at the end of the reporting period to reasonably possible changes in RMB to USD/HKD exchange rates ("RMB – USD/HKD"), with all other variables held constant, of the Group's profit after tax due to changes in the carrying value of monetary assets and liabilities.

	Year ended December 31,	
	2016	2015
	Increase/(decrease) in profit after tax	Increase/(decrease) in profit after tax
	RMB'000	RMB'000
RMB – USD/HKD		
Appreciation of RMB by 5%	**(56,725)**	36,143
Depreciation of RMB by 5%	**56,725**	(36,143)

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit/loss after tax measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the financial year end date for presentation purpose.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances, interest-bearing bank and other borrowings with a floating interest rate, for example, LIBOR and People's Bank of China. The effective interest rates and terms of repayment of the interest-bearing bank and other borrowings of the Group are disclosed in Note 34.

No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of profit or loss for the year is insignificant. The sensitivity analyses below have been determined based on the exposure to interest rates for bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates during the year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2016 and 2015 would decrease/increase by RMB17,144,000 and RMB9,992,000, respectively. Results of the analysis above represent the effects on outstanding bank and other borrowings with a floating interest rate at the end at the end of each reporting period.

Credit risk

At the end of each of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

At the end of each of the reporting period, the Group's credit risk is primarily attributable to its accounts receivable, other receivables, amounts due from related companies, pledged and restricted bank deposits, and cash and cash equivalents. The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

In order to minimise the credit risk of accounts receivable management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group does not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

For amounts due from related companies, the directors of the Company are in the opinion that the failure of these entities to make required payments is unlikely after considering their past settlement records, and/or financial position of these entities. The credit risks of the Group's cash and cash equivalents and restricted and pledged bank deposits are limited as these balances are placed with reputable financial institutions.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

Liquidity risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2016						
Non-derivative financial liabilities						
Bank and other borrowings	**1.33% to 5.15%**	**1,793,361**	**864,033**	**73,181**	**2,730,575**	**2,585,839**
Accounts and bills payables	**–**	**394,073**	**–**	**–**	**394,073**	**394,073**
Other payables, accruals and deposits received	**–**	**491,850**	**–**	**–**	**491,850**	**491,850**
Amounts due to related companies	**–**	**64,973**	**–**	**–**	**64,973**	**64,973**
Loans from a related company classified under current liabilities	**–**	**2,500**	**–**	**–**	**2,500**	**2,500**
Loans from a related company classified under non-current liabilities	**4.9%**	**1,848**	**7,392**	**179,872**	**189,112**	**84,629**
		2,748,605	**871,425**	**253,053**	**3,873,083**	**3,623,864**
At December 31, 2015 *(note)*						
Non-derivative financial liabilities						
Bank and other borrowings	1.69% to 6.00%	2,104,711	388,477	19,838	2,513,026	2,423,788
Accounts and bills payables	–	244,384	–	–	244,384	244,384
Other payables and deposits received	–	582,892	–	–	582,892	582,892
Amounts due to fellow subsidiaries	–	52,425	–	–	52,425	52,425
Amounts due to the immediate holding company	–	19,164	–	–	19,164	19,164
Loans from the immediate holding company	LIBOR plus 2%	923,069	–	–	923,069	904,970
Loans from the ultimate holding company	–	2,500	–	–	2,500	2,500
		3,929,145	388,477	19,838	4,337,460	4,230,123

Note: Excluding balances directly associated with disposal group classified as held for sale.

The amounts included above of variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimate of interest rates determined at the end of the reporting period.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

Liquidity risk tables (Continued)

The following table details the Group's liquidity analysis for its gross-settled derivative financial instruments. The table has been drawn up based on the undiscounted contractual gross inflows and outflows on those derivatives.

	On demand or within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as (assets)/ liabilities RMB'000
At December 31, 2016			
Foreign currency forward contracts:			
Inflows	**(4,601)**	**(4,601)**	**(4,601)**
Outflows	**1,183**	**1,183**	**1,183**
	(3,418)	**(3,418)**	**(3,418)**

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments that are measured at fair value on a recurring basis

Except for financial assets at FVTPL and derivative financial instruments as set out below, there is no financial instrument measured at fair value on a recurring basis. The fair values of financial assets measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At December 31, 2016				
Financial assets				
Derivative financial instruments	**–**	**3,418**	**–**	**3,418**
At December 31, 2015				
Financial assets				
Financial assets at FVTPL	–	499,555	–	499,555

There were no transfers between Level 1 and 2 during the current and prior years.

The derivative financial instruments represent foreign currency forward contracts (Note 35). The fair value of these contracts is determined and calculated by discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.

The financial assets at FVTPL represent bank wealth management products (Note 30) and are classified under Level 2 in the fair value hierarchy. The fair value of the Group's financial assets at FVTPL is determined and calculated by reference to the expected return rate quoted by the relevant banks.

Fair value of financial instruments that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

51. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Transactions with fellow subsidiaries:		
Sales of goods*	**83,506**	7,102
Purchases of goods*	**487,327**	563,018
Property management fee expense*	**214**	780
Feeding materials processing fee expense*	**8,820**	4,408
Feeding materials processing fee income*	**421**	–
Interest income*	**1,081**	–
Interest expense*	**8,784**	24,202
Warehouse rental expense*	**504**	–
Administrative expense	**986**	–

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Transactions with related companies**:		
Sales of goods*	**98,589**	3,517
Purchases of goods*	**214,153**	–
Office rental expense*	**1,225**	–
Property management fee expense*	**163**	–
Feeding materials processing fee expense*	**1,912**	–
Warehouse rental expense*	**137**	–
Interest income*	**219**	–
Interest expense	**577**	–
Administrative expense	**799**	–
Transactions with the immediate holding company**:		
Interest expense	**23,896**	18,923
Transactions with the ultimate holding company**:		
Office rental expenses*	**6,127**	5,514
Property management fee expense*	**472**	–
Purchases of goods*	**1**	180,010
Interest expense	**1,245**	–
Administrative expense	**340**	1,671

* *These related party transactions also constituted continuing connected transactions according to the Listing Rules.*

** *These holding companies became related companies of the Group upon the Listing.*

The interest expense to fellow subsidiaries arose from loans from COFCO Finance as set out in Note 34. The interest expense to the immediate holding company, the ultimate holding company and a related company arose from the loans advanced therefrom. Details of the terms of these loans are set out in Note 36. The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

51. RELATED PARTY TRANSACTIONS (Continued)

In addition, as at December 31, 2015, certain deposits included in cash and cash equivalents are placed with COFCO Finance, which is a non-bank financial institution regulated by the People's Bank of China (the "PBOC") and the China Banking Regulatory Commission. In the PRC, deposit rates are set by the PBOC which is applicable to all financial institutions. The interest rates offered by COFCO Finance are the same as the rates promulgated by the PBOC. The deposits placed with COFCO Finance by the Group at December 31, 2015 amounted to RMB102,158,000. See Note 31.

Transactions with other government-related entities in the PRC

Before the Listing, the Group itself was part of a larger group of companies under COFCO Corporation which is controlled by the PRC government. Thus, the directors of the Company consider that the Group was ultimately controlled by the PRC government. In addition, the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with the ultimate holding company, the immediate holding company, related companies and fellow subsidiaries set out above and balances with them as disclosed in respective notes, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. Certain of the Group's bank deposits and bank borrowings are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosures would not be meaningful. In addition, the Group entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are PRC government-related entities or not. In the opinion of the management of the Group, the above transactions are collectively significant transactions of the Group with PRC government-related entities.

Compensation of key management personnel of the Group

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Salaries and other allowances	**7,740**	7,088
Retirement benefit scheme contributions	**283**	292
Equity-settled share option expense	**2,004**	947
	10,027	8,327

The key management personnel of the Group includes the directors and top executives of the Company. Further details of directors' emoluments are included in Note 13.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at December 31, 2016 and 2015 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment and principal country of operations	Issue and fully paid up capital	Proportion of ownership interest and voting rights held by the Company as at December 31,		Principal activities
			2016	2015	
			%	%	
Zhuo Mao Limited (卓貿公司)	British Virgin Islands ("BVI")/ Hong Kong	US$1	**100**	100	Investment holding
COFCO Meat Products (HK) Limited (中糧肉食(香港)有限公司)	Hong Kong/ Hong Kong	HK$3,080,270,014	**100**	100	Investment holding
中糧肉食投資有限公司 (COFCO Meat Investments Company Limited*) *(Note (i))*	PRC/PRC	US$467,973,200	**100**	100	Investment holding
中糧肉食(北京)有限公司 (COFCO Meat (Beijing) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$10,000,000	**100**	100	Import and sale of frozen meat products
中糧肉食(天津)有限公司 (COFCO Meat (Tianjin) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$15,000,000	**100**	100	Hog production
中糧肉食(江蘇)有限公司 (COFCO Meat (Jiangsu) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$65,291,199	**100**	100	Hog production, livestock slaughtering, manufacture and sale of fresh pork
武漢中糧肉食品有限公司 (COFCO Wuhan Meat Product Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$71,450,000	**100**	100	Hog production, livestock slaughtering, manufacture and sale of fresh pork and processed meat products
中糧萬威客食品有限公司 (COFCO Maverick Food Products Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$38,100,000	**100**	100	Manufacture and sale of processed meat products
中糧家佳康(吉林)有限公司 (COFCO Joycome (Jilin) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$63,420,290	**100**	100	Hog production
中糧家佳康(赤峰)有限公司 (COFCO Joycome (Chifeng) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$71,020,000	**100**	100	Hog production

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment and principal country of operations	Issue and fully paid up capital	Proportion of ownership interest and voting rights held by the Company as at December 31,		Principal activities
			2016 %	2015 %	
中糧家佳康(張北)有限公司 (COFCO Joycome (Zhangbei) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$20,000,000	**100**	100	Hog production
中糧家佳康(鹽城)有限公司 (COFCO Joycome (Yancheng) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$20,160,000	**100**	100	Hog production
中裕種豬(東台)有限公司 (Geneco Swine Genetics (Dongtai) Co., Ltd.*) *(Note (i))*	PRC/PRC	US$1,000,000	**51**	–	Pig breeding
中糧家佳康(遵化)有限公司 (COFCO Joycome (Zunhua) Co., Ltd.*) *(Note (ii))*	PRC/PRC	RMB314,350,000	**100**	–	Hog production
中糧肉食養殖(山東)有限公司 (COFCO Meat Farming (Shandong) Co., Ltd.*) *(Notes (ii) and (iii))*	PRC/PRC	US$10,880,000	**–**	100	Poultry husbandry
中糧肉食(宿遷)有限公司 (COFCO Meat (Suqian) Co., Ltd.*) *(Notes (ii) and (iii))*	PRC/PRC	US$64,620,000	**–**	100	Poultry husbandry, processing and sales of meat products
中糧肉食(山東)有限公司 (COFCO Meat (Shandong) Co., Ltd.*) *(Notes (ii) and (iii))*	PRC/PRC	US$10,000,000	**–**	100	Poultry husbandry, processing and sales of meat products

Notes:

(i) *This company is a wholly-foreign owned enterprise.*

(ii) *These companies are PRC limited liability companies.*

(iii) *These companies were disposed of in April 2016 (Note 12).*

(iv) *Except for Zhuo Mao Limited, all subsidiaries were indirectly held by the Company as at December 31, 2016.*

Financial Summary

A summary of the published results and the assets and liabilities of the Group for the last four financial years is set out below:

CONSOLIDATED RESULTS

	Year ended December 31,			
	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue	**6,616,068**	5,055,705	3,746,039	3,733,599
Profit/(loss) for the year from continuing operations	**947,935**	209,656	(349,362)	(79,617)
Discontinued operations				
Loss for the year from discontinued operations	**3,921**	(58,752)	(61,605)	(162,124)
Profit/(loss) for the year	**951,856**	150,904	(410,967)	(241,741)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	**947,842**	145,082	(386,520)	(221,407)
Non-controlling interests	**(56)**	–	(25,772)	33
	947,786	145,082	(412,292)	(221,374)

ASSETS AND LIABILITIES

	As at December 31,			
	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**8,306,677**	7,437,771	8,028,566	4,999,027
Total liabilities	**(3,868,418)**	(4,793,583)	(5,591,917)	(4,473,352)
Total equity	**4,438,259**	2,644,188	2,436,649	525,675
Equity attributable to:				
Owners of the Company	**4,434,947**	2,644,188	2,325,474	388,728
Non-controlling interests	**3,312**	–	111,175	136,947
	4,438,259	2,644,188	2,436,649	525,675

Glossary

"2016 Financial Services Agreement"	a financial services agreement entered into between our Company and COFCO Finance, an indirect wholly-owned subsidiary of COFCO, on October 12, 2016
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the Audit Committee of the Board
"Baring"	Baring Private Equity Asia V Holding (16) Limited, a limited liability company incorporated in the BVI on February 20, 2014, and a Shareholder holding approximately 6.75% of the issued Shares of our Company
"Board" or "Board of Directors"	our board of Directors
"Board Committee(s)"	four committees of the Board, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Food Safety Committee
"Boyu"	Shiny Joyful Limited, an exempted company with limited liability incorporated in the Cayman Islands on February 10, 2014, and a Shareholder holding approximately 5.85% of the issued Shares of our Company
"Boyu Capital"	Boyu Capital Advisory Company Limited
"China Agri"	China Agri-Industries Holdings Limited (中國糧油控股有限公司), a company incorporated in Hong Kong with limited liability on November 18, 2006, the shares of which are listed on the Main Board of the Stock Exchange with stock code 606, and an indirect subsidiary of COFCO
"China Foods (Holdings)"	China Foods (Holdings) Limited (中國食品(控股)有限公司) (formerly known as COFCO (BVI) No. 108 Limited), a company incorporated in the BVI with limited liability on August 30, 2000, and a wholly-owned subsidiary of COFCO (HK)
"COFCO"	COFCO Corporation (中糧集團有限公司), a wholly state-owned enterprise incorporated in the PRC in September 1952 currently under the purview of the SASAC and a major shareholder of our Company
"COFCO Finance"	COFCO Finance Corporation Limited (中糧財務有限責任公司), a non-bank financial institution incorporated with limited liability in the PRC on September 24, 2002, and an indirect wholly-owned subsidiary of COFCO
"COFCO Group"	COFCO and its subsidiaries other than our Group and including the Disposal Group (unless the context indicates otherwise)

Glossary

"COFCO (HK)"	COFCO (Hong Kong) Limited (中糧集團（香港）有限公司), a company incorporated in Hong Kong with limited liability on August 14, 1981, and a direct wholly-owned subsidiary of COFCO and a major shareholder of the Company
"COFCO Meat", "Company" or "our Company"	COFCO Meat Holdings Limited (中糧肉食控股有限公司) (formerly known as Charm Thrive Investments Limited (燦旺投資有限公司)), a company incorporated in the BVI with limited liability on March 11, 2014 and re-domiciled to the Cayman Islands as an exempted company with limited liability on May 4, 2016
"COFCO Meat Investments"	COFCO Meat Investments Co., Ltd. (中糧肉食投資有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2009 and an indirect wholly-owned subsidiary of our Company
"connected person"	has the meaning ascribed thereto in the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"deed of non-competition"	the deed of non-competition entered into by COFCO, COFCO (HK), China Foods (Holdings) and Mainfield in favor of the Company
"Director(s)"	director(s) of our Company
"Disposal Group"	the group consisting of 100% interest in COFCO Meat Farming (Shandong), COFCO Meat (Shandong) and COFCO Meat (Suqian) respectively prior to the Reorganization, which is engaged in the chicken farming, slaughtering and sales business and which was transferred to COFCO Poultry as part of the Reorganization
"Food Safety Committee"	the Food Safety Committee of the Board
"Former Share Incentive Scheme"	the pre-IPO share incentive scheme as disclosed under the section headed "Appendix IV – Statutory and General Information" of the Prospectus
"Genesus"	Genesus Inc., a limited liability company incorporated under the laws of Manitoba, Canada on April 1, 2013
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time

"Huafu"	China Huafu Trading & Development Group Corp. (中國華孚貿易發展集團公司), a company incorporated under the laws of the PRC on January 4, 1993 and a wholly-owned subsidiary of COFCO
"Itoham"	Itoham Foods Inc., a limited liability company incorporated under the laws of Japan on June 29, 1948 and a 21.29% shareholder of MIY
"Itoham Yonekyu Holdings"	Itoham Yonekyu Holdings Inc, a limited liability company incorporated under the laws of Japan on April 1, 2016, the shares of which are listed on the Tokyo Stock Exchange with stock code 22960, and the sole shareholder of each of Itoham and Yonekyu
"KKR"	Promise Meat Investment II Ltd, an exempted company with limited liability incorporated in the Cayman Islands on March 18, 2014, and a Shareholder holding approximately 15% of the issued Shares of our Company
"Listing Date"	the date, November 1, 2016, on which the Shares were listed and from which dealings therein were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mainfield"	Mainfield International Limited (明暉國際有限公司), a limited liability company incorporated in the BVI on October 8, 2008, and a major shareholder of our Company holding approximately 27.64% of the issued Shares of our Company
"Ministry of Agriculture"	Ministry of Agriculture of the PRC (中華人民共和國農業部) or its local counterpart
"Mitsubishi"	Mitsubishi Corporation, a limited liability company incorporated under the laws of Japan on April 1, 1950, the shares of which are listed on the Tokyo Stock Exchange with stock code 80580, and a 57.42% shareholder of MIY
"MIY"	MIY Corporation, a limited liability company incorporated under the laws of Japan on January 18, 2011 and a Shareholder holding approximately 13.61% of the issued Shares of our Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules
"Mutual Supply Agreement"	the mutual supply agreement entered into by our Company and COFCO in relation to the mutual supply of products and services on October 14, 2016
"New Share Incentive Scheme"	upon unanimous negotiation with MIY, KKR, Baring, Temasek and Boyu, the Board convened a meeting on March 27, 2017, considered and approved the amended Former Share Incentive Scheme and the related documents

"Nomination Committee"	the Nomination Committee of the Board
"PBOC"	the People's Bank of China, the central bank of the PRC (中國人民銀行)
"Prospectus"	the prospectus of the Company dated October 19, 2016
"Remuneration Committee"	the Remuneration Committee of the Board
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	shares in the capital of our Company with a nominal value of US$0.000001 each
"Shareholder(s)"	holder(s) of our Shares of the Company
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Temasek"	TLS Beta Pte. Ltd., a limited liability company incorporated in Singapore on January 7, 2005, and a Shareholder holding approximately 6.15% of the issued Shares of our Company
"Yonekyu"	Yonekyu Corp., a limited liability company incorporated under the laws of Japan on February 26, 1969 and a 21.29% shareholder of MIY